Marel Food Systems hf

Consolidated Financial Statements
for the year 2007

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The Board of Directors' and CEO's Report

The consolidated financial statements for the year 2007 comprise the financial statements of Marel Food Systems hf (the Company) and its subsidiaries. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

A private placement of 33.5 million new shares and a stock option 3.2 million new shares in Marel Food Systems hf were sold for EUR 34.4 million. The total number of the Company´s shares after the offering is 403,785,697.-

Marel Food Systems hf., has entered into an agreement to acquire the Stork Food Systems division of Stork N.V. Through the acquisition Marel Food Systems will double its revenues and strengthen the platform for further internal growth and profitability. See also note 32.

Total sales of the Group according to the income statement were EUR 289 million in the year compared to EUR 208 million in the year 2006. Net profit of the Group amounted to EUR 6.1 million compared to EUR 0.2 million in the preceding year. Assets of the Group amounted to EUR 427 million according to the balance sheet and shareholders' equity amounted to EUR 182 million at year-end.

During the year an average of 2,129 employees were employed by the Group (at year end 2,245). Total wages and salaries for the group amounted to EUR 106.1 million.

The number of shareholders in Marel Food Systems hf at year end 2007 was 2,038, a decrease of 937 during the year. Three shareholders had a holding interest of more than 10% in the company, Eyrir Invest, with 31.25%, Landsbanki Íslands hf, with 21.01% and Grundtvig Investment with 12.93%.

The Board of Directors suggests no dividend to be paid in the year 2008, but refers to the financial statements regarding appropriation of the year's net profit and changes in shareholders' equity.

The Board of Directors and CEO of Marel Food Systems hf hereby ratify the Consolidated Financial Statements of Marel Food Systems hf for the year 2007 with their signatures.

Garðabær, 12 February 2008

Board of Directors

Árni Oddur Þórðarson
Arnar Þór Másson
Friðrik Jóhannsson
Helgi Magnússon
Lars Grundtvig
Margrét Jónsdóttir

Chief Executive Officer

Hörður Arnarson

Independent auditor's report

To the Shareholders and Board of Directors of the Marel Food Systems hf

We have audited the accompanying consolidated financial statements of Marel Food Systems hf and it´s subsidiaries (together; the Group) which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Garðabær, 12 February 2008.

PricewaterhouseCoopers hf

Þórir Ólafsson

Kristinn Freyr Kristinsson

Financial Ratios

	2007	2006	2005	2004	2003*
Operating results					
Sales	289,817	208,700	129,039	112,301	106,104
Gross profit	97,236	68,803	43,625	41,016	34,617
Profit before depreciation (EBITDA)	20,980	15,679	14,814	16,527	10,129
Profit from operations (EBIT)	10,029	7,527	9,721	12,066	6,568
Profit for the year	6,066	159	5,715	7,984	3,749
Cash flow statement					
Net cash from (to) operating activities	2,778	(2,992)	2,987	13,207	4,724
Investing activities	(70,249)	(69,754)	(10,180)	(6,389)	(1,955)
Financing activities	34,118	132,318	7,210	(7,263)	(1,153)
Financial position					
Total assets	427,304	364,793	114,890	95,482	81,334
Working capital	109,887	87,989	16,557	19,807	17,700
Equity	181,835	144,423	41,032	31,595	25,167
Various figures in proportion to sales					
Gross profit	33.6%	33.0%	33.8%	36.5%	32.6%
Selling and marketing expenses	15.5%	13.9%	12.4%	12.4%	12.8%
Research and development expenses	5.0%	5.6%	6.1%	5.8%	6.8%
Administrative expenses	10.0%	10.6%	8.7%	8.1%	8.1%
Wages and benefits	41.2%	42.7%	42.5%	41.9%	41.0%
Profit before depreciation (EBITDA)	7.2%	7.5%	11.5%	14.7%	9.5%
Depreciation/amortization	3.8%	3.9%	3.9%	4.0%	3.4%
Profit from operations (EBIT)	3.5%	3.6%	7.5%	10.7%	6.2%
Profit for the period	2.1%	0.1%	4.4%	7.1%	3.5%
Other key ratios					
Current ratio	1.9	1.9	1.4	1.6	1.7
Quick ratio	1.3	1.2	0.6	0.7	0.8
Equity ratio	42.5%	39.6%	35.7%	33.1%	30.9%
Return on owners' equity	3.7%	0.2%	18.1%	30.5%	16.5%
Return on total assets	1.5%	0.1%	5.4%	9.0%	4.6%
Price to earnings (P/E) last 12 months	73.5	-	36.7	17.7	19.7

*Amounts 2003 are not in conformity with IFRS.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Consolidated Income Statement

	Notes	2007 Q4	2006 Q4	2007	2006
Sales	5	78,869	71,946	289,817	208,700
Cost of sales		(53,692)	(48,296)	(192,581)	(139,897)
Gross profit		25,177	23,650	97,236	68,803
Other operating income		(66)	642	1,203	1,722
Selling and marketing expenses		(12,172)	(10,990)	(44,829)	(29,085)
Research and development expenses		(4,237)	(4,291)	(14,631)	(11,744)
Administrative expenses		(7,100)	(7,933)	(28,950)	(22,169)
Profit from operations		1,602	1,078	10,029	7,527
Finance costs - net	7	(2,277)	(1,264)	(7,091)	(5,026)
Share of results of associates	27	5,125	(236)	4,602	(1,449)
Profit before income tax		4,450	(422)	7,540	1,052
Income tax expense	9	(1,077)	(93)	(1,474)	(893)
Net profit		3,373	(515)	6,066	159
Attributable to:					
Equity holders of the Company		3,367	(520)	6,065	146
Minority interest		6	5	1	13
		3,373	(515)	6,066	159
Earnings per share for profit attributable to equity holders of the company during the year (expressed in EUR cent per share):					
- basic	10	0.91	-0.14	1.65	0.05
- diluted	10	0.90	-0.14	1.64	0.05

The notes on pages 9-34 are an integral part of the consolidated financial statements.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Consolidated Balance Sheet

	Notes	31/12 2007	31/12 2006
ASSETS			
Non-current assets			
Property, plant and equipment	12	66,305	56,125
Goodwill	13	95,450	97,117
Other intangible assets	13	24,585	16,510
Investments in associates	27	3,281	939
Available-for-sale investments	28	631	744
Receivables	16	245	314
Loan to Associate	30	0	6,707
Derivative financial instruments	18	127	37
Deferred income tax assets	21	3,542	1,991
		194,166	180,484
Current assets			
Inventories	14	61,587	53,263
Production contracts	15	15,168	13,118
Trade receivables	16	52,871	47,306
Other receivables and prepayments	16	20,427	6,697
Loan to Associate	30	49,607	0
Derivative financial instruments	18	3,041	846
Cash and cash equivalents	17	30,437	63,079
		233,138	184,309
Total assets		427,304	364,793
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	25	4,452	4,048
Treasury shares	25	(38)	(3)
Share premium		147,584	115,369
Fair value and other reserves	26	(502)	(88)
Retained earnings		30,293	25,052
		181,789	144,378
Minority interest		46	45
Total equity		181,835	144,423
LIABILITIES			
Non-current liabilities			
Borrowings	19	115,327	119,744
Deferred income tax liabilities	21	6,380	4,306
Provision	22	11	0
Derivative financial instruments	18	500	0
		122,218	124,050
Current liabilities			
Trade and other payables	20	75,487	54,861
Derivative financial instruments	18	117	445
Current income tax liabilities		736	709
Borrowings	19	45,029	38,803
Provisions	22	1,882	1,502
		123,251	96,320
Total liabilities		245,469	220,370
Total equity and liabilities		427,304	364,793

The notes on pages 9-34 are an integral part of the consolidated financial statements.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Consolidated Statement of Changes in Shareholders' Equity

	Notes	Attributable to equity holders of the Company Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006		2,629	12,671	225	25,507	41,032	0	41,032
Cash flow hedges:								
– net fair value gain/(loss), net of tax	26			676		676		676
Currency translation differences	26			(989)		(989)		(989)
Net income/(expenses) recognised directly in equity		0	0	(313)	0	(313)	0	(313)
Sale of treasury shares		29	1,651			1,680		1,680
Purchases of treasury shares		(24)	(1,734)			(1,758)		(1,758)
Employee share option scheme:								
- value of services provided			349			349		349
Business combination	31		0			0	32	32
Dividend related to 2005					(601)	(601)		(601)
Profit for the period					146	146	13	159
Issue of share capital		1,411	102,432			103,843		103,843
		1,416	102,698	(313)	(455)	103,346	45	103,391
Balance at 31 December 2006		4,045	115,369	(88)	25,052	144,378	45	144,423
Cash flow/net investment hedges:								
– net fair value gain/(loss), net of tax	26			645		645		645
Currency translation differences	26			(1,059)		(1,059)		(1,059)
Net income/(expenses) recognised directly in equity		0	0	(414)	0	(414)	0	(414)
Purchases/sale of treasury shares		(35)	(2,303)			(2,338)		(2,338)
Employee share option scheme:								
- value of services provided			557			557		557
Dividend related to 2006					(824)	(824)		(824)
Profit for the period					6,065	6,065	1	6,066
Issue of share capital		404	33,961			34,365		34,365
		369	32,215	(414)	5,241	37,411	1	37,412
Balance at 31 December 2007		4,414	147,584	(502)	30,293	181,789	46	181,835

The notes on pages 9-34 are an integral part of the consolidated financial statements.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Consolidated Cash Flow Statement

	Notes	2007	2006
Cash flows from operating activities			
Net profit		6,066	159
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and impairment of fixed assets		5,069	3,834
Amortisation and impairment of intangible assets		5,882	4,318
Currency fluctuations and indexation		260	(5,428)
Changes in deferred taxes		246	(788)
Share of results of associates		(4,602)	1,460
Other changes		66	(817)
Working capital provided by operating activities		12,987	2,738
Changes in operating assets and liabilities:			
Inventories and production contracts (decrease)		(12,115)	(8,214)
Trade and other receivables (decrease)		(20,399)	(2,137)
Short-term liabilities, increase		22,305	4,621
Changes in operating assets and liabilities		(10,209)	(5,730)
Net cash from (to) operating activities		2,778	(2,992)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	28	0	(45,732)
Purchase of property, plant and equipment (PPE)	12	(17,328)	(10,402)
Purchase of intangibles	13	(13,266)	(7,817)
Purchase of associate investments	27	0	(1)
Loans made		(41,643)	(8,223)
Proceeds from sale of PPE		1,242	2,303
Proceeds from sale of shares		746	118
Net cash used in investing activities		(70,249)	(69,754)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		34,638	59,018
Proceeds from (purchase of) treasury shares, net		(2,154)	271
Proceeds from borrowings		24,669	75,358
Repayments of borrowings		(13,434)	(10,095)
Finance lease principal payments		(865)	(569)
Changes in short-term bank loans		(7,912)	8,936
Dividend paid to group shareholders		(824)	(601)
Net cash from financing activities		34,118	132,318
Net increase (decrease) in cash and cash equivalents		(33,353)	59,572
Exchange losses on cash and bank overdrafts		711	(373)
Cash and cash equivalents at beginning of year		63,079	3,880
Cash and cash equivalents at end of year		30,437	63,079
Other information			
Interest paid		(3,573)	(2,431)
Income tax paid		(1,864)	(1,143)
Dividend received		8	3

The notes on pages 9-34 are an integral part of the consolidated financial statements.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Notes to the Consolidated Financial Statements

1. General information

Marel Food Systems hf. ("the company") and its subsidiaries (together "the group") manufactures, distributes and sells solutions for use in all major sectors of the food processing industry.

Marel Food Systems hf. is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Austurhraun 9, Gardabaer

The company has its listing on the OMX The Nordic Exchange in Iceland.

These consolidated financial statements have been approved for issue by the board of directors on 12 February 2008.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Marel Food Systems (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies, as adopted by the EU, depart from full IFRS in few standards, interpretations and amendments that will have minor effects on future reporting of the group.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss.

Standards and amendment effective in 2007
IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables.

At date of authorisation of these financial statements, the following standards were in issue but not effective:

	Effective date
IFRS 8 Operating Segments	1 January 2009

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

2.2 Consolidation

Subsidiaries
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The principal subsidiaries are listed in note 34.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

Transactions and minority interests
The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the income statement.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements are presented in euros (EUR), which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in note 2.9.

Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates
(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Notes to the Consolidated Financial Statements

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	20-40 years
Plant and machinery	5-15 years
Equipment and motor vehicles	3-8 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalised as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.6 Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on some acquisitions that occurred prior to 1 January 2004 has been charged in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Notes to the Consolidated Financial Statements

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

Other intangible assets
Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 8 years. Intangible assets are not revalued.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its investments in the following categories: receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are included in receivables and prepayments in the balance sheet (see note 2.12).

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as impairment loss from available-for-sale investments.

Notes to the Consolidated Financial Statements

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

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Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within ‘finance costs’. The gain or loss relating to the ineffective portion is recognised in the income statement within ‘other gains/(losses) – net’. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within ‘other gains/(losses) – net’.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘other gains/(losses) – net’.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the income statement within ‘other gains/(losses) – net’.

2.10 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Costs of inventories include the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases. Provision is raised against slow moving items.

2.11 Production (construction) contracts

Production costs are recognised when incurred.

When the outcome of a production contract cannot be estimated reliably, contract revenue is recognised only to the extent of production costs incurred that are likely to be recoverable.

When the outcome of a production contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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2.12 Receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within sales. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sales in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company´s equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.15 Trade payable

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

Equity compensation benefits
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Profit sharing and bonus plans
Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least the following condition is met:

– there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. The company gives warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.20 Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, commissions and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from sales of goods is based on the stage of completion determined by reference to work performed to date as a percentage of total work to be performed.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from fixed-price contracts for delivering design services and solutions is recognised under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

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Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

Dividends are recognised when the right to receive payment is established.

2.21 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.23 Comparatives

Where applicable comparative amounts in the income statement have been transferred between items to reflect changes in the presentation for this period. It doesn't affect the net operating income for the year.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out within the group where applicable under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to UK pound and US dollar. Entities in the Group use forward contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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At 31 December 2007, if the functional currency had weakened/strengthened by 1% against the UK pound with all other variables held constant, post-tax profit for the year would have been EUR 241 lower/higher as a result of foreign exchange gains/losses on translation of UK pound-denominated financial instruments. The sensitivity of UK pound-denominated financials instruments is relatively similar to last year.

At 31 December 2007, if the functional currency had weakened/strengthened by 1% against the SKK, the Slovak Koruna, with all other variables held constant, post-tax profit for the year would have been EUR 82 lower/higher, mainly as a result of foreign exchange gains/losses on translation of SKK denominated borrowings. Profit is more sensitive to movements in functional currency/SKK exchange rates in 2007 than 2006 because of the increased amount of SKK borrowings.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2007 and 2006, the group's borrowings at variable rate were denominated in EUR and DKK.

Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

At 31 December 2007, if interest rates on functional currency-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 16.4 lower/higher, as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2007, if interest rates on DKK-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 223 lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. 90% of sales to customers are settled in cash or letter of credit.

Exposure to credit risk

The carrying amount of financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2007**	**2006**
Trade receivables	16	53,116	47,620
Other receivables and prepayments	16	20,427	6,697
Loan to Associate	30	49,607	6,707
Derivative financial instruments	18	3,168	883
Cash and cash equivalents	17	30,437	63,079
		156,755	124,986

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(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	**Carrying amount**	**Contractual cash flow**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Borrowings	160,356	193,705	55,510	9,207	98,864	30,124
Trade and other payables	73,760	73,760	73,760	0	0	0

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	**Contractual cash flow**	**Less than 1 year**	**Between 1 and 2 years**
Forward foreign exchange contracts – cash flow hedges			
Outflow	30,806	28,106	2,699
Inflow	33,525	30,596	2,929

At 31 December 2006	**Contractual cash flow**	**Less than 1 year**	**Between 1 and 2 years**
Forward foreign exchange contracts – cash flow hedges			
Outflow	32,903	30,814	2,089
Inflow	35,121	32,780	2,341

3.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option program. Buy and sell decisions are made on a specific transaction basis by the Board; the group does not have a defined share buy-back plan.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value in use calculation. These calculations require the use of estimates.

(b) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgment to select a variety ofmethods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

(c) Revenue recognition
The Group uses the percentage-of-completion method in accounting for its sales of goods and production contracts. Use of the percentage-of-completion method requires the Group to estimate the stage of completion to date as a proportion of the total work to be performed.

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5. Segment information

Business segments
At 31 December 2007, the Group is organised on a worldwide basis into three main business segments (industries): (1) Fish, (2) Poultry and (3) Meat.

Other Group operations mainly comprise the sale of manufacturing services which does not constitute a separately reportable segment.

The segment results for the year ended 31 December 2007 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Total gross segment sales	111,022	88,014	102,958	69,647	371,641
Inter-segment sales	(14,419)	(11,072)	(8,643)	(47,690)	(81,824)
Sales	96,603	76,942	94,315	21,957	289,817
Operating profit					10,029
Finance costs - net					(7,091)
Share of results of associates					4,602
Profit before tax					7,540
Income tax expense					(1,474)
Profit for the year					6,066

The segment results for the year ended 31 December 2006 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Total gross segment sales	86,842	57,320	62,069	43,282	249,513
Inter-segment sales	(3,432)	(13,358)	(3,713)	(20,310)	(40,813)
Sales	83,410	43,962	58,356	22,972	208,700
Operating profit					7,527
Finance costs - net					(5,026)
Share of results of associates					(1,449)
Profit before tax					1,052
Tax expense					(893)
Profit for the year					159

The group does not allocate assets, liabilities, depreciation, amortization, impairment charge and capital expenditures between business segments.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Secondary reporting format – geographical segments

The Group's three business segments operate in four main geographical areas, even though they are managed on a worldwide basis.
The home country of the Company – which is also the main operating company – is Iceland.

Sales	**2007**	**2006**
Iceland	2,449	4,889
Europe other	214,527	145,375
North America	56,163	45,914
Other countries	16,678	12,522
	289,817	208,700

Sales are allocated based on the country in which the customer is located.

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

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	2007	2006
Total assets		
Iceland	310,492	267,458
Other countries	116,812	97,335
	427,304	364,793

Total assets are allocated based on where the assets are located.

	2007	2006
Capital expenditure		
Iceland	8,133	11,619
Other countries	22,462	6,601
	30,595	18,220

Capital expenditure is allocated based on where the assets are located.

6. Quarterly results

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Sales	78,869	66,087	72,617	72,244	71,946
Cost of sales	(53,692)	(44,215)	(47,853)	(46,821)	(48,296)
Gross profit	25,177	21,872	24,764	25,423	23,650
Other operating income	(66)	124	770	375	642
Selling and marketing expenses	(12,172)	(10,398)	(11,751)	(10,508)	(10,990)
Research and development expenses	(4,237)	(3,122)	(3,631)	(3,641)	(4,291)
Administrative expenses	(7,100)	(6,711)	(6,733)	(8,406)	(7,933)
Profit from operations (EBIT)	1,602	1,765	3,419	3,243	1,078
Finance costs - net	(2,277)	(1,894)	(1,752)	(1,168)	(1,264)
Share of results of associates	5,125	(6,836)	6,598	(285)	(236)
Profit (loss) before tax	4,450	(6,965)	8,265	1,790	(422)
Income tax expense	(1,077)	1,208	(824)	(781)	(93)
Profit for the year	3,373	(5,757)	7,441	1,009	(515)
Profit before depreciation (EBITDA)	4,841	4,614	5,881	5,644	3,730

7. Finance costs – net

	2007	2006
Interest expense:		
- borrowings	(8,465)	(8,981)
- finance leases	(177)	(53)
- other interest expenses	(379)	(146)
	(9,021)	(9,180)
Interest income	1,910	2,463
Other finance income (cost)	8	67
Net foreign exchange transaction gains/(losses)	12	1,523
Gain (loss) on sale of subsidiaries	0	101
	(7,091)	(5,026)

8. Staff costs

	2007	2006
Wages	106,151	79,920
Related expenses	13,194	9,167
	119,345	89,087
Staff costs analyses as follows in the income statement:		
Cost of sales	63,007	47,869
Selling and marketing expenses	27,478	17,034
Research and development expenses	11,958	10,490
Administrative expenses	16,902	13,694
	119,345	89,087

Marel Food Systems hf, Consolidated financial statements 31 December 2007 Amounts in thousands of EUR

Notes to the Consolidated Financial Statements

9. Income tax expense

	2007	2006
Current tax	1,228	1,680
Deferred tax (Note 21)	246	(787)
	1,474	893

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Profit before tax	7,540	1,052
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,932	1,088
Permanent differences for tax purposes	(528)	(58)
Change in tax percentage	(281)	0
Impacts from previously unrecogn. tax losses/asset not recognized and other items	351	(137)
Tax charge	1,474	893

The weighted average applicable tax rate was 20% (2006: 85%).

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	2007	2006
Net profit attributable to equity holders	6,065	146
Weighted average number of outstanding shares in issue (thousands)	368,343	280,816
Basic earnings per share (EUR cent per share)	1.65	0.05

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Net profit used to determine diluted earnings per share	6,065	146
Weighted average number of outstanding shares in issue (thousands)	368,343	280,816
Adjustments for share options (thousands)	2,264	1,447
Weighted average number of outstanding shares for diluted earnings per share (thousands)	370,607	284,497
Diluted earnings per share (EUR cent)	1.64	0.05

11. Dividend per share

The dividends paid in March 2007 and March 2006 were EUR 824 (EUR 0.22 cents per share) and EUR 601 (EUR 0.25 cents per share) respectively.

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Notes to the Consolidated Financial Statements

12. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2006				
Cost	27,872	12,002	7,100	46,974
Accumulated depreciation	(2,463)	(7,593)	(3,676)	(13,732)
Net book amount	25,409	4,409	3,424	33,242
Year ended 31 December 2006				
Opening net book amount	25,409	4,409	3,424	33,242
Business combination	11,893	2,190	3,639	17,722
Exchange differences	163	103	(123)	143
Additions	5,061	2,796	2,545	10,402
Disposals	(880)	(91)	(579)	(1,550)
Depreciation charge	(406)	(1,572)	(1,856)	(3,834)
Closing net book amount	41,240	7,835	7,050	56,125
At 31 December 2007				
Cost	45,813	18,078	15,750	79,641
Accumulated depreciation	(4,573)	(10,243)	(8,700)	(23,516)
Net book amount	41,240	7,835	7,050	56,125
Year ended 31 December 2007				
Opening net book amount	41,240	7,835	7,050	56,125
Exchange differences	(336)	(278)	(262)	(876)
Additions	8,282	3,039	6,007	17,328
Disposals	0	(71)	(1,132)	(1,203)
Depreciation charge	(526)	(1,812)	(2,731)	(5,069)
Closing net book amount	48,660	8,713	8,932	66,305
At 31 December 2007				
Cost	53,749	20,242	17,856	91,847
Accumulated depreciation	(5,089)	(11,529)	(8,924)	(25,542)
Net book amount	48,660	8,713	8,932	66,305

	2007	**2006**
Depreciation of property, plant and equipment analyses as follows in the income statement:		
Cost of sales	3,287	2,542
Selling and marketing expenses	744	470
Development expenses	256	292
Administrative expenses	782	530
	5,069	3,834

Building in Austurhraun 9 is pledged with letter of indemnity (LOI), amount USD 7.3 million.

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13. Intangible assets

	Goodwill	Development costs	Trade name	Patents	Software	Total
At 1 January 2006						
Cost	9,580	8,092	0	329	97	18,098
Accumulated depreciation	0	0	0	0	0	0
Net book amount	9,580	8,092	0	329	97	18,098
Year ended 31 December 2006						
Opening net book amount	9,580	8,092	0	329	97	18,098
Business combination	87,169	3,868	0	266	346	91,649
Exchange differences	368	8	0	1	4	381
Additions	0	6,716	0	710	391	7,817
Amortisation charge	0	(3,736)	0	(415)	(167)	(4,318)
Closing net book amount	97,117	14,948	0	891	671	113,627
Year ended 31 December 2007						
Opening net book amount	97,117	14,948	0	891	671	113,627
Allocation of business combination	(4,693)	0	3,201	1,492	0	0
Exchange differences	(835)	(124)	0	(16)	(1)	(976)
Additions	3,920	8,418	0	507	421	13,266
Amortisation charge	(59)	(5,000)	0	(463)	(360)	(5,882)
Closing net book amount	95,450	18,242	3,201	2,411	731	120,035
At 31 December 2007						
Cost	95,509	26,978	3,201	3,289	1,258	130,235
Accumulated depreciation	(59)	(8,736)	0	(878)	(527)	(10,200)
Net book amount	95,450	18,242	3,201	2,411	731	120,035

	2007	**2006**
Amortisation of intangible assets analyses as follows in the income statement:		
Cost of sales	89	39
Selling and marketing expenses	128	36
Development expenses	5,519	4,106
Administrative expenses	146	137
	5,882	4,318

Purchase price allocation regarding acquisition of the share capital of Scanvaegt International A/S led to allocation from goodwill amount EUR 4.7 million to trade name EUR 3.2 million and patents EUR 1.5 million.

Patents of EUR 469 (2006: EUR 469) have been pledged as security for borrowings.

Impairment tests for goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operation of each entity.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (3-5%), gross margin (11-28%) and discount rate (8-17,5%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The impairment test of goodwill did not result in impairment loss.

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Notes to the Consolidated Financial Statements

14. Inventories

	31/12 2007	31/12 2006
Raw materials	30,912	30,155
Work in progress	9,519	6,340
Finished goods	21,156	16,768
	61,587	53,263

The cost of inventories recognised as expense and included in 'cost of goods sold' amounted to EUR 104,605 (2006: EUR 81,138).

Inventories of EUR 8,951 (2006: EUR 7,049) have been pledged as security for borrowings.

15. Production contracts

Ordered work in process	37,282	25,963
Advances received on ordered work in process	(22,114)	(12,845)
	15,168	13,118

16. Receivables and prepayments

Current receivables:		
Trade receivables	55,946	50,201
Less: Provision for impairment of receivables	(2,830)	(2,581)
Trade receivables – net	53,116	47,620
Less non-current portion	(245)	(314)
Current portion	52,871	47,306

Other receivables and prepayments		
Pre-payments	13,269	4,303
Other receivables	7,158	2,394
	20,427	6,697

All non-current receivables are due within four years from the balance sheet date.

The carrying amounts of receivables and prepayments approximate their fair value.

As of 31 December 2007, trade receivables of EUR 20,486 were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of EUR 21.502 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2007, trade receivables of EUR 13.884 were impaired and provided for. The amount of the provision was EUR 2,830 as of 31 December 2007. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Gross amount	Impairment
Up to 3 months	21,502	0
Over 3 months	13,884	2,830
	35,386	2,830

Receivables of EUR 4,141 (2006: EUR 3,837) have been pledged as security for borrowings.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2007
EUR	21,551
DKK	10,928
US dollar	9,725
UK pound	5,813
Other currencies	7,929
	55,946

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Movements on the group provision for impairment of trade receivables are as follows:

	2007	2006
At 1 January	2,581	748
Business combination	0	1,627
Provision for receivables impairment	1,403	235
Receivables written off during the year as uncollectible	(790)	60
Unused amounts reversed	(363)	(90)
At 31 December	2,830	2,581

The creation and release of provision for impaired receivables have been included in 'Sales' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

17. Cash and cash equivalents

Cash at bank and in hand	30,437	63,079

Bank overdrafts are considered to be financing activities in the cash flow statement.

18. Derivative financial instruments

	31 December 2007		31 December 2006	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps – cash flow hedges	127	117	0	445
Currency interest-rate swaps – fair value hedges	1,775	500		
Forward foreign exchange contracts – cash flow hedges	1,266		883	
Total	3,168	617	883	445
Less non-current portion:				
Interest-rate swaps – cash flow hedges	127		37	
Currency interest-rate swaps – fair value hedges		500		
Total non-current	127	500	37	0
Current portion	3,041	117	846	445

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

(a) Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 were EUR 30,805 (2006: EUR 32,902).

(b) Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2007 were EUR 10,530 (2006: EUR 3,845).

At 31 December 2007, the fixed interest rates vary from 3.3% to 7.98% (2006: 3.3% to 7.98%), and the main floating rates are EURIBOR, CIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2007 will be continuously released to the income statement until the repayment of the bank borrowings (note 19).

(c) Hedge of net investment in foreign entity
The group's net investment in UK subsidiary amounting to EUR 20,418 (2006: EUR 21,164) is hedged in full. The foreign exchange gain of EUR 704 (2006: loss of EUR 340) on translation of the borrowing to currency at the balance sheet date is recognised in other reserves, in shareholders' equity.

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Notes to the Consolidated Financial Statements

19. Borrowings

	31/12 2007	31/12 2006
Non-current:		
Bank borrowings	29,337	20,246
Debentures	85,657	98,700
Finance lease liabilities	333	798
	115,327	119,744
Current:		
Bank overdrafts	21,919	25,050
Bank borrowings	2,632	11,613
Debentures	19,973	1,173
Finance lease liabilities	505	967
	45,029	38,803
Total borrowings	160,356	158,547

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of EUR 50,768 (2006: EUR 40,245). The bank borrowings are secured over certain of accounts receivable and inventories. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Liabilities in currency:	Finance lease liabilities	Other borrowings	Total 31/12 2007	Total 31/12 2006
Liabilities in CHF	0	2,311	2,311	505
Liabilities in DKK	202	48,716	48,918	50,672
Liabilities in EUR	234	20,358	20,592	31,208
Liabilities in GBP	142	1,465	1,607	873
Liabilities in ISK, index linked	0	73,469	73,469	67,386
Liabilities in JPY	0	161	161	84
Liabilities in NOK	0	380	380	1,570
Liabilities in SKK	0	8,706	8,706	0
Liabilities in USD	67	3,786	3,853	2,944
Liabilities in other currency	193	166	359	3,305
	838	159,518	160,356	158,547
Current maturates	(505)	(44,524)	(45,029)	(38,803)
	333	114,994	115,327	119,744

Annual maturates of non-current liabilities:				
Period 2009/2008	202	3,972	4,174	22,530
Period 2010/2009	72	3,212	3,284	3,510
Period 2011/2010	45	3,116	3,161	2,444
Period 2012/2011	14	76,439	76,453	2,411
Later	0	28,255	28,255	88,849
	333	114,994	115,327	119,744

Bank borrowings

Bank borrowings mature until 2027 and bear average coupons of 6.24% annually.

The exposure of the group’s borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

6 months or less	22,361
6-12 months	19,973
1-5 years	98,710
Over 5 years	19,312
	160,356

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The carrying amounts and fair value of the non-current borrowings are EUR 115,327 and EUR 111,115 respectively. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7%.

The group has the following undrawn borrowing facilities:

	2007
Floating rate:	
– Expiring within one year	20,258
– Expiring beyond one year	1,957
	22,215

The facilities expiring within one year are annual facilities subject to review at various dates during 2008.

20. Trade and other payables

	31/12 2007	**31/12 2006**
Trade payables	24,389	19,989
Accruals	21,607	17,874
Deferred income	17,693	6,533
Other payables	11,798	10,465
	75,487	54,861

21. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

1 January 2006	2,289
Business combination (Note 29)	786
Exchange differences and changes within the group	207
Income statement charge (Note 9)	893
Less current tax	(1,680)
Tax charged to equity	(180)
End of year 2006	2,315
1 January 2007	2,315
Exchange differences and changes within the group	28
Income statement charge (Note 9)	1,474
Less current tax	(1,228)
Tax charged to equity	249
End of year 2007	2,838

	2007	**2006**
The deferred tax charged/(credited) to equity during the period is as follows:		
Fair value reserves in shareholders' equity		
– hedging reserve	193	217

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

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	31/12 2007	31/12 2006
Deferred tax assets	(3,542)	(1,991)
Deferred tax liabilities	6,380	4,306
	2,838	2,315

Deferred income tax liability (assets) analyses on the following items:		
Non-current assets	6,864	5,820
Hedge reserve	231	38
Taxable loss carried forward	(4,975)	(3,761)
Other items	718	218
	2,838	2,315

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Taxable effects of losses amounting to EUR 4,975 expire in the years 2009-2017.

22. Provisions

Warranty:	
At 1 January 2006	794
Business combination	737
Changes entered into income statement	(29)
At 31 December 2006	1,502
At 1 January 2007	1,502
Changes entered into income statement	391
At 31 December 2007	1,893

	31/12 2007	31/12 2006
Analysis of total provisions:		
Current	1,882	1,502
Non current	11	0
	1,893	1,502

23. Contingencies

Contingent liabilities:

At year end 2007 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 22,267 (2006: EUR 3,307) to third parties.

24. Commitments and insurance

Operating lease commitments – where a group company is the lessee
The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 10,529. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2008 - 2016.

Insurance
The Group has bought a loss of profit insurance which will cover work stoppage for up to 12 months, based on terms of operation insurance agreement. The insurance benefits amounts up to EUR 173 million. The Group insurance value of buildings amounts to EUR 63 million, production machinery and equipment including software and office equipment amounts to EUR 57 million and inventories to EUR 61 million.

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Notes to the Consolidated Financial Statements

25. Share capital

	Number of shares (thousands)	Ordinary shares	Treasury shares	Total
At 1 January 2006	238,271	240,064	(1,793)	238,271
Issue of shares	127,017	127,017	0	127,017
Treasury shares purchased	(1,951)	0	(1,951)	(1,951)
Treasury shares sold	2,495	0	2,495	2,495
At 31 December 2006	365,832	367,081	(1,249)	365,832
Issue of shares	36,705	36,705	0	36,705
Treasury shares purchased	(2,702)	0	(2,702)	(2,702)
Treasury shares sold	515	0	515	515
At 31 December 2007	400,350	403,786	(3,436)	400,350

The total authorised number of ordinary shares is 403,8 million shares (2006: 367 million shares) with a par value of ISK 1 per share (2006: ISK 1 per share).

26. Fair value reserves and other reserves

	Hedging reserve	Cumulative translation adjustment	Total
Balance at 1 January 2006	(277)	502	225
Cash flow hedges:			
– Fair value gain/(loss) in period	970	0	970
– Tax on fair value	(294)	0	(294)
Currency translation differences	0	(989)	(989)
Balance at 31 December 2006	399	(487)	(88)
Cash flow/net investment hedges:			
– Fair value gain/(loss) in period	838	0	838
– Tax on fair value	(193)	0	(193)
Currency translation differences	0	(1,059)	(1,059)
Balance at 31 December 2007	1,044	(1,546)	(502)

27. Investments in associates

	2007	**2006**
Beginning of year	(576)	0
Business combination	0	876
Additions	0	1
Translation difference	1	(4)
Sale of associate	(746)	0
Share of results	4,602	(1,449)
End of year	3,281	(576)
Negative balance presented among non-current receivables	0	1,515
At 31 December	3,281	939

28. Available-for-sale investments

At 1 January 2006	680
Impairment unwinding	64
At 31 December 2006	744
Dividend	(113)
At 31 December 2007	631

Available-for-sale investments, denominated in EUR, are unlisted equity securities traded on inactive markets and classified as non-current assets.

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29. Business combination

On 7 April 2006 the Group acquired the operation of AEW Delford and subsequently established a company and on 4 August 2006 the Group acquired 100% of the share capital of Scanvaegt International A/S, manufacturer of equipment for the food processing industry. The acquired operation and company contributed revenues of EUR 72,949 for the period from acquisition to 31 December 2006.

Details of net assets acquired and goodwill are as follows:
Purchase consideration:

- Cash paid	43,291
- Borrowings from seller	19,487
- New shares issued	44,429
- Direct cost relating to the acquisition	3,599
	110,806
Fair value of net assets acquired	(23,700)
Goodwill	87,106

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition.

The assets and liabilities arising from the acquisitions are as follows:

Cash and cash equivalents	1,158
Intangibles	4,215
Property, plant and equipment	18,045
Investments in associates	876
Receivables, non-current	116
Inventories	20,486
Production contracts	3,839
Receivables and prepayments	28,849
Borrowings, non-current	(14,199)
Borrowings, current	(12,006)
Trade and other payables	(25,854)
Provisions	(737)
Deferred taxes	(786)
Current tax liabilities	(302)
Fair value of net assets acquired	23,700
Goodwill	87,106
	110,806
Less:	
– New shares issued	(44,429)
– Borrowings from seller	(19,487)
Cash and cash equivalents in subsidiary acquired	(1,158)
Cash outflow on acquisition	45,732

30. Related party transactions

At the end of year 2007, there are no loans to directors (31 December 2006: EUR nil). In addition there were no transactions carried out (purchases of goods and services) between the group and the directors in the years 2006 and 2007.

During the years 2006 and 2007, a loan amounting to EUR 49.6 million was granted to LME Eignarhaldsfélag ehf. Marel Food Systems hf is owner of 20% of the shares in the company and the loan is convertible into shares under certain circumstances.

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	Payroll and benefits	Benefits from stock option	Stock options [1]	Bought shares acc. to stock options [2]	Shares at year-end [1]
Bord fee for the year 2007 and shares at year-end					
Árni Oddur Þórðarson, Chairman .... [3)]	66	0	0	0	126,200
Arnar Þór Másson, Board member.........................	24	0	0	0	0
Friðrik Jóhannsson, Board member......................	24	0	0	0	400
Helgi Magnússon, Board member.........................	24	0	0	0	4,786
Margrét Jónsdóttir, Board member........................	24	0	0	0	78
Lars Grundtvig, Board member............................ [4)]	20	0	0	0	52,201
	182	0	0	0	183,665
Management salaries and benefits for the year 2007 and shares at year end					
Hörður Arnarsson, CEO..	459	553	3,000	971	1,676
Erik Steffensen, Director of Scanwaegt..................	161	0	100	0	0
Thorkild Christensen, Director of Carnitech...........	201	0	300	0	7
Directors in the Parent company...........................	1,642	823	2,550	1,495	3,435
	2,463	1,376	5,950	2,466	5,118

1) Number of shares

2) All stock bought at a rate of ISK 42 pr. share according to stock option agreements.

3) Shares owned by Eyrir Invest, where Þórðarson is CEO including those of financially related parties

4) Shares owned by Grundtvig Invest AsP

31. Share options

Share options are granted to directors and to employees. The exercise price of the granted options in 2001 is equal to the market price of the shares on date of the grant (1 January 2001). The exercise price of the granted options in 2006 is higher than market price of the shares on the date of grant (16 February 2006). The exercise price of the granted options in January 2007 is equal to the market price of the shares on date of the grant (29 January 2007). The exercise price of the granted options in December 2007 is below the market price of the shares on date of the grant (3 December 2007). Options are conditional on the employee completing particular period's service (the vesting period). The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in ISK per share	Options (thousands)
At 1 January 2006		4,561
Exercised	42	(1,182)
Granted 2006	71	14,235
At 31 December 2006		17,614
Granted 2007	74	1,500
Granted 2007	92	1,315
Forfeited 2007	71	(492)
Exercised 2007	42	(3,379)
At 31 December 2007	73	16,558

Outstanding option granted 2006 and 2007 (excercise price 71 and 74) have expiry date 2010 plus one year in grace. Outstanding option granted 2007 (excercise price 92) have expiry date 2011 plus one year in grace

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32. Events after the balance sheet date

In November 2007 Marel Food Systems hf. signed an agreement to acquire the Stork Food Systems division of Stork N.V. The acquisition price is EUR 415 million on a debt and cash-free basis and with additional transaction costs which is estimated EUR 20 million. The acquisition is fully funded by proceeds of interests in LME Eignarhaldsfélag ehf. (EUR 53 million), an equity offering underwritten by Landsbanki (EUR 147 million, thereof EUR 30 million sold at year-end) and secured long term debt financing (EUR 235 million). The transaction closure is subject to a clearance from anti-trust authorities. Until the transaction is formally concluded, each company will continue to operate independently.

33. Fees to Auditors

	2007	2006
Audit of financial statements	557	365
Review of interim financial statements	203	146
Other services	237	178
	997	689

The amount includes payments of external auditors of all companies within the group.

34. Principal subsidiaries

Marel Chile S.A.	Chile
Marel Equipment Inc	Canada
Marel Food Systems	Slovakia
Marel Food Systems A/S	Denmark
Marel Food Systems GmbH & Co KG	Germany
Marel Food Systems Inc	USA
Marel Food Systems LLC	Russia
Marel Food Systems Ltd	Thailand
Marel Food Systems Pty Ltd	Australia
Marel Holding B.V.	Netherland
Marel Management GmbH	Germany
Marel Spain S.L.	Spain
Marel UK Ltd	UK
AEW Delford Group	UK
Carnitech Group	Denmark
Scanvaegt International Group	Denmark

All subsidiaries are wholly owned. All holdings are in the ordinary share capital of the entity concerned.

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