# Marel hf

## Consolidated Financial Statements 2002

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# The Board and Managing Director's Report

Operating revenues of the Group according to the profit and loss account were EUR 104 million in the year compared to EUR 97 million in year 2001. Net profit of the Group amounted to EUR 50 thousand compared to EUR 2,1 million in the preceding year. Assets of the Group amounted to EUR 82,6 million according to the balance sheet and shareholders' equity amounted to EUR 22,7 million at year-end.

During the year an average of 792 employees were employed by the Group, with 273 employed by the parent company. Total wages and salaries for the group amounted to EUR 39 million.

The number of shareholders in Marel hf at year's end 2001 were 1.823 and increased by 107 during the year. Two shareholders had a holding interest of more than 10% in the company, Burdarás hf, which owned 31.6% and Pension Fund Bankastraeti 7 which owned 10,8%.

The Board of Directors suggests that a dividend of 10% be paid in the year 2003, but refers to the Financial Statements regarding appropriation of the year's net profit and changes in shareholders' equity.

The Board of Directors and Managing Director of Marel hf hereby ratify the Financial Statements for 2002 with their signatures.

Reykjavík, 17 February 2003

Benedikt Sveinsson
Þorkell Sigurlaugsson
Arnar Þór Másson
Heimir Haraldsson
Þórólfur Árnason

Managing Director:

Hörður Arnarson

# Auditors' Report

## To the Board of Directors and Shareholders of Marel hf

We have audited the Consolidated Financial Statements of Marel hf for the year 2002. The Consolidated Financial Statements consist of the board of director's report, profit and loss account, balance sheet as of December 31, statement of cash flow, summary of accounting principles and notes 1 - 16. These Financial Statements are the responsibility of the company's management according to law and regulations. Our responsibility is to express an opinion on these Financial Statements based on our audit. We have not audited the foreign subsidiaries' Financial Statements, but they have been audited and signed by unqualified reports by other certified public accountants.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes, based on our assessment of materiality and risk, an analytical review and an examination, on a test basis, of evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

It is our opinion, based on our own audit and the auditors' reports of the foreign subsidiaries' Financial Statements, that the Financial Statements present fairly, the financial position of the company and its subsidiaries as of December 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with law, the company's statutes and generally accepted accounting standards in Iceland.

Reykjavík, 17 February 2003

**PricewaterhouseCoopers ehf**

Gunnar Sigurðsson
Ólafur Þór Jóhannesson

# Five-Year Summary

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Operating income | 104.009 | 97.211 | 79.391 | 74.355 | 47.396 |
| Operating profit | 2.278 | 5.979 | 4.528 | 5.995 | 1.193 |
| Net profit (loss) | 50 | 2.106 | (117) | 4.306 | 115 |
| **Financial trends** | | | | | |
| Funds from operations | 2.373 | 4.606 | 5.300 | 5.708 | 1.003 |
| Investing activities | (17.959) | (12.585) | (13.321) | 620 | (346) |
| Profit before depreciation (EBITDA) | 5.469 | 8.174 | 6.383 | 7.487 | 2.651 |
| **Financial position** | | | | | |
| Total assets | 82.602 | 68.829 | 62.050 | 41.322 | 33.477 |
| Working capital | 12.740 | 14.978 | 22.458 | 14.840 | 12.628 |
| Equity | 22.724 | 23.654 | 23.722 | 11.256 | 6.073 |
| **Various figures in proportion to turnover** | | | | | |
| Bought material | 32,8% | 33,0% | 33,0% | 37,8% | 34,3% |
| Wages and benefits | 42,1% | 39,4% | 40,3% | 35,2% | 41,0% |
| Other operating expenses | 19,9% | 19,2% | 18,7% | 17,0% | 19,1% |
| Profit before depreciation (EBITDA) | 5,3% | 8,4% | 8,0% | 10,1% | 5,6% |
| Depreciation | 3,1% | 2,3% | 2,3% | 2,1% | 3,1% |
| Net income | 0,0% | 2,2% | -0,1% | 5,8% | 0,2% |
| **Other key ratios** | | | | | |
| Working capital ratio | 1,4 | 1,6 | 2,0 | 1,8 | 2,0 |
| Monetary working capital ratio | 0,7 | 0,8 | 1,3 | 1,1 | 1,3 |
| Equity ratio | 27,5% | 34,4% | 38,2% | 27,2% | 18,1% |
| Return on owners' equity | 0,2% | 9,4% | -1,0% | 65,6% | 1,8% |

Amounts 1998 - 2001 are translated from Icelandic kronur into the currency of EUR based on average exchange rate of each year for the operating items but the year end rate for the balance sheet items.

Amounts in thousands of EUR

# Profit and Loss Account for the year 2002

| | Notes | 2002 | 2001 |
|---|---|---|---|
| **Operating revenues** | | | |
| Sales of goods and services | | 100.654 | 94.116 |
| Changes in work in progress and finished | | 1.348 | 1.204 |
| Other income | | 2.007 | 1.891 |
| | | 104.009 | 97.211 |
| **Operating expenses** | | | |
| Bought material | | 34.117 | 32.058 |
| Wages and benefits | 1 | 43.763 | 38.320 |
| Other operating expenses | | 20.660 | 18.659 |
| Depreciation | 6 | 3.191 | 2.195 |
| | | 101.731 | 91.232 |
| **Operating profit** | | 2.278 | 5.979 |
| **Financial income (expenses)** | 2 | | |
| Interest and exchange rate difference on long-term liabilities | | (130) | (1.630) |
| Other financial income and expenses | | (1.845) | (441) |
| | | (1.975) | (2.071) |
| **Profit before taxation** | | 303 | 3.908 |
| Calculated income tax | 11 | (179) | (1.565) |
| Calculated net worth tax | | (74) | (237) |
| | | (253) | (1.802) |
| **Net profit** | | 50 | 2.106 |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Balance Sheet as of December 31, 2002

| Assets | Notes | 2002 | 2001 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets: | | | |
| Product development costs | 3 | 500 | 500 |
| Long-term costs | 4 | 307 | 281 |
| Goodwill | 5 | 3.699 | 396 |
| | | 4.506 | 1.177 |
| Tangible fixed assets: | 6 | | |
| Buildings and premises | | 25.676 | 15.815 |
| Machinery and equipment | | 5.450 | 3.904 |
| Fixtures and fittings | | 1.669 | 1.590 |
| Other assets | | 1.668 | 1.975 |
| | | 34.463 | 23.284 |
| Investments and long-term debtors: | | | |
| Deferred tax assets | 11 | 1.603 | 1.239 |
| Shares in other companies | 7 | 765 | 743 |
| Long-term debtors | | 0 | 212 |
| | | 2.368 | 2.194 |
| **Total fixed assets** | | 41.337 | 26.655 |
| **Current assets** | | | |
| Stock | 8 | 20.187 | 19.356 |
| Current portion of long-term debtors | | 89 | 120 |
| Trade debtors | 9 | 15.723 | 15.689 |
| Other debtors and prepayments | | 2.375 | 3.499 |
| Cash and cash equivalents | | 2.891 | 3.510 |
| | | 41.265 | 42.174 |
| **Total assets** | | 82.602 | 68.829 |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Balance Sheet as of December 31, 2002

| Equity and liabilities | Notes | 2002 | 2001 |
|---|---|---|---|
| **Shareholders' equity** | 10 | | |
| Share capital | | 2.601 | 2.606 |
| Legal reserve | | 11.293 | 11.197 |
| Translation difference | | (681) | 0 |
| Retained earnings | | 9.511 | 9.851 |
| | | 22.724 | 23.654 |
| **Liabilities** | | | |
| Commitments: | | | |
| Deferred income tax liability | 11 | 969 | 890 |
| Contingent liabilities | | 611 | 447 |
| | | 1.580 | 1.337 |
| Long-term liabilities | 12 | | |
| Debentures | | 7.599 | 5.960 |
| Financial institutions borrowings | | 22.174 | 10.682 |
| | | 29.773 | 16.642 |
| Current liabilities | | | |
| Financial institutions borrowings | | 4.622 | 3.429 |
| Trade creditors | | 7.554 | 9.768 |
| Other current creditors | | 6.873 | 6.632 |
| Prepaid income | | 2.532 | 2.544 |
| Current portion of long-term liabilities | 12 | 6.755 | 4.422 |
| Accrued taxes payable | | 189 | 401 |
| | | 28.525 | 27.196 |
| **Total liabilities** | | 59.878 | 45.175 |
| **Total equity and liabilities** | | 82.602 | 68.829 |
| **Mortgages** | 13 | | |
| **Commitments and other information** | 14 | | |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Statement of Cash Flow for the Year Ended December 31, 2002

| | 2002 | 2001 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations: | | |
| Net profit | 50 | 2.106 |
| Items not affecting cash: | | |
| Depreciation | 3.191 | 2.195 |
| Amortisation of product development | 243 | 258 |
| Other items | (1.111) | 47 |
| | 2.373 | 4.606 |
| Decrease (increase) in operating items: | | |
| Trade debtors and other debtors | 960 | (2.823) |
| Stock | (831) | (3.494) |
| Current liabilities | (2.068) | 1.831 |
| | (1.939) | (4.486) |
| **Net cash from operating activities** | 434 | 120 |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | (14.419) | (11.949) |
| Proceeds from sale of tangible fixed assets | 266 | 260 |
| Purchase of shares in other companies | (3.556) | (403) |
| Changes in long-term debtors | 243 | (71) |
| Capitalised product development cost | (243) | (258) |
| Capitalised long-term cost | (250) | (164) |
| | (17.959) | (12.585) |
| **Cash flows from financing activities** | | |
| New long-term liabilities | 20.728 | 5.849 |
| Repayments of long-term liabilities | (4.492) | (2.131) |
| Changes in short-term borrowings | 1.193 | 1.402 |
| Dividends paid | (390) | (275) |
| Changes in own shares | (133) | (895) |
| | 16.906 | 3.950 |
| **Increase (decrease) in cash** | (619) | (8.515) |
| Cash at beginning of year | 3.510 | 12.025 |
| **Cash at year end** | 2.891 | 3.510 |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Accounting Policies

The Consolidated Financial Statements for Marel hf are made in accordance with the Financial Statements Act. The principal accounting policies adopted in the preparation of these Financial Statements are mainly the same as last year except as described in this chapter.

## Changes in currency and accounting policies

In accordance with law nr. 25/2002 about change in the Accounting Act and the Financial Statements Act, Marel hf has received permission to keep its accounts in the currency of Euro. The company's Financial Statements will therefore in the future be reported in the currency of Euro. Previous years comparative figures have been changed in conformity. They were translated from Icelandic kronur into the currency of EUR based on average exchange rate of year 2001 for the operating items but the year end rate for the balance sheet items.

In accordance with changes in the Financial Statements Act, calculated effect of general price-level changes are no longer stated in the Financial Statements. The revaluation account, under owners equity, is recorded to increase retained earnings at the beginning of the year 2002. This change means that calculated effects of price level changes on monetary assets and liabilities, the so called general price-level adjustment, is no longer stated in the profit and loss account. Revaluation of fixed assets is also no longer recorded and depreciation of tangible fixed assets owned at the year end 2001 is calculated based on revalued historical cost as shown at the year end 2001.

Comparative year's figures have not been changed, but net gain for the previous years' period, before taxes would have been EUR 1 million higher, if general price-level adjustments had not been used when preparing those Financial Statements.

## The Group's Financial Statements

The interim Consolidated Financial Statements of Marel hf include the interim Financial Statements for Marel hf, and its subsidiaries. The subsidiaries, all totally owned by Marel hf, are Marel Australia Pty Ltd, Marel Equipment Inc., Marel France SA, Marel Scandinavia A/S, Marel UK Ltd., Marel USA Inc., Marel Management GmbH, Marel TVM GmbH & Co KG and Carnitech A/S. Marel Australia Pty Ltd started operation in the beginning of the year 2002.

The operating items of those subsidiaries that do not report in the currency of Euro, are translated by using the average exchange rate of the year but assets and liabilities at the closing rate. Exchange differences arising from the translation are taken to a special account included in shareholders' equity.

The Financial Statements of the Group have been prepared by adding together like items of assets, liabilities, income and expenses from the Financial Statements of individual Group companies but eliminating unrealised gain and intragroup balances, transactions and investments.

## Valuation methods

When preparing the Financial Statements, managers need to value various items in connection with the Financial Statements. The valuation methods conform with generally accepted accounting principles. The final outcome, for example from the sale or recognition of the items relating to the valuation, may however be different from the outcome of the valuation.

# Accounting Policies

### Assets and liabilities index linked or in foreign currency

Index linked assets and liabilities are stated using indexes that were valid at the beginning of year 2003. Assets and liabilities in other currency than Euro are translated into the currency of Euro at the year-end rates of exchange. Exchange rate differences from monetary assets and liabilities are recorded in Marel hf profit and loss account.

## Profit and loss account

### Revenue recognition

Sales revenue recognition is on delivery of goods and services. Revenue from ordered work in progress are in addition recognised at selling price as the work progresses.

### Changes of work in progress and finished goods

Changes of work in progress and finished goods shows the increase or decrease in value of this stock during the year.

### Other income

Other income consists of sold development work, including rental of equipment and miscellaneous income.

### Calculated income tax

Income tax based on the year's profit or loss has been calculated and is stated in the profit and loss account.

## Balance sheet

### Product development cost

The company's research and development cost for new and saleable products is partly capitalised in the Financial Statements. This cost will be amortised in three years. Other research and development cost is charged to income as it occurs.

### Long-term cost

Capitalised long-term cost consists of the cost of gaining patents. This cost will be amortised over a period of three years.

# Accounting Policies

## Goodwill

The goodwill arises due to Carnitechs A/S acquisition of the operation of OL - Tool Production in year 2001 and their acquisition of CP Food Machinery in the beginning of year 2002 and is calculated as difference on acquisition and appraisal price on building, fixtures and equipments included in the acquisition. The goodwill will be amortised over a period of 20 years.

## Tangible fixed assets

Depreciation is calculated on the straight line method to write off the cost of each asset. The depreciation period on buildings is 40 year but 3 - 10 year on other tangible fixed assets.

## Finance leases

Marel hf, and its subsidiaries have made some finance lease agreements for the purchase of motor vehicles, machinery and equipment. Though the ownership of these assets are with the lessor, they have been capitalised in the balance sheet with other tangible fixed assets and are depreciated in the same way. The obligation under the capital leases have been stated among long-term liabilities at their present value.

## Investments in other companies

Ownership in Eignarhaldsfélag hlutafélaga ehf is stated at purchase price, revalued to the year end 2001. Ownership in Stáltak hf is stated at nominal value and ownership in Arbor SA at purchase price.

## Stock

Stock of raw material and spare parts are valued at purchase price.

Cost of finished goods and work in progress consists of direct wages and material cost and indirect production cost.

Stock of ordered work in progress has been valued at selling price as work progresses. Down payments from customers are deducted from the value of work in progress of ordered goods, according to the balance sheet.

Work in progress is valued at market price if expected selling price after deducting cost of full production and sale (market price) is lower than production cost price at year-end.

## Trade debtors

Trade debtors are valued at nominal value, less allowance for doubtful accounts. The allowance is based on an assessment of individual accounts.

# Accounting Policies

## Cash and cash equivalents

Cash at the beginning and end of the year according to the statement of cash flows includes cash and current bank deposits.

## Deferred income tax liability (assets)

Income tax based on the year's profit has been calculated and included in the profit and loss account. The difference of income tax calculated that way, and income tax calculated on the base of taxable profit of the year which is payable next year, is stated with liabilities in the balance sheet as deferred income tax liability.

This difference arises because taxable profit according to the company's tax return is based on another assumption than profit before taxation according to the company's profit and loss account. The main reason for this is time difference because expenses, especially depreciation, are normally charged earlier in tax returns than in the profit and loss account.

Deferred tax assets, due to tax losses carried forward and tax deductible temporary differences, are recognised to the extent that it is probable that future taxable profit will be available, against which deferred tax assets can be utilised.

Deferred income tax liability generally reflects the income tax which would be payable according to current tax law if the company's assets were to be sold or redeemed at book value.

## Contingent liabilities

In addition to what has been allocated to a reserve due to known warranty repairs, a proportion of last year's sale has also been allocated to a general warranty fund.

# Notes

## 1. Wages and benefits

| | |
|---|---|
| Wages | 39.265 |
| Benefits | 4.498 |
| | 43.763 |
| Including wages and remuneration of board and managing director | 201 |
| Average number of employees | 792 |

## 2. Financial income (expenses)

| | Long-term liabilities | Other items | Total | Total |
|---|---|---|---|---|
| Interest and indexation income | 0 | 125 | 125 | 676 |
| Interest and indexation expenses | (1.569) | (751) | (2.320) | (1.531) |
| Exchange rate differences | 1.439 | (1.165) | 274 | 285 |
| | (130) | (1.791) | (1.921) | (570) |
| Computed price-level adjustment | 0 | 0 | 0 | (1.051) |
| Shares in companies written down | 0 | (54) | (54) | (450) |
| | (130) | (1.845) | (1.975) | (2.071) |

## 3. Product development

| | 2002 | 2001 |
|---|---|---|
| Product development 1/1 | 500 | 451 |
| Revaluation in the year | 0 | 49 |
| Addition in the year | 243 | 247 |
| Amortisation of the year | (243) | (247) |
| | 500 | 500 |

## 4. Long-term costs

| | 2002 | 2001 |
|---|---|---|
| Long-term cost 1/1 | 281 | 320 |
| Revaluation in the year | 0 | 36 |
| Addition in the year | 250 | 158 |
| Amortisation of the year | (224) | (233) |
| | 307 | 281 |

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# Notes

## 5. Goodwill

| | 2002 | 2001 |
|---|---|---|
| Goodwill 1/1 | 396 | 386 |
| Revaluation in the year | 3 | 17 |
| Addition in the year | 3.491 | 0 |
| Amortisation of the year | (191) | (7) |
| | 3.699 | 396 |

## 6. Tangible fixed assets

Changes in net value of tangible fixed assets:

| | Buildings and premises | Machinery and equipment | Fixtures and fittings | Other assets | Total |
|---|---|---|---|---|---|
| Revalued cost 1/1 | 16.055 | 8.437 | 3.901 | 4.665 | 33.058 |
| CP Food 1/1 | 804 | 295 | 339 | 0 | 1.438 |
| Exchange rate difference | 10 | (82) | (106) | (133) | (311) |
| Additions | 9.756 | 2.540 | 701 | 580 | 13.577 |
| Sales | 0 | (527) | (1.480) | (731) | (2.738) |
| Total value 31/12 | 26.625 | 10.663 | 3.355 | 4.381 | 45.024 |
| | | | | | |
| Acc. depr 1/1 | 240 | 4.533 | 2.311 | 2.690 | 9.774 |
| CP Food 1/1 | 279 | 220 | 97 | 0 | 596 |
| Exchange rate difference | 1 | (62) | (58) | (78) | (197) |
| Depreciation | 429 | 1.042 | 623 | 682 | 2.776 |
| Sales | 0 | (520) | (1.287) | (581) | (2.388) |
| Total depreciation 31/12 | 949 | 5.213 | 1.686 | 2.713 | 10.561 |
| | | | | | |
| Net book value 31/12 2002 | 25.676 | 5.450 | 1.669 | 1.668 | 34.463 |

Depreciation charged to the profit and loss account analyses as follows:

| | |
|---|---|
| Depreciation of tangible fixed assets | 2.776 |
| Amortisation of long-term costs | 224 |
| Amortisation of goodwill | 191 |
| | 3.191 |

## 7. Shares in other companies

| | Ownership | Nominal value in thousands | Book value in thousands |
|---|---|---|---|
| Eignarhaldsfélag hlutafélaga ehf | 1,43% | ISK 329 | 5 |
| Stáltak hf | 9,03% | ISK 13.235 | 157 |
| Arbor SA | 50,00% | EUR 168 | 603 |
| | | | 765 |

# Notes

## 8. Stock

| | 2002 | 2001 |
|---|---|---|
| Raw materials and spare parts | 9.475 | 8.305 |
| Work in progress | 1.550 | 2.214 |
| Ordered work in progress | 3.855 | 5.442 |
| Finished goods | 5.307 | 3.395 |
| | 20.187 | 19.356 |

## 9. Trade debtors

| | 2002 | 2001 |
|---|---|---|
| Domestic trade debtors | 471 | 176 |
| Foreign trade debtors | 15.252 | 15.513 |
| | 15.723 | 15.689 |

## 10. Equity

**Share capital**

Total share capital of the company amounted to ISK 240 million at year end 2002 of which ISK 3,3 million were owned by the company itself.

**Legal reserve**
The acquisition price of goodwill, used to reduce the legal reserve in the year of purchase, is now partly charged against income in the company's tax return. The effect on the company's income tax for the year 2002 is used to increase the legal reserve.

**Changes in shareholders' equity**

| | Share capital | Legal reserve | Translation difference | Revaluation reserve | Retained earnings |
|---|---|---|---|---|---|
| Balance 1/1 | 2.606 | 11.197 | 0 | 1.015 | 8.836 |
| Revaluation reserve transf. to retained earnings | | | 0 | (1.015) | 1.015 |
| Corrected balance 1/1 | 2.606 | 11.197 | 0 | 0 | 9.851 |
| Bought own shares | (5) | (128) | | | |
| Tax effect due to charged older goodwill | | 224 | | | |
| Translation difference of shares in foreign com. | | | (681) | | |
| Dividend paid | | | | | (390) |
| Net profit | | | | | 50 |
| Balance 31/12 | 2.601 | 11.293 | (681) | 0 | 9.511 |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Notes

## 11. Deferred income tax liability (assets)

Change in deferred income tax liability analysis as follows:

| | |
|---|---|
| Deferred income tax liability (asset) at year beginning | (349) |
| CP Food Machinery A/S | 104 |
| Exchange rate difference due to foreign subsidiaries | 6 |
| Income tax effects due to charged older goodwill | (224) |
| Income tax on regular operation | 179 |
| Income tax payable | (350) |
| | (634) |
| Deferred income tax assets stated with investments and other long-term debtors | 1.603 |
| | 969 |

Deferred income tax liability (assets) analyses on the following items:

| | |
|---|---|
| Tangible fixed assets | 896 |
| Goodwill | (208) |
| Taxable loss carried forward | (1.788) |
| Other items | 466 |
| | (634) |

## 12. Long-term liabilities

| | |
|---|---|
| Liabilities in foreign currency | |
| Liabilities í USD | 3.807 |
| Liabilities í DKK | 6.163 |
| Liabilities í NOK | 244 |
| Liabilities í GBP | 675 |
| Liabilities í JPY | 1.968 |
| Liabilities í SEK | 101 |
| Liabilities í CHF | 358 |
| Liabilities í EUR | 22.111 |
| | 35.427 |
| Liabilities, index-linked in ISK | 413 |
| Finance lease liabilities | 688 |
| | 36.528 |
| Current maturates | (6.755) |
| | 29.773 |

Annual maturates of the company's long-term liabilities, are as follows:

| | |
|---|---|
| Year 2003 | 6.755 |
| Year 2004 | 6.614 |
| Year 2005 | 1.780 |
| Year 2006 | 4.456 |
| Year 2007 | 6.027 |
| Later | 10.896 |
| | 36.528 |

Marel hf. Consolidated Financial Statements 2002 Amounts in thousands of EUR

# Notes

## 13. Mortgages

Loans with an outstanding balance of EUR 16 million are secured with mortgages and pledges against the group's buildings.  Loans with an outstanding balance of EUR 13,8 million are secured with mortgages and pledges against the groups other assets.

## 14. Commitments and other information

The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 2,3 million.  The amount will be charged at the relevant rental time of each agreement.  The rental agreements will materialise in the years 2003 - 2006.

The Group has bought a work stoppage insurance which will cover work stoppage for up to 12 months, based on terms of assets insurance agreement.  The insurance benefits amounts up to EUR 45,5 million. The Group insurance value of buildings amounts to EUR 24,3 million, production machinery and equipment including software and office equipment amounts to EUR 18 million and stock to EUR 13,6 million.

At the beginning of 2001 the parent company entered into an option schema whereby the company's employees can obtain shares, nominal value of ISK 8.580.000 at a par value of ISK 42, to be exercised in the years 2002 - 2007.