Alfesca
Annual report 2007




France
Smoked salmon
Foie gras
Prawns
Blini/spreadables
Saltfish
Herring

UK
Prawns & other shellfish
Smoked salmon

Spain
Smoked salmon
Blini/spreadables

Market leader in selected food categories
in the company´s key markets

Delpierre
LABEYRIE
LYONS SEAFOODS
Blini
LE TRAITEUR GREC
SKANDIA
Farne of Scotland
ADRIMEX

Alfesca

Alfesca

Financial Highlights

	2005/06	2006/07	
TURNOVER	€554.7m	€616.9m	+11%
EBITDA	€43.8m	€53.9m	+23%
NET PROFIT	€12m	€22.4m	+87%
EQUITY RATIO	43.1%	44.2%	

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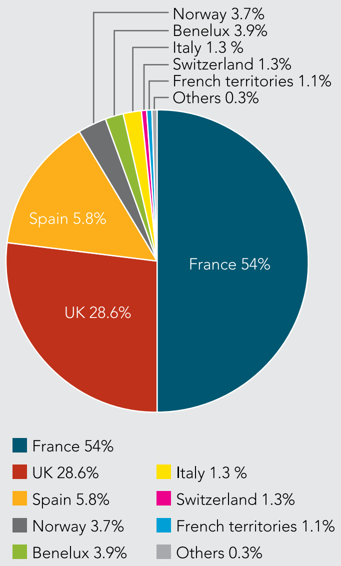
GEOGRAPHICAL SALES



ALFESCA - at a glance

Alfesca is a leading European producer and supplier of convenience, fine-seafood and premium products to retailers and food-service providers.

The Group´s activity is organised around four pillars: (i) smoked salmon and fish, (ii) foie gras and duck products, (iii) prawns and shellfish and (iv) blinis and spreads.

We are a market-driven food business and an acknowledged leader supplying markets where taste, quality, freshness and convenience are valued.

We operate a portfolio of market-leading branded products, under the key brands Labeyrie, Blini, Delpierre, Michel Adrien and Skandia, and supply retailer-branded products through nine companies in Europe.

We produce our products in France, Spain and the UK at 12 production sites, and employ 3,500 people on average.

Alfesca
Four Pillars

Smoked salmon and fish

Foie gras and duck products

Blinis and spreadables

Prawns and shellfish

Business organisation

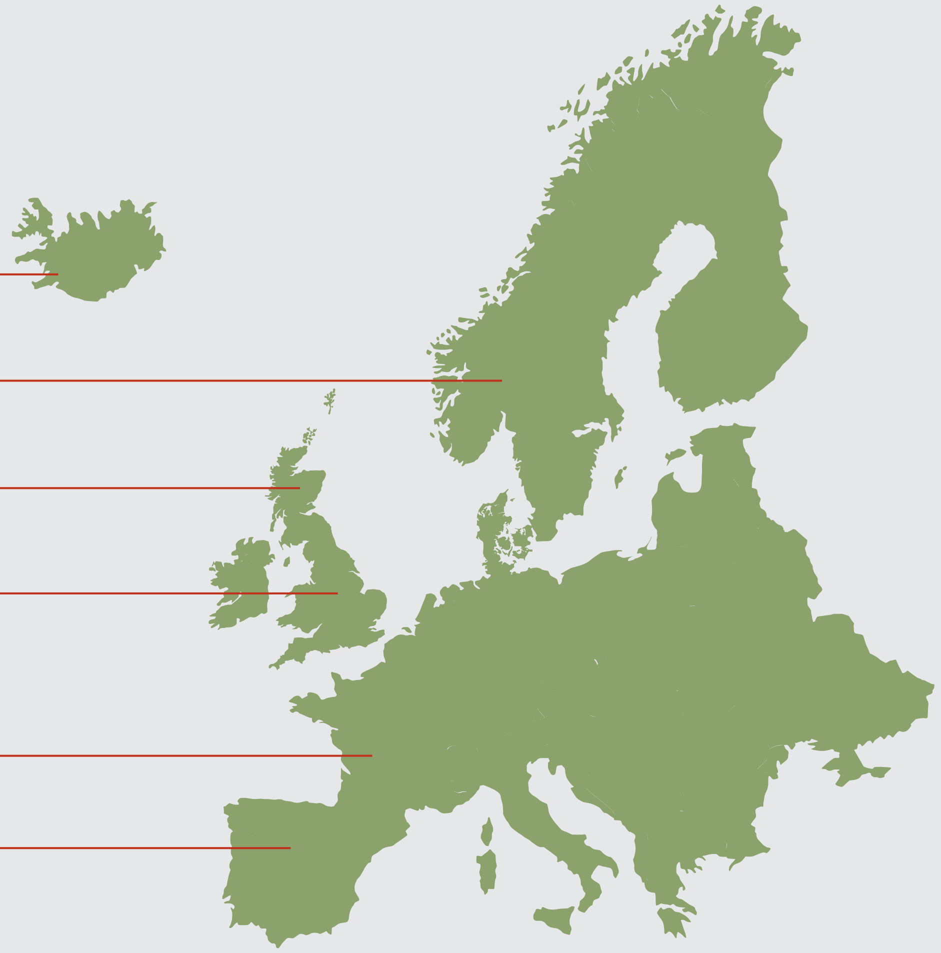
Alfesca operates nine independent companies in Europe, run by an experienced and capable management team with complementary skills and a track record of success in the food industry in Europe.

Strong sales by all companies compared with last year

Alfesca
Selected convenience fine foods

Lyons seafoods	Farne	Vensy	Adrimex	Blini	Delpierre	Labeyrie	LTG	Christiansen Partner
+15.4%	+8.6%	+0.6%	+12.9%	+9.7%	+5.2%	+9.3%	N/A	N/A
• Prawns	• Smoked Salmon	• Smoked Salmon	• Prawns	• Blinis • Spreadables	• Smoked Salmon • Herring & Cod	• Smoked Salmon • Foie Gras	• Blinis • Spreadables	• Salmon trading

BUSINESS OPERATIONS



Iceland:
Alfesca (headquarters)

Norway:
Christiansen Partner

Scotland:
Farne

England:
Lyons Seafoods

France:
Labeyrie
Blini
Delpierre
Adrimex
LTG

Spain:
Vensy

Our values

Vision

Alfesca aims to be the leader in selected convenience and healthy food categories with the focus on convenience, fine-seafood and regional-speciality products in major European markets.

Mission

Alfesca's goal is to provide its customers with the best solution in terms of product quality and services in order to increase sales, secure sustainable profits and create value for its shareholders.

Strategy

Alfesca's strategy is focused on increasing sales of its products, both under its own brands and as retailer-branded products, within the four pillars of its business, through innovation and by being responsive to new trends in food consumption in Europe.

Alfesca intends to build a dynamic and profitable business by organic growth and by selected acquisitions concentrated on complementary pillars that will strengthen its business in a dynamic and profitable manner in order to add value.

Culture

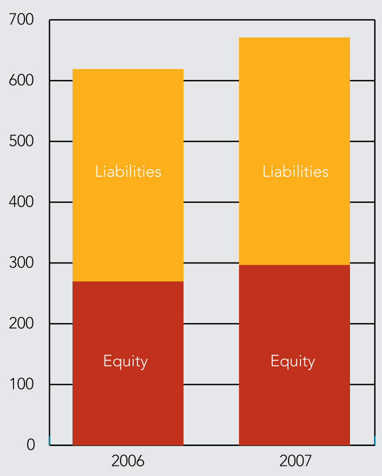
Alfesca's culture is driven by a desire for high performance and a focus on the needs of its consumers. It works in close partnership with its customers, the aim being to provide fine, speciality and convenience food and service that is in demand in a dynamic consumer environment.

Alfesca's businesses are imbued with entrepreneurial spirit. They seek to enable the company to achieve its aims through a passion for growth, customer intimacy and innovation, supported by local leadership, category expertise, world-class manufacturing and an integrated supply chain.

Sustainable Development

While focusing on innovation and growth, Alfesca is careful to take sustainability into consideration. Alfesca's management has formulated a long-term approach for the Group's companies, to meet the expectations of consumers and public authorities in terms of sustainable development. For this approach to be effective and truly meet expectations, a scientific committee has been established, with expertise in food safety, nutrition and health and sustainable development.

TOTAL ASSETS

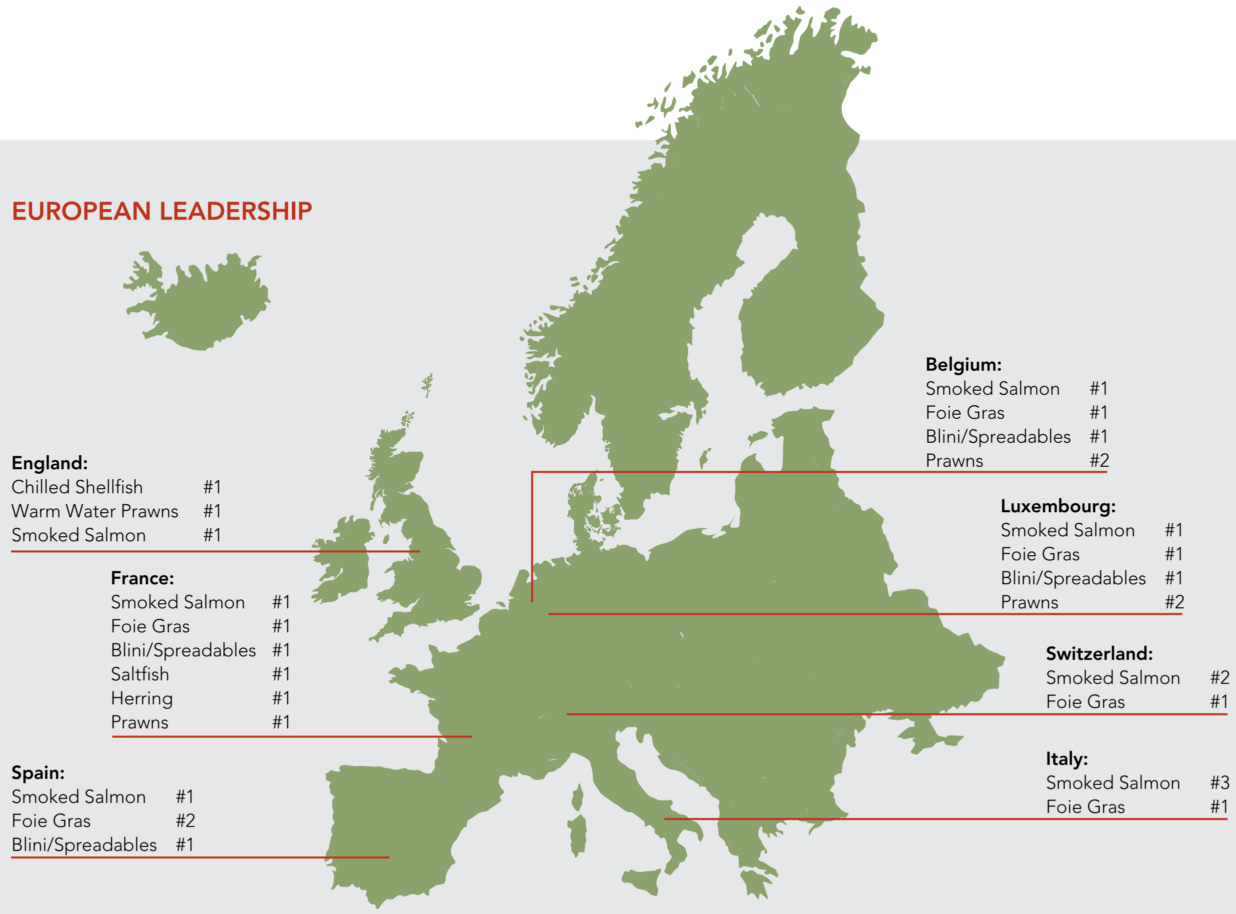


Million of Euros

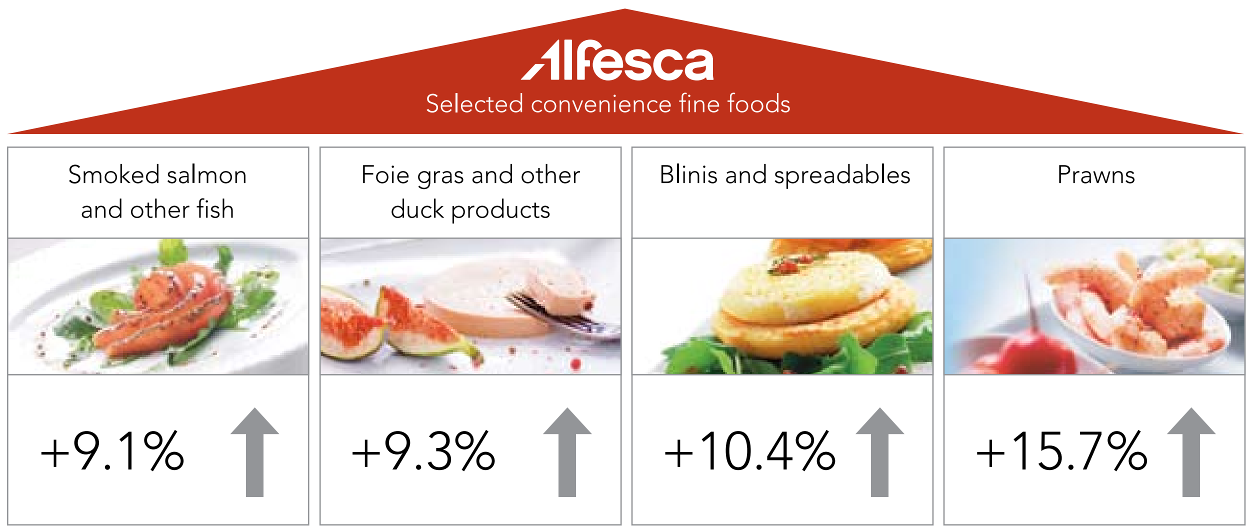
Our key results

European leadership

Alfesca enjoys category leadership or a strong market position in seven European countries: United Kingdom, France, Spain, Luxembourg, Switzerland, Belgium and Italy. It exports its products to more than 40 countries around the world, including Russia, China and Japan.



Strong sales growth in each pillar compared with last year



Strong profitability compared with last year

P/L	2005/06	2006/07	%
Turnover	554.7	616.9	11%
EBITDA	43.8	53.9	23%
Net profit	12	22.4	87%

Million of Euros

Alfesca's financial position is good

Chairman's address

Last year was a good year for Alfesca. All fields of the Group's activities experienced growth above that of the market. Profits almost doubled against previous year's results rising from EUR 11.9 million to 22.4 million. Sales rose by 11% to EUR 616.9 million, while EBITDA was up 23%, from EUR 43.8 million to 53.9 million. Extensive changes to operations during the year have sharpened the focus and are yielding fruit. At the same time, efforts have been made to increase contribution by improving organisation, technological upgrade of production facilities and costs reduction.

As the Group underwent these changes, the Board announced that going forward emphasis would be placed on product pillars and geographical division of markets, in addition to bringing the Group as close as possible to its markets. For these reasons the decision was made to appoint new people to key positions.

The change of emphasis also entailed dividing Alfesca into four main pillars by products and markets, these being smoked salmon and fish, foie gras and duck products, blinis and spreadables and prawns and shellfish. Accordingly, the emphasis will be on the Group's pillars, its products and markets, rather than individual companies. Alfesca is primarily a market-driven business; hence, the focus is on its strength and position in each individual market and not on classification by raw material.

Ahead lies further development of the Group's products involving the four pillars on which it is based and consolidation of its leading market position. It has been Alfesca's declared policy to undertake appropriate investments as opportunities arise. Two such investments were made last year, with the purchase of the French shellfish producer Adrimex and the French spreadables company Le Traiteur Grec. Both these bolt-on investments complement Alfesca's existing business, and they contribute to the Group's performance while also adding considerably to two of its pillars. In the coming year synergies from the acquired companies will be realised. The Group will also continue applying the expertise existing within individual companies for the benefit of the whole Group.

Alfesca's financial position is good and refinancing of the Group has been completed on far better terms than before, which reflects the confidence which Alfesca now enjoys. Notwithstanding a good equity position, an increase in equity of 30% or nearly 1.7 billion shares is proposed to the Annual General Meeting. It is also proposed that shareholders waive their pre-emptive right with respect to half the increase in equity, or 850 million shares. Alfesca is already equipped to take larger and more important steps toward corporate growth, but with the increase in share capitalisation we believe that the Group will be in an even better position to seize the opportunities which management feels can be utilised for ongoing growth and for enhancing the performance of the Group.

Steps towards increased growth are aimed at strengthening Alfesca's main pillars and reinforcing its leading market position in its main product groups and market areas. Alfesca's intention is to create a fifth pillar, with the aim of extending the Group's area of operations, diversifying its product portfolio, reducing seasonal fluctuations in its revenues and reducing dependence on individual raw materials. In this context the Group has in mind strong European companies in the growing market for value-added products with potential for synergies and also companies producing premium-quality goods, which are in line with the growing consumption pattern which favours convenience and healthy products.

Changes to the Group's executive board during the fiscal year were successful, and the Board is happy with the business operation today. However, we feel that Alfesca's status on the Icelandic shares market is not consistent with the findings of the banks' research departments. There are various reasons for this: all the Group's operations are located outside Iceland and the market is relatively restricted, so that turnover in the Group's shares has been inadequate, and new share capital has not come into the business as it should have. The Board is very conscious of this situation as a result of which the Board has decided to propose that the Group's shares be listed in euros. We believe that this will make Alfesca a more attractive option for investors abroad, who are more familiar with the Group's products and brands than are Icelandic investors.

Alfesca's policy is to enhance the value of the Group by focussing on production under its own brands; this has been the key to gaining a leading position in our core markets.

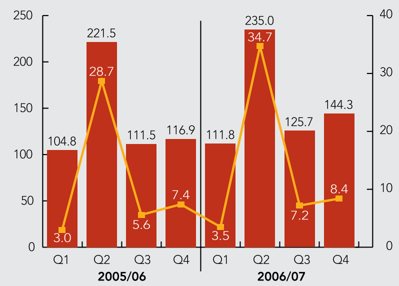
Alfesca's business is in harmony with consumption trends on the European food market, which are a crucial factor in its performance. For this reason the Group's Board of Directors is convinced that Alfesca's organic growth will remain stable in the future. The addition of a fifth pillar through the acquisition of yet another leading food manufacturer will create a platform for yet more growth, which will yield benefits to shareholders as well as enhancing the Group's reputation.

I thank the members of the Board and the Group's employees for their good work during the past year.

On behalf of the Board I would also like to thank our customers for their loyalty and the shareholders for their support.

Ólafur Ólafsson
Chairman of the Board

EBITDA / REVENUE

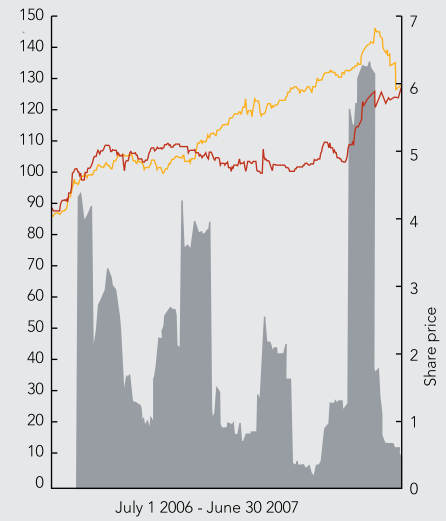


EBITDA
Revenue

Million of Euros

ALFESCA SHARE PRICE

ISK pr. share



Alfesca
ICEX 15
Trading volume • 20 days average

Chief Executive's review

- The four-pillar strategy has delivered good results
- Pillars were strengthened with two acquisitions
- Strong sales growth
- Raw material prices back to a more normal level
- Strong financial results
- Refinancing completed
- Exciting outlook

Overview of the year

The assessment of the fiscal year ended 30 June 2007 is encouraging, with significant positive achievements in many areas.

These good results are based on the clear strategy that was decided during the summer of 2006 and have been achieved through the professional work and the full commitment of Alfesca's management team, which has outstanding experience within the European convenience food markets.

The environment in which Alfesca operates was still very demanding in terms of competition and raw material prices. Overall, however, we have seen excellent growth in each of our pillars. The same is true for each of our key markets, such as the UK, France, the Benelux countries, Spain and Italy. Alfesca's financial results benefited from these achievements which have improved extensively over the year.

A clear strategy that delivers

During the summer of 2006 we optimised our strategy in order to improve Alfesca's development quickly, significantly and sustainably. The decision was made to focus on four pillars: foie gras and duck products, smoked salmon and fish, prawns and shellfish and blinis and spreadables. As expected, this strategy has proved succesful during this fiscal year. It has been exciting for management, while investors too have understood and appreciated the strategy, which has yielded synergistic gains.

We have seen excellent growth in each of our pillars

Priority was given to achieving synergies and significant savings were made in raw material purchase, supply of packaging, in shipping costs and R&D costs. The same applied to marketing and sales expenditure, with the use of common brands and the merging of sales forces. Savings were also made in overheads by merging some back-office tasks.

Strengthening of pillars

Alfesca decided to focus on four pillars, which varied in strength. Some pillars were strong, such as the smoked salmon and fish pillar, which is pan-European, while other pillars were smaller and weaker. During this year Alfesca successfully completed two strategic acquisitions in order to strengthen two of its four pillars.

The acquisition of Adrimex was a wise move because it makes the prawns and shellfish pillar pan- European and secures a leadership position for Alfesca in both the UK and

France, the two major countries for the prawns market. This size increase will also allow us to realise significant synergies, mainly in terms of sourcing, and create an excellent platform for further European expansion.

The acquisition of Le Traiteur Grec is also highly rational. It strengthens the market position of Blini on the vegetables-spreadables market, which is the fastest moving market segment. The vegetables-spreadables market is an area where Blini was weak and the acquisition opens access to new and complementary clients, especially chain stores. Synergies are also on the agenda, as both companies are located in France.

Strong sales growth

Sales have developed to our satisfaction, although some markets were not as dynamic as expected. The key factors that contributed to this good development were the relevant strategy, active innovation policy, strong awareness and image of our brands and an experienced marketing and sales team.

Our innovation policy has been well oriented towards the fastest-moving consumption trends, such as the health trend which emphasises less fat, less salt and organic products. Another is the convenience trend, providing customers with ready-to-cook, ready-to-eat and ready-to-serve products, as well as the premium trend, with emphasis on even higher quality and more pleasure.

While private labels account for the major share of our activities, due to successful partnership with our key clients, a significant part of Alfesca's sales are branded. In this context, the new Labeyrie TV commercial has been very successful, confirming Labeyrie as the undisputed leader of festive food.

Overall, sales have been growing steadily, whether by pillar, by country or by company.

Raw materials returning to a more normal level

The three key raw materials processed by Alfesca are salmon, duck and prawn.

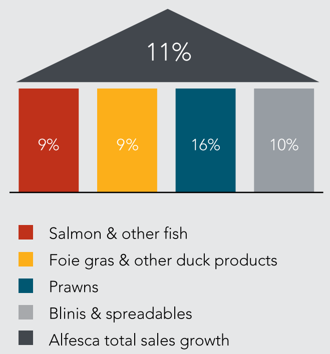
Salmon prices reached an all-time high when they peaked at close to six euros per kilo during the summer of 2006. This high price had dramatic impact on the Group's profits for the first quarter of the fiscal year 06/07. Although prices came down to a more normal level in October, the impact on Alfesca's results lasted throughout the fiscal year due to the inventory effect.

With respect to duck, we have faced a noticeable increase in cereal prices, which have risen as a consequence of competition with other uses for cereals, such as the production of bio-ethanol. This effect is expected to remain at this level or even increase next year.

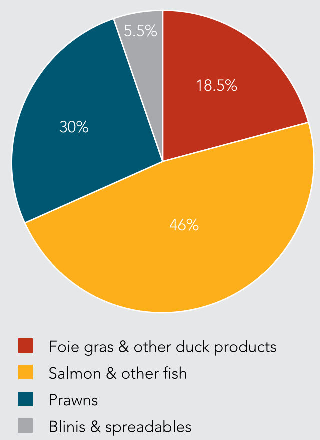
With regard to prawns, prices have been reasonably stable at average level.

Overall, the impact of the increase in raw material prices has been significant, even though the management of raw material price compensation has been better than the previous year.

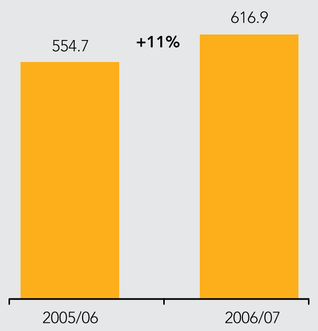
SALES GROWTH



PRODUCT SALES

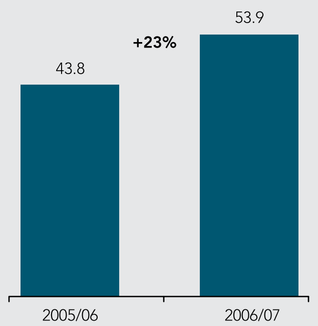


SALES



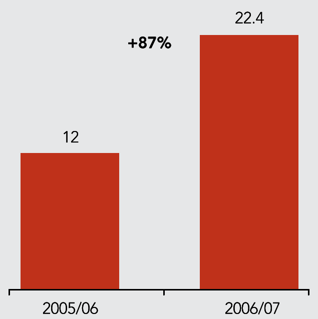
Million of Euros

EBITDA



Million of Euros

NET PROFIT



Million of Euros

Strong financial results

Financial results improved significantly in each quarter of the fiscal year due to active monitoring of raw material prices and pro-active management of our industrial results, both in forms of raw material consumption and labour costs.

The companies within the Group have been progressing significantly, apart from Vensy, which for the second consecutive year is facing a very difficult market with respect to the price of smoked salmon. Farne and Delpierre have confirmed their turnaround. Lyons Seafoods, Blini and Labeyrie have continued to deliver the expected results.

The improvement of Alfesca's profit has been obtained through a very well balanced contribution from the four pillars. This is yet another indication of the success of our strategy.

The company's balance sheet is very strong and has allowed Alfesca to complete a successful refinancing, in order to move to a corporate financing basis, with better financial terms.

In terms of profitability, Alfesca is now close to its peers, although there is still room for further improvement.

The positive developments seen in the group companies have created increased confidence among investors regarding Alfesca's future. This increased confidence is reflected in regular rises in share price through the year and the favourable outlook predicted by bank analysts.

Outlook

We start the new financial year with exciting aspirations regarding the successful integration of newly acquired companies and further growth, both organic and with acquisitions and ethical and sustainable development.

We wish to continue to expand Alfesca by adding a fifth pillar to the business. The rationale for this is to rebalance the seasonality of the Group's sales and profit. We also wish to reduce our exposure to the same raw materials. Adding a new pillar to the four existing ones will also increase the company's size and so increase its visibility on the stock market.

Another challenge is to manage the successful integration and deliver the expected synergies of the two recently acquired companies, Adrimex and Le Traiteur Grec. That is the focus of our management team, has demonstrated its skills in this area in the past.

Thirdly, we will continue to deliver dynamic organic growth based on good market trends, a successful innovation policy and aggressive marketing and sales activity.
Last year we launched interesting concepts whose full effect will become clear during the new financial year and we have several high-potential innovations in the pipeline.

Raw material prices will, as usual, be the key element in our profitability. For salmon and prawns we expect to be in line with the level experienced last year. For duck-related products we will face a noticeable cost increase due to the higher price of cereals.

Last but not least, our growth will be achieved with a higher respect for ethical and sustainable development. This is illustrated, for instance, by the creation of the Alfesca Scientific Committee, comprising well-known and respected scientists in key areas such as food safety and environmental conservation. As an example of our ambition, we expect Lyons Seafoods to become carbon-neutral through the course of this year.

For all these reasons, we look forward to the future with confidence in developing Alfesca as the European leader of convenience, healthy and festive food.

Xavier Govare
Chief Executive

We look forward to the future with confidence

Highlights of operations

Alfesca made two strategic acquisitions during the fiscal year

Adrimex joins Alfesca's shellfish portfolio

In February Alfesca completed the acquisition of Adrimex SAS, a leading specialised processor and distributor of high-quality shellfish, for EUR 21.2 million. The acquisition was in line with Alfesca's strategy of expanding and developing the core pillars of its business by actively seeking acquisition and investment opportunities that strengthen its business in a dynamic manner.

Adrimex is one of the foremost businesses in the shellfish category in France and an important player in the fast-growing market for processed value-added shellfish products. Over the last three years Adrimex has achieved an average growth rate of over 9% each year by focusing on products based on large warm-water prawns and by developing its range of value-added prawn products. The company's focus on developing new products has resulted in Adrimex enjoying strong market share positions in its key market segments within hyper- and supermarket chains, which include the important and growing self-service wetfish and seafood counters. Adrimex operates two processing plants on a single industrial site in Nantes, western France, and employs approximately 120 people on a full-time basis.

In the year to 30 September 2006, Adrimex's net sales came to EUR 56.4 million, representing an increase of more than 14% over the previous year. Underlying EBITDA for 2006/07 was EUR 3.5 million and turnover of EUR 60.5 million.

Adrimex will provide Alfesca with a category-leading business with high growth prospects, which will be highly complementary to Alfesca's existing Labeyrie and Delpierre brands in France and increase its sales mix. Adrimex will continue to be run by its existing strong management team, led by its Managing Director, Eric Pinoncely, and will benefit from access to Alfesca's industrial and commercial know-how and routes to market.

Adrimex was included in Alfesca's consolidated accounts as of 19 February. The acquisition was financed in full with a loan from the French bank Natixis, which is a participant in Alfesca's syndicated bank facilities.

Acquisition of Le Traiteur Grec enhances Alfesca's spreadables pillar

In June, Alfesca agreed to acquire Le Traiteur Grec, France's leading vegetable-spreadables business, for an enterprise value of EUR 19.7 million on a debt-free, cash-free basis. The acquisition was then completed following the refinancing of the Group.

Since its establishment in 1987, LTG has grown to become France's leading branded vegetable-spreadables business. LTG's sales relate solely to branded products, which are sold on the French market and mainly through hyper- and supermarkets, similarly to Blini. The businesses of LTG and Blini are highly complementary, and together they will provide Alfesca with a category-leading position in the vegetable-spreadables sector, with high growth prospects to add to its already strong blini and tarama activities, which form one of Alfesca's core pillars. The deal is expected to be earnings-enhancing from the first year.

In the year to 31 December 2006, net sales for Le Traiteur Grec (LTG) came to EUR 6.8 million, having risen by over 10% each year over the last three years. At year-end 2006, LTG had net assets of EUR 6.3 million and carried no financial debt on its balance sheet.

Alfesca establishes Equity Incentive Plan

In February, Alfesca's Board of Directors approved the establishment of a performance-related equity incentive plan for executive directors and senior management of the Group.

Under the Alfesca Incentive Plan, the company established a performance-related share scheme (Performance Shares) that consisted of shares in the total nominal amount of ISK 300,000,000, representing approximately 4.75% of the fully diluted share capital of the company.

In accordance with the terms of the plan, Performance Shares are awarded to certain executive directors and senior management of the Group, subject to fulfilment of performance conditions based on achievement of certain share price and EBITDA targets over a three-year period from 1 July 2006 to 30 June 2009.

The incentive plan was approved at a shareholders' meeting in May, along with authorisation for the Board of Directors to increase share capital by a maximum amount of ISK 300,000,000 (nominal value), at the per share rate of ISK 4.83, in order for the company to fulfil the conditions of the plan.

Divestment of the frozen division of Delpierre

In September, Alfesca sold the frozen products division, the factory in Wimille and related business, to Icelandic Group. The decision to sell the frozen division was taken after stratetic review showing that Alfesca had not secured the critical size on this market and that the level of synergies with the other operations of the group were not at an acceptable level.

Key appointments

In January, **Philippe Perrineau**, previously Corporate Controller of the Group, took over as Chief Financial Officer from Kristinn Albertsson. Philippe joined Alfesca's subsidiary, Labeyrie, in 2000 as Chief Financial Officer when it was listed on the Paris Stock Exchange. Philippe is a member of Alfesca's executive committee. As CFO, he also successfully completed the delisting of Labeyrie from the Paris Stock Exchange in 2002 and subsequently took part in the sale of Labeyrie Group to Alfesca (then SIF) in December 2004.

Philippe Perrineau

In June, **Hrefna Ingólfsdóttir** was appointed Head of Corporate Communications. Hrefna, a recent MBA graduate from Reykjavik University, was formerly Director of Public Relations at Iceland Telecom. She has 17 years of experience in public relations, communication and marketing, and will be based at Alfesca's new head office in Reykjavik. Hrefna is a member of Alfesca's executive committee.

Alfesca has strengthened its management team in many companies. In Spain, a new industrial manager and commercial manager were hired, and new industrial managers were hired both at Blini in France and Farne in Scotland.

Farne wins four Exporter of the Year awards for 2006

Farne, Alfesca's subsidiary in Scotland, swept the boards when the Food from Britain prizes were awarded at a ceremony at the Savoy Hotel in London last December. The company received four prizes, as Scottish Exporter of the Year, Frozen and Chilled Exporter of the Year, Private Label Exporter of the Year and Food and Drink Exporter of the Year.

Farne wins the 2007 Tesco Fish, Meat & Poultry value award for Innovation

Farne also received the Tesco value award for Innovation which was presented at Tesco´s June Fish, Meat & Poultry conference. The award was for outstanding innovation and the successful development and launch of the Tesco Summer Eating Cooked Salmon range in April 2007.

Lyons Seafoods scoops Prix d'Elite at the Brussels Seafood Exposition

In April, Lyons Seafoods was awarded the highly prestigious Seafood Prix d'Elite award for the fourth time in five years at the Brussels Seafood Exposition. The new Lyons Seafood Deli range won the Seafood Prix d'Elite Best Retail Packaging Award. The judges were particularly impressed with the ready-to-eat seafood on the go concept, and the clear style of the packaging. The Seafood Prix d'Elite awards are considered the "Oscars" of the seafood sector and over 700 new seafood products competed for the two major and five general awards, with 37 products reaching the final.

Lyons Seafoods "under one roof" project

Lyons Seafoods successfully completed its "under one roof" project. The objective was to merge two processing factories into one, in order to reduce the fixed industrial cost and to increase efficiency. The results of this move are in line with expectations.

Labeyrie's 60th anniversary

To celebrate its 60th anniversary, Labeyrie launched six special limited edition products for Christmas 2006: two foie gras products and four salmon products. Exceptional recipes, symbolic of the brand expertise, and very festive packaging to mark the anniversary made them outstanding products. This promotional event, which was very well received by French distributors, also encountered great consumer success.

A successful TV commercial was also launched to celebrate the 60th anniversary of Labeyrie. The new advertising campaign had positive results, as did the 60th anniversary range of products. As a result, Labeyrie enjoys a brand recognition rate of 92% (January 2007), an impressive increase from 82% the year before. Labeyrie also enjoys an excellent brand image, reinforced by the company's branded products, symbolising high-quality food with a premium positioning, which is sustained by continuous investment in product innovation and marketing.

Labeyrie collects awards at Paris Agricultural Show

For the third year in a row, Labeyrie carried off a prize at the Paris Agricultural Show, winning the Bronze Medal for the quality of its foie gras "au Torchon" recipe. Labeyrie had already won the Gold Medal for its foie gras "en Lobe" recipe and the Silver Medal for its foie gras "en Bocal" recipe. In 2007, Labeyrie will display these three medals on its Pur Terroir range of products.

Alfesca's head offices move to a new location in Reykjavík

In December, Alfesca sold its property in Hafnarfjörður, Iceland. The building was originally designed and built to house the company's saltfish operations in Iceland, and therefore no longer corresponded to its present requirements. The net sale price was about EUR 7 million. Accounted profit from the sale, amounting to about EUR 1.0 million, was booked as earnings in the second quarter and used to make further payments of the company's long-term loans.

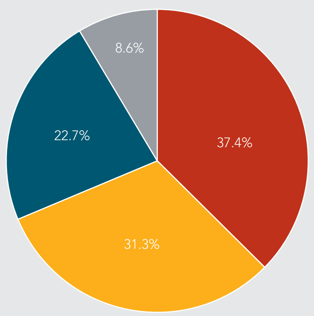
In June, the company moved into its new headquarters in the House of Commerce at Kringlan, Reykjavík.

Salmon and other smoked fish

SMOKED SALMON AND OTHER FISH - TOTAL SALES

Million of Euros

SALMON & OTHER FISH NET SALES BY COMPANY



Delpierre	61.9
Labeyrie+exports	102.9
Farne+exports	85.5
Vensy+exports	23.6
Total sales	**273.0**

Million of Euros

Salmon and other smoked fish

Operational report

- Net sales of EUR 273.1 million – an increase of 9% (UK +18% - France +7%)
- Strong performance of brands and private label business
- Price of raw material generally stable in H2
- Outlook positive – measures taken to deal with price volatility

Smoked fish, mainly smoked salmon, is one of the core pillars of Alfesca's business. Alfesca is a market leader in smoked salmon, smoked herring and salted cod in most of its main markets, and smoked salmon accounts for 46% of the total production of the company. Sales of fish performed strongly last year, with total sales amounting to EUR 273 million, an increase of 9% from the previous year.

Alfesca operates four smoked salmon factories through its subsidiaries in three countries. The company produces and distributes smoked salmon under the key brands Labeyrie, Delpierre, Skandia and Farne, and is the biggest retailer-branded salmon producer through four companies in Europe – Labeyrie and Delpierre in France, Vensy in Spain and Farne in Scotland. In addition, Alfesca operates sourcing and sale of farmed salmon through Christiansen Partner, its subsidiary in Norway.

Alfesca benefited from the general trend in the market, with an increase in demand for healthy, festive and ready-to-eat food from sustainable sources. Furthermore, the trend in the salmon market (and other Alfesca categories) is driven by a generation of "cash-rich, time-poor" people who are seeking treats and premium food with an emphasis on convenience, health, and fine foods for special occasions. Alfesca's product offer targets exactly this consumer category. Alfesca is ahead of its competitors in innovation and has modern production facilities that are in line with the company's development targets.

No acquisitions were made within the salmon pillar of Alfesca's business in the fiscal year. The main emphasis was on strengthening the pillar through strong innovation, cost reduction and increased industrial efficiency.

Development of raw material price

In 2006 the market for smoked salmon was characterised by a dramatic rise in the price of farmed salmon. As was expected for this fiscal year, salmon prices fell, especially during the latter half of the year, to a more acceptable level, but the price was still higher than in 2004 and 2005.

This rise was mainly due to tension between consumer demand and supply and consolidation in the salmon farming industry. Since then the market has gained more stability as production has gone up. A higher biomass was available for harvesting in spring 2007, and balance between supply and demand has been good.

The context of the market is characterised by better availability from Norwegian producers, but with heterogeneity between generations of fish. At the same time demand is also very strong, up by 24% since the beginning of the year.

This increase in demand is mainly from Europe (Denmark in particular), but also from Russia and Far Eastern countries. The UK is still importing about 20,000 tonnes from Norway. Since Chile primarily supplies the US market, which offers very attractive prices, imports from Chile are very limited.

However, in the medium term management expects the raw material price of salmon to remain higher than the average price seen over the three-year period prior to 2005, but hopefully much lower than in 2006.

Market trends

France is Alfesca's biggest market for salmon products, and the company has a leading position in the salmon market, both in branded products and private label products. The Labeyrie brand is strong and Labeyrie enjoys a high level of branded sales. Labeyrie is the undisputed leader of the French market with a market share of 24%. Delpierre is more private-label oriented, with a wide portfolio of clients. Its markets are also well oriented. Both Labeyrie's and Delpierre's sales of smoked salmon performed strongly, gaining market share and cementing their position in the market. Markets have been growing by 6% in the year and are expected to grow further.

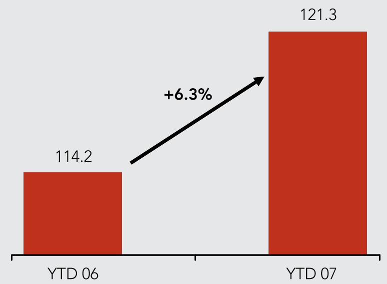
The smoked salmon market in the UK is Europe's third-largest after France and Germany. The UK smoked salmon retail market is almost entirely a private-label market, with large retailers such as Tesco and Sainsbury's selling under their own brand. A very strong and exclusive relationship exists between suppliers and retailers of smoked salmon. Most of the key smoked salmon retailers are believed to source in excess of 80% of their needs from a single supplier, which creates a reciprocal dependency. The market has been penalized by the price of the raw material but is expected to continue to grow.

Around 90% of Farne's sales are under private-label brands. The company is an exclusive supplier to Tesco in the UK and it also benefits from its relationship with retailers who have leading positions in their respective markets such as Migros (the No. 1 retailer in Switzerland); Delhaize (the No. 2 retailer in Belgium) and Albert Heijn (the No. 1 retailer in the Netherlands). Farne's salmon business is centred around four pillars; smoked salmon, fresh salmon cuts, cooked salmon and added-value appetisers.

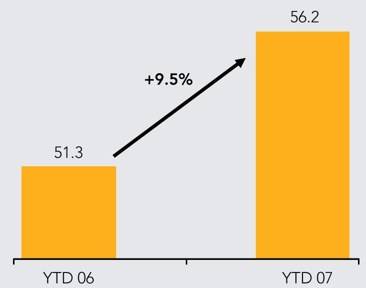
Spain is the fourth-largest salmon market in Europe (6,000 tonnes), after France, Germany and the UK, and has experienced steady growth. Vensy is the market leader for smoked salmon in Spain, with around 30% market share under its brand, Skandia, and its private label. Smoked salmon is its core business. As Spanish households have one of the highest levels of seafood consumption in Europe, management believes there is room for continued improvements in penetration and consumption frequency. The market has been very dynamic, with an increase of 11%.

FHL Price 2006 and 2007
(Size 3/4 kg in NOK/ kg)

SMOKED SALMON MARKET TRENDS

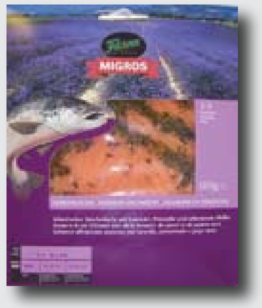


French Market (Iri source for H2)



UK Market (TNS Worldpanel H2)

Million of Euros



Commercial performance

Alfesca's sales of fish in its salmon pillar amounted to EUR 273 million, up by 9% compared to last year.

Labeyrie's sales of smoked fish amounted to EUR 85.5 million, up by 10% compared to last year. Labeyrie implemented a strong innovation plan on smoked salmon, with several new products hitting the market where the emphasis was on healthy eating. A new range, *Good for me*, characterised by low fat, organic production and low salt, was received very positively. Labeyrie also launched a fresh and festive summer range within smoked salmon. Labeyrie celebrated its 60th anniversary with several promotional events to help boost sales and the profile of the Labeyrie brand. Also, a special range of anniversary products was launched.

Sales of fish at Delpierre amounted to EUR 102 million, up 5.3% compared to last year. New branding strategy enabled Delpierre to strengthen its position in its main markets and gain new listings. Delpierre implemented an innovation programme where it targeted the self-service wetfish counters in hypermarkets with innovative ready-to-cook and ready-to-eat products. Delpierre developed and expanded further production under private labels and benefited from new products listings with Monoprix, Systeme U, Carrefour and Casino. At the end of FY 06/07, Delpierre is a solid and complementary second brand on the French market, and the Group's specialist in private labels.

Farne in the UK continued to deliver excellent top-line growth of more than 17.8% compared to last year, with turnover increasing to EUR 61.9 million in the financial year. Farne has successfully rebalanced its turnover among four categories: two historic pillars – smoked salmon and appetizers – and two new ones – ready-to-cook salmon and cooked-salmon products. Sales via Tesco continued to increase, supported by product innovation and promotions of value-added products such as Chilean frozen salmon cuts and cooked salmon that balanced the turnover.

In spite of challenging market conditions and a high level of competition, Vensy in Spain achieved strong gains in the development of volume in private label brands. Vensy managed to strengthen the foundation of its activities by expanding its private label portfolio, thus enjoying better balance in client sales compared to last year, and accounting for half of the market.

Total net sales of salmon amounted to EUR 23.6 million, up by 2.5 % compared to last year. Vensy´s main brand, Skandia, is the leading brand on the Spanish market, and enjoyed a 7% market share, as well as being the most innovative and active brand. Main milestones were the launch of the first Norwegian low-salt salmon and the new Skandia range, based on salmon of various origins (Norwegian, Scottish, Irish and Wild) at the same shelf-price level, offering a new positioning in the Spanish market that has traditionally been focussed only on Norwegian origin.

There was strong growth in salmon sales in other European countries, notably in Italy and Belgium. Labeyrie's sales of smoked salmon in Italy were up by 44.6%. Delpierre's and Farne's sales of smoked salmon in Belgium were up by 23%.

Christiansen Partner, in Ålesund, Norway, specialises in sourcing and sales of farmed salmon, dried salted fish and herring. Most of its sales of these products are made to customers outside Alfesca. Sales amounted to EUR 26 million during the financial year.

Industrial performance

Overall, industrial performance in the production and sale of smoked salmon and other fish has improved during the last two years. These results are the consequence of Alfesca's well invested and maintained factories and dynamic management.

With synergies implemented throughout the Group, subsidiaries have benefited from important savings on transportation costs and supply of packaging. Overhead costs have been kept under firm control.

Outlook

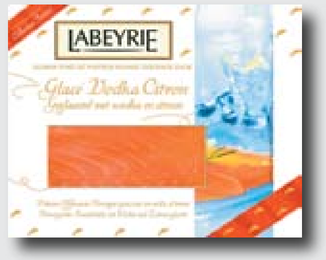
Alfesca will build further on its leadership position in its markets and seek to strengthen its position in emerging markets. The smoked salmon pillar is well suited for continued internal growth. Strong innovation programmes have been implemented with several value-added products to be launched during next financial year. The main emphasis will be on healthy, festive, ready-to-eat food in line with market trends.

Labeyrie will continue to build its brand and strengthen its product range in salmon to secure margin and market share.

Delpierre will build further on new strategy implemented this year. The aim is to have a good balance of Delpierre´s activity in the two strategic counters of wetfish and seafood.

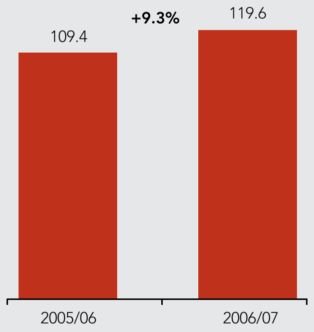
Farne is making good progress. A number of new products will be launched in the new fiscal year. Vensy will continue to focus on salmon production and strong innovation.

Companies that make up the smoked salmon pillar of Alfesca's operations are permanently innovating ahead of their competitors. Market conditions are positive and management is confident that the smoked salmon pillar will continue to deliver internal growth in the next financial year.



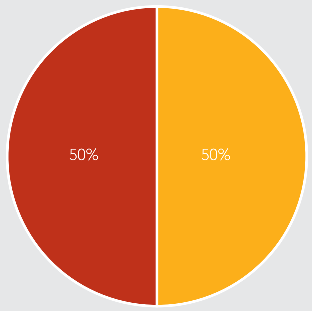
Foie gras and duck products

FOIE GRAS AND OTHER DUCK PRODUCTS - ALFESCA SALES



Million of Euros

NET SALES BY PRODUCT TYPE



Foie Gras	59.8
Other Duck Products	59.9
Total	**119.7**

Million of Euros

Foie gras and duck products

Operational report

- Net sales of EUR 119.6 million - an increase of 9.3%
- Strong performance by Labeyrie brand
- Labeyrie brand recognition in France 92%
- Measures taken to deal with increased duck prices

Market trends

France is the world's largest market for foie gras (duck or goose liver), which is one of the most popular delicacies in French cuisine. Foie gras is an up-market festive and fine food product and is very popular for special or festive occasions. Due to increased availability, its consumption is now enjoyed throughout the year. Foie gras is sold whole, or offered as an ingredient in various diverse recipes and presentations.

Foie gras and duck products account for 18.5% of Alfesca's sales. These markets have experienced excellent growth during the last 12 months.

All over the world, foie gras is an ambassador of French cuisine. Labeyrie's positioning in the foie gras market gives the management confidence for the future, as consumption of foie gras is developing rapidly in some European countries, including Spain, the Benelux countries and Russia, and is also growing in China. The trend is driven by the generation of people seeking treats and premium food with the emphasis on convenience.

As penetration and purchase frequency rates for foie gras are still low, there is considerable room for further growth and market is expected to continue to grow at an annual rate of over 3%.

Raw material development

Labeyrie rears ducks for foie gras that bears the certification label "Original Product of Southwest of France" which means it has to comply with very rigorous specifications in terms of provenance and quality. Geese are sourced from Hungary. Prices have risen during this fiscal year and will continue to be negatively impacted by cereal prices as a consequence of strong world demand, both for human consumption and for energy production.

Labeyrie is sourcing its ducks from farmers on the basis of yearly contracts, which makes for very good control and a good view of the price over the year.

Commercial performance

Labeyrie's sales of foie gras are predominantly in branded products. Sales performance during the year was highly satisfactory, as sales improved and market share increased. Brand building was continued in order to secure margin and market share. Labeyrie is the undisputed leader on the foie gras market, with a market share of 25%.

One of Labeyrie's most powerful assets is its brands, particularly Labeyrie, which is recognised as a premium and festive brand, enjoying a market-leading position. Innovation is the second driver explaining Labeyrie's success. The year 2006/2007 was especially eventful, with the 60th anniversary range and the new *Foie gras des chefs* range.

Labeyrie is also selling a wide range of added-value meat products. The aim of this activity is to create more value for this pillar and also to counterbalance the high seasonality of the foie gras sales during the festive periods. In that prospect Labeyrie has hosted the duck-meat festival to develop the sale of the barbecue range during the summer.

Industrial performance

Labeyrie's industrial performance during the last 12 months has been good, with significant improvements in its factories. Further efficiency and synergy gains have been achieved with respect to industrial overheads, and material savings have been achieved in relation to transportation and packaging costs.

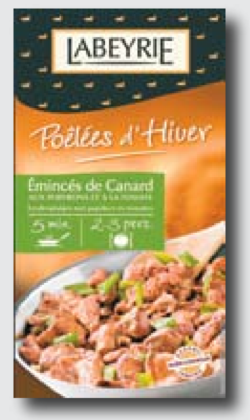
Labeyrie operates two slaughterhouses very close to the breeding areas and a state-of-the-art cooking factory to prepare the large range of festive foie gras.

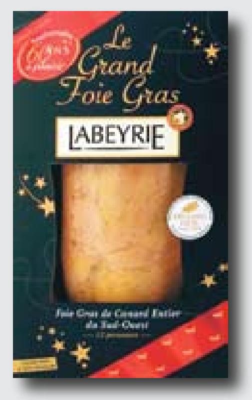
Labeyrie received an award for its foie gras production at the international Paris Agricultural Show in March. In regional duck products, a new seasonal range and new recipes were launched and were well received by the market.

Outlook

The foie gras pillar of Alfesca is in a good competitive position at the beginning of this financial year. Labeyrie's markets are in balance and the company is in firm control of its low-risk production process. Furthermore, its brands are strong and will be further supported with investment in marketing campaigns and product innovation.

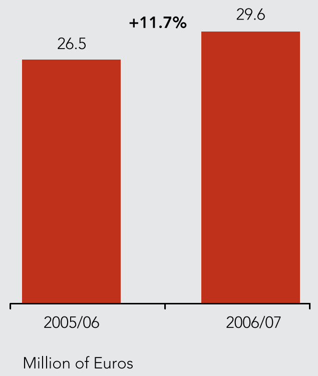
Labeyrie will continue its strong product innovation in the most profitable segments of the market with new product ranges. An example is fresh cooked foie gras, which will be released before Christmas. Management will also develop its sales in new market segments such as the catering business, and seek growth opportunities by developing its international operations and distribution channels, especially in Italy and Northern Europe.



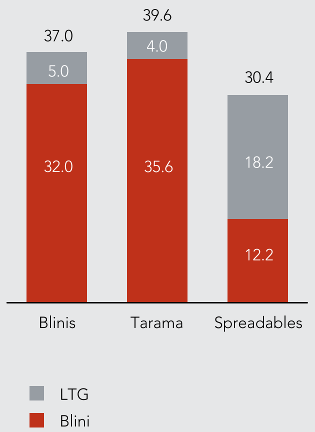


Blinis and spreadables

BLINIS AND SPREADABLES
- TOTAL SALES



ALFESCA MARKET SHARE



Blinis and spreadables

Operational report

- Net sales of EUR 29.6 million - an increase of 10%
- Strong performance across three categories – blini, tarama and spreadables
- Acquisition of LTG
- Market for spreadables will continue to grow

Market trends

The blinis and spreadables business is one of the fastest-growing pillars of Alfesca's business, and Alfesca is already a strong market leader in France, Belgium and Luxembourg through its subsidiaries, Blini and Le Traiteur Grec (LTG).

Blini is active on three segments of the French market, which include blinis, taramasalata and vegetable dips and spreads. Blini is a strong market leader in France and Benelux under the Blini brand, with a market share of 30%, and a leader in private-label brands. All three segments of Blini's operations are growing steadily (3-5%), with a very good dynamic in vegetable dips and spreads (+17%).

In June, Alfesca agreed to acquire Le Traiteur Grec (LTG), France's leading vegetable-spreadables business. The businesses of LTG and Blini are highly complementary and together they are expected to provide Alfesca with category-leading position in the vegetable-spreadables sector.

Raw material

Since the products that are produced by Blini and LTG are made from a variety of materials, e.g. flour, oil, eggs and cod roe, there is no major exposure to any single raw material which would cause major concern.

Commercial performance

About 70% of Blini's sales are under the brands Blini and Labeyrie, and about 30% under private labels. Blini is the undisputed leader of two market segments, blinis and taramas, and has a wide portfolio of private-label products.

LTG's main markets are vegetable spreadables (18% market share); blinibreads (5% market share) and taramasalata (4% market share). LTG's sales relate solely to branded products, which are sold on the French market and mainly through hyper- and supermarkets, similarly to Blini.

Total net sales of Blini for the fiscal year reached EUR 30 million, representing an increase of 10% compared to last year. All three segments increased their sales.

LTG's net sales (in the year to 31 December 2006) came to EUR 7 million: sales have risen by more than 10% each year over the last three years. Tzatziki is by far the star product of LTG, with more than 50% of sales.

Industrial performance

The management of Blini has been focusing on innovation in order to differentiate Blini from private labelled brands. Numerous new products were positively accepted among consumers in the FY 2006/07 and more are scheduled to be launched in the coming year.

Blini is the first compny in the market to prepare a range of healthy spreadables and taramas, including in the recipe a large proportion of fromage frais to fit in with healthy consumer trends.

The factory at Troarn continues to be very efficient. A cost-reduction programme has achieved more efficient use of packaging and lower transportation costs. These moves are the result of the synergy programmes that have been in operation within Alfesca.

LTG's factory at Bobigny (Paris) has a strong expertise in vegetable spreadables, with efficient lines.

Altogether with Blini and LTG, strong synergies can be achieved both in purchasing and processing and this will be the priority on the agenda for the new fiscal year.

Outlook

Management will work further on the successful merger of Blini and LTG activities. Blini's management sees room for increased growth in the blini and spreadables market following Alfesca's acquisition of LTG. The acquisition will be highly complementary to Alfesca's position, and will create a strong business, which management intends to drive forward by a strong focus on product development and innovation.

Blini's management has implemented a strong innovation plan in order to differentiate the company from its competitors and gain competitive advantages for Blini's branded products. Numerous new products have been positively accepted among consumers and more products are scheduled to be launched in the coming year. Together, the businesses of LTG and Blini will provide Alfesca with a category-leading position in all market segments, with high growth prospects to add to its already strong blinis and tarama activities.

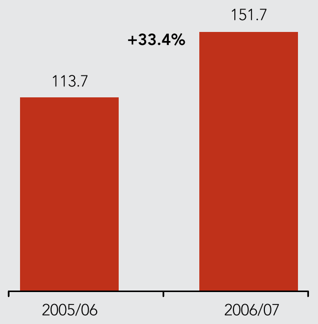
The gain of new clients in the financial year has strengthened the company´s position.

Emphasis will be placed on increased efficiency in operations through automation, and effort will be put into innovation in order to upgrade the product range and create new market segments. Cooking capacity will be increased for blinis.

The fact that Blini's products are in line with the global food preference for trendy and cosmopolitan food, combined with the fact that there is room for further sales in regard to this pillar of Alfesca's business, gives management every reason to look forward with optimism.

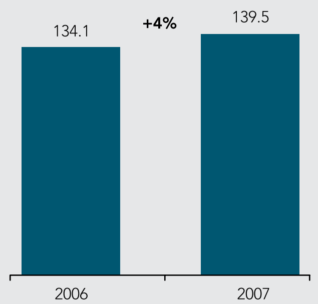
Prawns and shellfish

PRAWNS - ALFESCA SALES



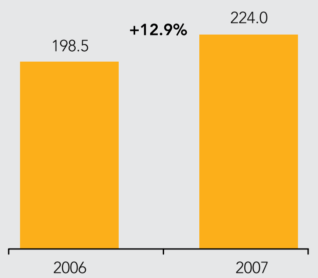
Million of Euros

MARKET TRENDS
French Market



Million of Euros

MARKET TRENDS
UK Market



Million of Euros

Prawns and shellfish

Operational report

- Net sales of EUR 151.7 million - an increase of 16%
- Demanding objectives achieved
- Acquisition of Adrimex – double digit sales growth
- Markets continue to grow at double digit rate

Prawns and shellfish have in recent years been a fast-growing pillar of Alfesca's business through Lyons Seafoods in the UK. In February, the prawn and shellfish pillar of Alfesca was strengthened considerably by the acquisition of the French company Adrimex, a leading specialised processor and distributor of high-quality shellfish. This acquisition means that the prawn pillar is now pan-European, with a leading market position in both the UK and France. Prawns and shellfish account for 30% of the net sales of the company. Sales of prawns performed strongly last year, with total sales amounting to EUR 151.7 million, an increase of 33.4% from the previous year, with Adrimex included only for four months. Sales at Lyons Seafoods alone increased by over 15%.

Raw material

Lyons Seafoods and Adrimex rely essentially on tropical farmed prawns but a small part of the turnover consists of coldwater prawns. Availability of warmwater prawns is progressing everywhere in the world, leading to very stable prices for the raw material. Lyons Seafoods and Adrimex source prawns from different parts of the world, mainly Asia and South America, making Alfesca less dependent on conditions in any one area.

Lyons Seafoods has a large number of suppliers, as it sources prawns from around the world. To ensure ongoing availability of raw material, Lyons Seafoods sources around the globe to balance seasonality and weather risks. It currently has more than 70 suppliers in approximately 20 countries.

Market trends

There has been a steady increase in demand for prawns and prawn-based products in the food market, and today prawns are a fast-growing pillar of Alfesca's business. Alfesca's prawn business is aligned with fundamental consumer trends, as prawns have become more popular as a premium product with more affordable price positioning, together with a consumer shift towards convenience and healthy foods; these are strong attributes of prawn-based products.

Generally, favourable consumer trends in Europe are driving growth for prawns:
- trend towards healthy foods - prawns are perceived as a healthy dietary product
- ethnic cuisine gaining popularity
- luxury trend - consumers are willing to spend more on luxury, indulgence items
- convenience

Both Lyons Seafoods and Adrimex benefit from these factors. Furthermore, Adrimex's strong position in the prawn market in France and good fit with Alfesca's existing business and brands provide Alfesca with a strong platform to build the prawn and shellfish business up further in an exciting growth market.

In addition to healthy eating trends, consumer concerns about sustainable, ecological and ethical aquaculture, where Lyons Seafoods leads the industry, are driving growth. All Lyons branded farmed warm-water prawns now carry an "E" logo, clearly indicating to consumers this excellence in sourcing.

Commercial performance

The financial year saw growth derived from both existing and new customers. Overall sales increased by more than 15% over the previous year on a like-for-like basis.

Net sales by Lyons Seafoods increased by 15.4% to EUR 129.7 million. Sainsbury's, where Lyons is the shellfish category leader, dominates the chilled market in the UK.

Net sales by Adrimex increased by 10.1% to EUR 57.6 million (proforma). Adrimex's focus on developing new products has resulted in the company enjoying strong market share positions in its key market segments within hyper- and supermarket chains, which include the important and growing self-service wetfish and seafood counters.

The philosophy of Lyons Seafoods and Adrimex is to provide customers with the highest quality seafoods, which are sourced from controlled, ecologically sound and sustainable sources, processed to the most stringent standards. This is to ensure that Alfesca's products always meets its customers' expectations regarding quality, choice, flexibility and convenience at affordable prices.

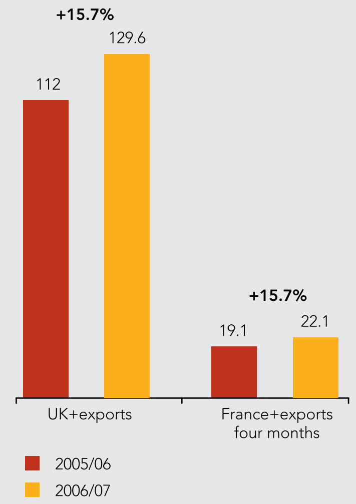
Lyons Seafoods is the category leader in shellfish production and sales in the UK retail and food-service markets. This market continues to show strong growth in value terms, most notably in the chilled sector (24%), with Lyons Seafoods expanding its market leading share by delivering year-on-year growth of 15.7%. This impressive performance by Lyons is the result of a successful and mutually beneficial partnership with its major customers, such as Sainsbury's, which is a leading seafood retailer in the UK.

Approximately 90% of Adrimex's net sales derive from tropical prawns, which are largely sold to a large portfolio of clients among hyper- and supermarket retailers in France. Over the last three years Adrimex has achieved an average growth rate of over 9% each year by focusing on its range of value-added prawn products. The company's focus is on developing new products. The trend is to move from selling whole prawns, i.e. "tail on and shell on", to high added-value products, i.e. the prawn ring, marinated prawns and prawn skewers. Adrimex accounts for more than 50% of the added-value products market.

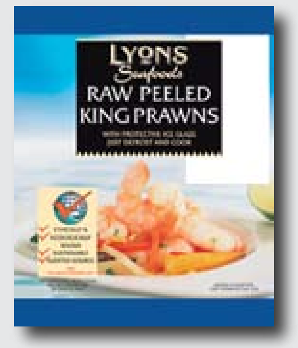
Industrial performance

Industrial performance at Lyons Seafoods was strong, achieved through significant efficiency gains, excellent cost control and savings on fixed overheads. The focus was on the development of new products. A new concept, Lyons *To Go*, was introduced, and also a new line of prawns in brine.

Prawns and shellfish net sales



Million of Euros



The fully completed transfer of production from two sites to the new production facility at Warminster was successful and contributed towards improved industrial performance. This state-of-the-art production facility will further contribute towards efficient operations at Lyons Seafoods and strengthen its competitive positioning.

Lyons Seafoods is accredited by the Organic Consumer Foods Organisation and EFSIS and has in-house accredited microbiological laboratory facilities to check and certify the quality of its products.

Lyons Seafoods focuses on ready-to-eat, everyday luxury shellfish that is naturally healthy, and it is well positioned to benefit from these trends. In the year, Lyons emphasised the *Every day* fresh cooked prawns project, ensuring fresh cooked prawns delivered to the supermarkets every day.

Adrimex operates two processing plants on a single industrial site in Nantes, western France, and employs approximately 120 people on a full-time basis. Adrimex's current product range includes ready-to-eat and valued-added tropical prawns, prawn brochettes or skewers and barbecue trays, prawn rings and frozen prawns, which are all sold in a variety of convenient packaged forms. Adrimex is by far the most innovative player in France.

Adrimex is planning to modernise its production facility in order to increase capacity and efficiency. Alfesca plans to operate Adrimex as a strong independent unit close to its market in line with Alfesca's business model. The acquisition is expected to generate significant synergies through application of sourcing, product development, branding and commercial knowhow, as well as administrative resources.

Outlook

There are very positive trends in the prawn and shellfish markets in both the UK and France. In the coming year the emphasis will be on strong product innovation, market evolution and the integration of Adrimex. Rebranding of the product range with the labels Labeyrie and Delpierre is in progress in France. The UK *To Go* project, which is aimed at new ways of consumption, will continue into the new fiscal year.

Adrimex provides Alfesca with a category-leading business with high growth prospects, which will be highly complementary to Alfesca's existing Labeyrie and Delpierre brands in France and increase its sales mix. There is room for considerable synergies, and management will emphasise optimising sourcing at Lyons Seafoods. It will also merge the sales force of Adrimex and Delpierre and aim to reduce commercial and shipping costs at Delpierre and Labeyrie. Adrimex will continue to be run by its existing strong management team and will benefit from greater investment and access to Alfesca's knowhow and infrastructure.

Strong product development and synergies will provide a solid base for the future. Future growth will further continue to be driven by increasing numbers of "cash-rich, time-poor" consumers, combined with a noticeable increase in healthier eating preferences. Both Lyons Seafoods and Adrimex will be major players in this regard.

Sourcing of Prawns

Coldwater Prawns
Warmwater Prawns

Total sourcing: 20,041 mt
South America: 46%
Asia: 31%
Greenland: 8%
Others: 15%

Shareholders' information

Corporate governance

The duties of the various bodies within Alfesca are determined by Icelandic law, and Alfesca makes it a priority to comply with the guidelines issued by the OMX Nordic Exchange, the Iceland Chamber of Commerce and the Confederation of Icelandic Employers, as well as international corporate governance principles. Alfesca aims to comply with current best practice in relation to corporate governance and expects its employees to do likewise.

Lawful shareholders' meetings are the supreme authority in relation to the affairs of Alfesca and they may be attended by shareholders, their proxies and advisors. The chief executive officer can speak and submit motions at shareholders' meetings.

Alfesca's financial year starts on 1 July and ends on 30 June. The annual general meeting of Alfesca is held in September each year. Shareholders at the annual general meeting decide the remuneration of the board members. Directors of the board are appointed for a one-year term.

According to Alfesca's articles of association, the board comprises five ordinary members and one alternate member. The board considers all its non-executive directors, except for its chairman, to be independent. In addition to meeting the criteria for independence on appointment below, all of its non-executive directors are independent in character and judgment. The board's criteria for independence are that the person concerned:

- has not been an employee of the Group within the last five years;
- does not have, and has not had within the last three years, a material business relationship with the Group;
- save in exceptional circumstances, has received no remuneration other than a director's fee;
- has no close family ties with any of the Group's advisers, directors or senior employees;
- does not have significant links with other executive directors through mutual involvement in other companies or bodies;
- does not represent a significant shareholder and has not served on the board for more than ten years.

Non-executive directors may be called upon from time to time to carry out additional duties outside the scope of their ordinary duties. In such circumstances they may be paid additional sums for such duties. Provided such duties are not provided frequently or to an extent where they represent the relevant director's predominant role, the board considers that independence can be, and is being, maintained.

At the end of the financial year ending 30 June 2007, the board had five ordinary members, four of whom were independent and not affiliated with Alfesca. The board met 11 times during the financial year.

The board is responsible for ensuring the proper management and control of Alfesca. It aims to enhance shareholder value by maintaining entrepreneurial leadership of the Group, whilst ensuring that appropriate checks and balances are in place. The board has specific powers reserved to it, including the approval of group strategy and annual budgets, interim and final results, acquisitions and disposals, major agreements, capital expenditure and unusual transactions. It also has responsibility for setting policy and for monitoring from time to time such matters as financial and risk control, health and safety policy, environmental issues, food safety and management succession and planning. The board delegates to the chief executive and his executive team responsibility for implementation of the agreed strategy and budget and the day-to-day management of the Group's operations.

The chairman and deputy chairman of the board are elected from among the board members. The board appoints the chief executive officer of Alfesca, decides on the terms of his employment and evaluates his performance annually. Alfesca's main organisational structure has to be approved by the board.

The board of directors and the chief executive officer are responsible for the management of Alfesca between shareholders' meetings. Alfesca's operations are coordinated through the executive board, which consists of functional officers and regional chief executives and certain managing directors within the Group. Day-to-day operational responsibility rests with the executive managements of each subsidiary and their operational teams, supported by various staff. The board has approved a procedure for directors to take independent professional advice, if necessary, at Alfesca's expense.

The operational managers are required to manage the operations of Alfesca within the management, financial and risk guidelines laid down.

Board and committee members are given appropriate documentation in advance of each board or committee meeting. For regular board meetings, this normally includes a detailed monthly report on current and forecast trading with comparisons against budgets and prior years. For all meetings, explanatory papers are sent out on matters where the board or committee will be required to give its approval, make a decision or give its response. In addition to frequent business presentations, reports are given to the board or its committees at appropriate intervals on such matters as pensions, insurance, environment, health and safety and treasury.

Alfesca prepares annual and interim financial accounts conforming to International Financial Reporting Standards (IFRS). These reports are published in English. Alfesca has one official auditor, Deloitte hf. Corporate actions and corporate records are taken and recorded in English and kept at Alfesca's head office in Iceland.

Remuneration

The principal responsibilities of the remuneration committee are:

- setting, reviewing and recommending to the board for approval the Group's overall remuneration policy and strategy for senior managers' remuneration;
- setting, reviewing and approving individual remuneration packages for executive

directors and the chairman, including terms and conditions of employment and any changes to the packages;
- reviewing the salary structure and terms, conditions and benefits of employment of other senior executives in the Group;
- approving the launch and rules of any Group share, share option or cash-based long-term incentive scheme and the grant, award, allocation or issue of shares, share options or payments under such schemes;
- setting of bonus terms and approving bonus payments to directors and certain senior executives.

The current members of the remuneration committee are Ólafur Ólafsson, chairman of the board, and board members Guðmundur Ásgeirsson and Hartmut Krämer. The remuneration committee is chaired by Ólafur Ólafsson. The chief executive and certain other executive directors may be invited to attend meetings, but no party will attend when specific matters concerning the detail of his/her own personal remuneration are being dealt with.

The remuneration committee seeks external advice when necessary.

Remuneration policy

Alfesca's ongoing policy for executive directors and senior executive management is to provide remuneration in an amount and manner appropriate to the recruitment, motivation and retention of high-quality management, and to encourage a culture linking reward to overall corporate and individual employees' performance.

The committee has decided that emphasis should be placed on the performance-related, variable elements of the senior management and executive directors' pay so that a substantial proportion of their potential total remuneration is linked to personal achievement and the short- and long-term success of the Group. This policy is intended to produce greater alignment between senior management's and shareholders' interests.

Remuneration policy for non-executive directors is determined by the board. A basic fee is paid together with a responsibility fee for those chairing a committee or accepting other exceptional responsibilities. Fees are reviewed by the board from time to time. Non-executive directors do not participate in any incentive or pension plans.

Management

The remuneration of senior management comprises five elements: base salary, benefits-in-kind, pension, annual cash bonus and equity incentives.

Audit Committee

As noted earlier, the Board has overall responsibility for the Group's systems of internal control, for reviewing its effectiveness and ensuring that there is a process to identify, evaluate and manage the significant risks that may affect the achievement of the Group's strategic objectives.

At the beginning of the financial year 2006-07, the Board established an Audit Committee to assist in the discharge of its responsibilities. The terms of reference

of the Audit Committee comply with the provisions and guidelines issued by the OMX, Nordic Exchange, the Iceland Chamber of Commerce and the Confederation of Icelandic Employers as well as international corporate governance principles.

The members of the Audit Committee comprise Árni Tómasson and Bill Ronald, who have been identified by the Board as having recent and relevant financial experience. Only independent non-executive directors who have no links with external auditors may serve on the Committee.

The Audit Committee is scheduled to meet at least four times a year. The external auditors and the Chief Executive Officer are invited to attend the Audit Committee meetings. In addition and in order to further strengthen the internal control and risk management, the Company intends to appoint an internal auditor, who will also be invited to attend the Audit Committee meetings.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the external auditors and their remuneration, for reviewing the accounting principles, policies and practices adopted in the preparation of the interim and annual accounts and reviewing the scope and findings of the audit. The Committee assists the Board in discharging its obligations under applicable corporate governance rules and regulation in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the rules of the OMX, Nordic Exchange, and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board.

The Committee will keep under review the external auditors' independence including any non-audit services that are to be provided by the external auditors. The auditors are requested to confirm their independence at least annually. In addition, a formal policy is being developed and implemented, which will ensure that the nature of the advice to be provided could not impair the objectivity of the external auditors' opinion on the Group's financial statements.

During the year, the committee plans to:
- establish an internal audit function;
- establish a process improvement programme with the objective of prioritising and co-ordinating internal control process improvement activities;
- conduct an internal review of the effectiveness of the Group's external auditors;
- conduct an internal review of its own effectiveness;
- review matters relating to the Group's key performance indicators and proposals to embed good governance throughout the organisation.

The findings of the risk-based audits will be reported initially to executive management and any necessary corrective actions will be agreed. Summaries of these reports will be presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate.

Auditor independence

The board believes that its auditor is independent. Details of all fees for non-audit work are set out in note 8 on page 78 of the financial statements. A material amount of the non-audit work was done on the interim results and internal control reviews.

Other committees are appointed by the board from time to time to consider specific matters delegated to them, such as approval of the detailed terms of acquisitions or disposals and capital expenditure projects.

Relations with shareholders

Alfesca is dedicated to maintaining good relations with investors, both current shareholders and prospective investors. To further strengthen this relationship the decision was made to hire a manager for investor relations. The new head of corporate communications is based at Alfesca's office in Reykjavik. The chief executive continues to lead investor relations, and he and the chairman are available for consultation by major shareholders when appropriate.

Major brokers' reports and forecasts are circulated to the board as they are received. Following the preliminary and interim announcement presentations, Alfesca's senior management conducts an analysis of investor and analysts' reaction, which is reported to the board.

The chairman or chief executive also reports to the board on investor contacts and reaction when appropriate. During the year the chief executive, accompanied by the senior management, gave collective general presentations covering the results and other key announcements. The chairman and senior management are available as appropriate for subsequent meetings with investors.

The chairman and the chief executive generally deal with questions from individual shareholders. All shareholders have the opportunity to put questions at Alfesca's annual general meeting, when the chairman presents a statement on Alfesca's performance during the year, together with a statement on current trading conditions. All shareholders are encouraged to attend the annual general meeting, when the directors and senior managers will be available to answer questions concerning Alfesca and its activities.

Alfesca maintains a website (www.alfesca.com) which contains information on Alfesca and its recent changes and announcements.

Shareholders in Alfesca 30.06.2007			%
Kjalar Invest B.V.	Investment Company	2,106,159,596	35.84
Kaupþing banki hf	Bank	1,133,328,191	19.29
GLB Hedge	Bank (as nominee)	447,808,463	7.62
Straumur-Burðarás Fjárfest hf	Bank	409,247,221	6.96
Stafir lífeyrissjóður	Pension Fund	310,966,696	5.29
Citibank	Bank	308,307,559	5.25
Gildi -lífeyrissjóður	Pension Fund	142,623,741	2.43
Kjalar Investment S.A.	Investment Company	138,888,889	2.36
Landsbanki Íslands hf,aðalstöðv.	Bank	94,316,783	1.61
Glitnir banki hf	Bank	89,881,239	1.53
Mundill ehf	Investment Company	85,675,910	1.46
Arion safnreikningur	Private Banking	76,045,190	1.29
Lífeyrissjóður verslunarmanna	Pension Fund	53,323,661	0.91
FL GROUP hf	Investment Company	51,850,983	0.88
RBC Dexia Investor Services Tru	Investment Company	44,594,240	0.76
Jakob Óskar Sigurðsson	Private Investor	31,850,000	0.54
Xavier Daniel Govare	Management	31,595,186	0.54
Sameinaði lífeyrissjóðurinn	Pension Fund	27,784,566	0.47
Hlér ehf	Investment Company	23,338,830	0.4
Credit Agricole Titre	Bank	21,720,288	0.37
Total 20 largest shareholders		5,629,307,232	95.8
Other shareholders (896)		246,575,960	4.2
Total number of shares		5,875,883,192	100

Risk management

The board of directors is responsible for ensuring that key operational risks are effectively managed. The board has considered and approved the risk management policy and risk appetite of Alfesca.

The board annually reviews the operational risks of Alfesca, but delegates day-to-day responsibility for risk management to the executive managers. Through its normal business operations, Alfesca is exposed to a number of commercial risks and uncertainties which could impact on its results.

Alfesca operates in a highly competitive consumer market. Its ability to compete effectively will require successful sales and marketing of its products, new product development and innovation and cost rationalisation.

New product development takes into account changing trends in consumer preferences, including dietary and nutritional concerns. Market factors and the need to develop and provide modified or alternative products may increase costs, and either or both of these factors may affect the result of operations. In the consumer market in which Alfesca operates, demand for convenience foods can be influenced by such factors as weather, including changes in prevailing average monthly temperatures.

Alfesca owns a number of popular European and domestic brands. Brand-name recognition is a key factor in the success of many of these products. There will be a need to monitor closely all the various trademarks, whether registered or not, to ensure the appropriate level of protection for current needs, while at the same time anticipating any future strategies.

Dynamics of the salmon market

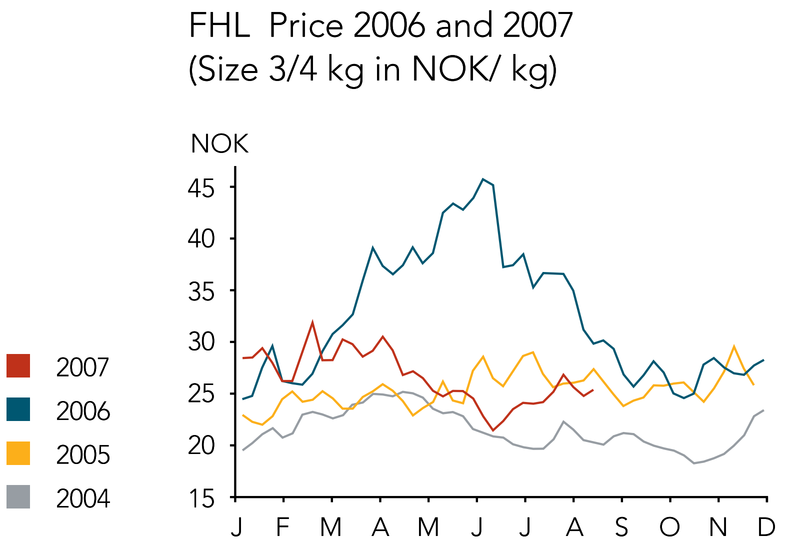
The prices of raw materials used in the business are affected by, among other things, the policies of the governments of the UK, France, Norway and Spain and of the European Union.

A portion of the raw materials used are traded as commodity products, the prices of which are subject to a number of factors that are not under our control. Movement in the price levels of these raw materials has, and may in the future have, a corresponding impact on finished product cost. Any failure to pass on price increases may adversely affect the Group's financial performance.

Salmon prices have fallen appreciably since July 2006 and have gradually come back to levels which better reflect the salmon farming industry costs. This is due to increased supply which now better meets current demand.

Looking forward, while it is clear that the market for Norwegian salmon will remain volatile, taking into account indications from forward contracts for Norwegian salmon, as well as available feed rate data and biomass estimates for the next five years, the management's expectations, in line with market consensus, are that the price of salmon will stabilize around levels observed in June 2007.

SALMON PRICES



Treasury risk management

The Group continues to maintain a centralised treasury function which operates under board-approved policies and guidelines covering funding and management of foreign-exchange exposure and interest-rate risk. All transactions entered into by the Group's treasury operation are required to be in support of, or as a consequence of, underlying commercial transactions.

The Group manages its exposure to interest-rate fluctuations in part through the use of interest-rate swaps and forward-rate agreements. Objectives for the mix between fixed and floating rate borrowings are established by the board, following recommendations made by the Chief Financial Officer, so as to seek to reduce the impact of adverse variations on the Group's profit and cash flow.

Corporate and social responsibility

Alfesca is fully aware of the impact that its activities may have on the environment and has set sustainable development as a group core value and key priority. Consequently, a group committee for strategy and sustainable development has been formed, including top group executives as well as independent industry experts.

Alfesca's policy for sustainable development is motivated by a strong desire to attain top performance whilst improving environmental and social consequences, meeting the needs of all the company's stakeholders and assuming complete corporate social responsibility. Alfesca has defined the main values of its commitment, highlighting the key points the company has to promote.

Respect for ethical principles

More than ever before, businesses today are judged by their ethical standards every bit as much as their competitive performance. Stakeholders, including shareholders and consumers who enjoy our products, rightly demand high standards – not only from us, but also from suppliers and partners in the supply chain. We set high ethical standards and aim to have a full set of written codes in place covering business trading ethics which state categorically the standards we demand.

Human rights - Alfesca ensures that fundamental human rights are respected in all of its companies and suppliers.

Fight against corruption - In order to eliminate any form of corruption, relations with stakeholders are based on honesty, transparency and equity.

Mutual trust - On all levels of operations, reliable relationships between the various interested parties are established.

Fair growth - Alfesca defends durable, fair and transparent growth and supports constant innovation in order to meet consumers' expectations.

Consumer health and safety

Food safety is a major concern for all Alfesca employees. New regulations have considerably changed the Group's responsibilities towards consumers, demanding special competence and strict compliance from operators, as well as strict control and surveillance from the authorities, throughout the European Union. These regulations are in line with consumers' general opinion that food is a major public health issue.

Major projects in progress regarding food safety:

- Implementation of a bacteriological quality surveillance system for salmon. This yields centralised results for the entire group that will offer guidance concerning the supply chain. In parallel: supplier audits, guidance and consulting.
- All factory employees are educated and trained in good hygiene and quality practices. Management is educated and trained in hazard prevention.
- Issue of Professional Guide to Good Hygiene Practices. Implementation of AFNOR standard V01B Food Safety Management System.
- Partnership on research with the AFSSA (French National Food Safety Agency). Regular meetings with the agency in order to gain better control of hazards.

Informing the public

The goal of Alfesca's Health & Nutrition Programme, backed by the latest scientific knowledge available, is to promulgate the truth about the Group's products and to explain its approach to health and nutrition. The Group also wishes to apply PNNS (French National Health & Nutrition Programme) recommendations. The French Minister of Health provides a reminder of what is at stake: "The overall purpose of the programme is to improve the health of the entire population by acting on nutrition, which is a major determining factor."

Contributing to a healthy balance

Alfesca aims to contribute to healthy eating, e.g. by controlling the amount of salt in the group's products, as Labeyrie and Lyons Seafood do. Delpierre, Farne and Labeyrie state the amount of Omega 3 fatty acids, which are beneficial to people's health. Vensy enhances its range with olive oil, and Blini now offers light blini and tarama version of its products. The goal is to offer healthy and balanced products that taste good.

Defending social equity

Equality - Alfesca's employees are all equal regardless of origin, sex and age, and they have the same opportunities to develop their skills and further their careers within the group. Discrimination in any form is not tolerated.

Working standards - Alfesca respects international work standards and opposes child labour, hard labour and mental or physical pressure.

Human resources training - Alfesca proposes a programme of continuing education for its employees by creating jobs and developing training programmes.

Reducing ecological footprint

Alfesca works on preserving natural resources by minimising the use of water, energy and various materials necessary for the group's operation. Alfesca works on limiting its environmental impact by managing waste and improving waste-water treatment, as well as minimising atmospheric pollutants. We audit all our sites for compliance with our own as well as statuary requirements on water quality, waste management and effluent control, pollution prevention and energy conservation.

Communication and reporting

Alfesca will act on its commitment and inform all stakeholders on the implementation of its CSR programme. Indicators will be set up in order to track progress towards the goals set. Management will continue to propose projects with an impact on sustainable development, such as optimisation of packaging, renewable energies, recycling, eco-conception, eco-behaviour and corporate responsibility. This is an extremely challenging area for Alfesca, but one for which management has already laid solid foundations.

Management has asked the newly appointed Sustainability Team (see below) to coordinate the group's approach, give advice and review existing sustainable development actions in each company, and set up indicators in compliance with the GRI (Global Reporting Initiative). This process will enable management to oversee measures for making progress, and monitor success.

Sustainable development

Alfesca's management has defined a long-term approach for the Group's companies that meets expectations of consumers and public authorities with respect to sustainable development. In order that this approach may be effective and truly meet expectations, a scientific committee with expertise in food safety, nutrition and health and sustainable development has been constituted. The sustainable-development strategy that will be defined for the Group will be reviewed and approved by the Strategic and Scientific Committee. This body has been created to assist and advise Alfesca's management team in this area as well as other important areas in Alfesca's business. The scientific committee will include well-known and respected experts in the following fields essential to the Group's objectives: nutrition & health, microbiology and chemical contamination.

The Strategic and Scientific Committee is chaired by Jacques Estienne, former Anti-Fraud Director in France and agri-food industry expert.

The Committee, which reports directly to the CEO, may be expanded to include other top specialists whenever necessary, in order to update its scientific knowledge continually and to optimise control of production systems.

Sustainable Development in Action

Each entity of Alfesca is already working on actions that contribute to sustainable development. The diagram on page 52 represents the Group's guiding principles in this area.

This vision of sustainable development helps management to take a holistic approach, recognising that each sector overlaps and interacts with the others. Economic, environmental and social aspects must be considered together.

This new managerial concept will be implemented gradually. The first step includes a review of existing sustainable development projects and an identification of the most promising developments that are in line with Alfesca's strategy.

Sustainable development projects in progress:

- Protection of marine resources
- Recycling of fish waste to produce high-quality food fats
- Research on new packaging
- Employment of handicapped people at specifically adapted work stations
- Reduced use of salt

Each of the group's companies is taking action in regard to sustainability; below is an example of work in progress:

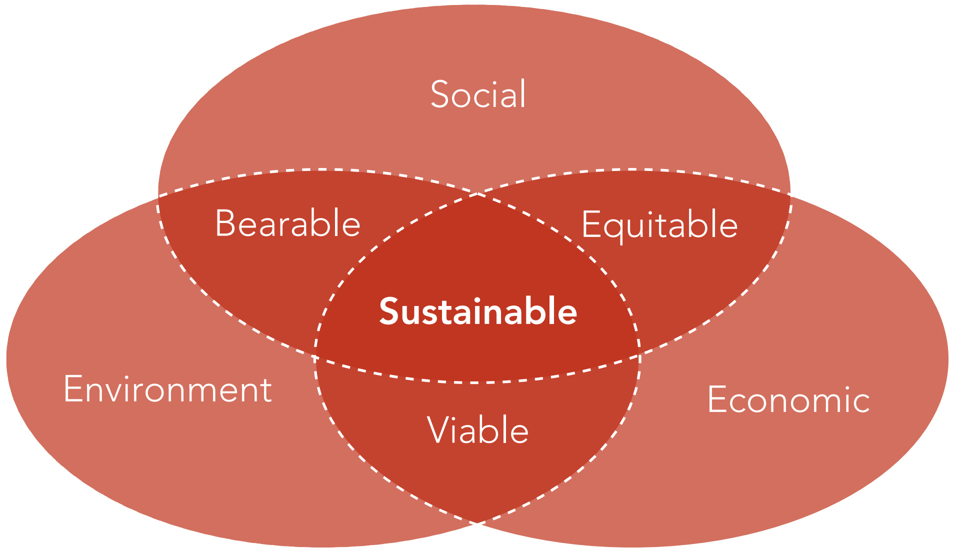
Lyons Seafoods´ organic prawns

Lyons Seafoods is highly committed to a sustainable and ecologically sound seafood industry operating in harmony with the environment. Lyons Seafoods already sources over 70% in value of its raw material from ecologically sound and sustainable sources. All Lyons suppliers are regularly audited to ensure that they perform to and within the company's written guidelines and policies. As part of Lyons' long term commitment towards sourcing all of its raw material from sustainable sources the company works closely with its suppliers and organisations.

Lyons Seafoods respects natural breeding conditions and is involved in ecological and social aid to producing nations:

- Creation of organic prawn farms in Ecuador and other Latin American countries.
- Participation in reafforestation of Ecuador following illegal destruction of mangroves in 1994. Thanks to this reactivation of the ecosystem, the nutritive quality of drained water improved.
- Aid to families and creation of prawn-breeding farms in Lampung, Indonesia, providing access to secured credit and support. This action enriched the local community to the point where it has become a true town with a school, a hospital, shops and mosques, and is continuing to develop.

SUSTAINABLE DEVELOPMENT



Production facilities

FRANCE	**Saint-Geours de Maremne**		
	Smoked salmon		
	Annual production:	4,000 tons	
	Max Capacity:	20 tons/day	
	Foie gras		
	Annual production:	1,500 tons	
	Max Capacity:	10 tons/day	
	Other duck products		
	Annual production:	2,000 tons	
	Max Capacity:	13 tons/day	
	Hagetmau and Came / Slaughterhouse		
	Fresh prepared regional products		
	Max Capacity:	3.5m ducks/year	
	Troarn		
	Blini		
	Annual production:	2,600 tons	
	Max Capacity:	12m blini pieces/day	
	Taramasalata and Spreadables		
	Annual production:	3,600 tons	
	Max Capacity:	15 tons/day	
	Bobigny		
	Taramasalata and Spreadables		
	Annual production:	2,000 tons	
	Max Capacity:	15 tons/day	
	Blini		
	Annual production:	200 tons	
	Max Capacity:	2m blini pieces/day	
	Wisches		
	Smoked Salmon		
	Annual production:	5,000 tons	
	Max Capacity:	22 tons/day	
	Fécamp		
	Smoked Fish		
	Annual production:	4,800 tons	
	Max Capacity:	30 tons/day	
	Jonzac		
	Salted and Dried Fish		
	Annual production:	9,500 tons	
	Max Capacity:	50 tons/day	
	Nantes		
	Shellfish (prawns)		
	Annual production:	8,400 tons	
	Max Capacity:	50 tons/day	
UK	**Warminster**		
	Shellfish (prawns)		
	Annual production:	16,000 tons	
	Max Capacity:	88 tons/day	
	Duns		
	Smoked Salmon and Seafood Products		
	Annual production:	2,400 tons	
	Max Capacity:	11 tons/day	
SPAIN	**Malaga**		
	Smoked Salmon, trout and other seafood products		
	Annual production:	2,000 tons	
	Max Capacity:	15 tons/day	
	Linea de la Concepcion		
	Smoked Angel Fish and other seafood products		
	Annual production:	500 tons	
	Max Capacity:	4.5 tons/day	

Board of Directors

Ólafur Ólafsson[1,3] (50)
Non-executive chairman
Joined the board in March 2000 and became Chairman in October 2003. He is the Executive Chairman of Samskip hf, an international transport and logistics business. He has a Cand. oceon. degree from the University of Iceland.

Guðmundur Ásgeirsson[1,3] (67)
Non-executive director
Acted as alternate director since May 1997 and joined the board in October 2005. He is the founder and chairman of Nesskip hf, a shipping company in Iceland. He was a member of the board of directors of the Icelandic Seamen's Pension Fund for 23 years, serving as Chairman for two terms, and member of the board of directors of the Icelandic Shipowners' Association from its foundation in 1983 until 2003.

Hartmut M. Krämer[1,3] (61)
Non-executive director
Joined the board in March 2005. He holds a Master's degree in Economics from the University of Bonn and an MBA from Harvard University, USA. He was CEO and general partner of Peek & Cloppenburg in Germany 1986-1998 and President and CEO of Redcats, the home shopping division of Pinault-Printemps-Redoute in France, 1998-2002. He holds non-executive positions with several European companies, such as Kingfisher plc, Toupargel SA and Herlitz AG.

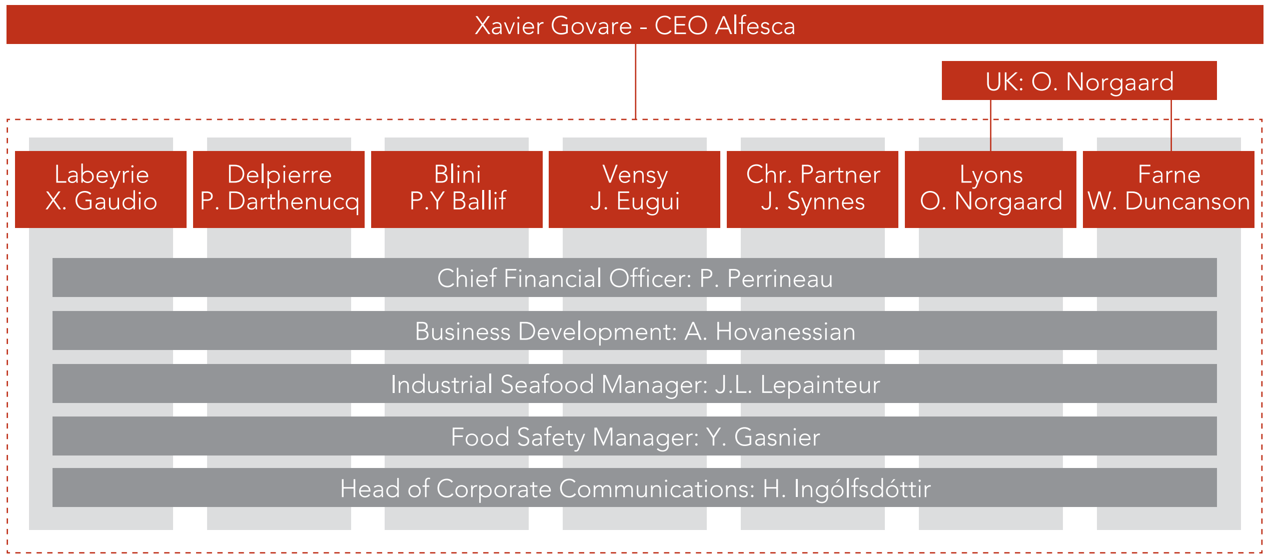
Bill Ronald[2] (52)
Non-executive director
Joined the Board in September 2006. He has extensive experience of the retail trade and of managerial work within it. He was CEO of the food producer Uniq plc from 2002 to 2005, before which he worked for Mars Inc. for 30 years. He is currently the Executive Chairman of Bezier Ltd and Non Executive director of Halfords plc. Bill Ronald graduated from the University of Glasgow with a degree in Statistics in 1978. He is married and has two children.

Árni Tómasson[2] (51)
Non-executive director
Joined the Board in September 2006. A chartered public accountant since 1984, he has run his own business consultancy since 2003. He has been a part-time manager at Teva Pharmaceuticals Finance Iceland sf since 2004 and was Manager of the Agricultural Bank of Iceland (Búnaðarbanki Íslands hf) 2001-2003. Árni was co-owner and chairman of the board of Deloitte hf 1999-2001 and co-owner of the accounting firm Löggiltir endurskoðendur hf from 1985 and its chairman from 1989 until 1999. He has served on the boards of several companies. Árni graduated from the Auditing Department of the Faculty of Business Studies of the University of Iceland in 1979.

Aðalsteinn Ingólfsson (38)
Non-executive deputy director
Joined the board in March 2000 and became Deputy Chairman in October 2003. He has been Deputy Board member since September 2006. Aðalsteinn is the Managing Director of Skinney-Thinganes, a fish processing company in Iceland. He holds a degree in Business Administration from Bifrost School of Business in Iceland.

1 Member of the remuneration committee
2 Member of the Audit committee
3 Member of the Compensation committee

ORGANISATION



Senior management

Xavier Govare (49)
Chief Executive
Appointed Chief Executive in August 2006. Joined Labeyrie in 1989 after previous positions within Unilever, Best Food and Novartis. In 1999 he became General Manager of Labeyrie, presiding over Labeyrie's listing that year on the Paris stock exchange. When Labeyrie was delisted in 2002 Xavier became CEO of Financière de Kiel, until his appointment as Group Chief Executive.

Philippe Perrineau (51)
Chief Financial Officer
Joined Labeyrie as Chief Financial Officer in 2000. After his MBA with ESCParis, he qualified as a Chartered Public Accountant with KPMG and held various senior positions at the multinational Cargill, both in France and the United States before joining Labeyrie. He was appointed Chief Financial Officer of the Group in January 2007.

Antony Hovanessian (37)
Business Development Director
Joined in March 2006, having been at the Investment Banking division of Kaupthing Bank. He has over 12 years of corporate finance and commercial experience within the food industry. Originally qualified as a lawyer with the international law firm Clifford Chance, he is member of the UK Securities and Investment Institute.

Ole Norgaard (61)
Chief Executive - United Kingdom
Joined Lyons Seafoods in 1997 as Chief Executive. From 1976 to 1993 he worked for the multinational Borden International where he became Group Vice President for Dairy International. Prior to joining Lyons Seafoods he was CEO of Needlers Ltd. He is chairman of the trustees of the LSF Retirement Benefit Plan and is a director on the board of Seafish Industry Authority.

Xavier Gaudio (52)
Managing Director - Labeyrie
Joined Labeyrie in 2004 after previous positions within Danone Group as Marketing and General Manager and as General Manager at Saupiquet.

Philippe Darthenucq (50)
Managing Director - Delpierre
Joined Labeyrie in 1990 as head of sales and marketing and has been General Manager of Delpierre since 2005. Previously worked in sales and marketing at the multinational Colgate-Palmolive. He is a graduate of Bordeaux Management and Business School.

Pierre Yves Ballif (52)
Managing Director- Blini and LTG
Joined Blini in March 2005. Previously, spent seven years as General Manager at Yoplait responsible for France and rest of Europe. Prior to that he held several marketing and sales positions within Danone Group. He holds a HEC and a law degree.

Eric Pinoncely (45)
Managing Director - Adrimex
Joined Adrimex in July 2001 after three years in poultry in Unicopa Group as General Manager. He spent ten years at a subsidiary of La Martiniquaise, a French wine and spirits group, as Financial Manager and then Assistant General Manager. He is a graduate of IFG (French Institute of Management).

William Duncanson (36)
Managing Director - Farne
Joined the company in March 2006. Previously General Manager of Pinneys, a subsidiary of Uniq plc producing salmon, and before that he held positions in production and purchasing. He holds a BA degree in Economics and a postgraduate diploma in Information Technology.

Jorge Eugui (41)
Managing Director - Vensy
Joined Vensy in January 2006. Previously he was the Commercial Director of Quesos Forlasa, a leading producer of cheese in Spain, a position he held for three years. Prior to that he was General and Commercial Manager for Senoble Ibérica for seven years. He is board member of CECOPESCA, National Technical Center for Fishing Products Conservation. He graduated in 1989 from the University of Navarra with a degree in law. He obtained a Master's degree in Stock Exchange and Financial Markets from the IEB in Madrid in 1991 and an MBA degree from IESE in 1994.

Jean Louis Lepainteur (53)
Industrial Seafood Manager
Joined Labeyrie in 2002 having previously been a General Manager with Pan Fish, France, for five years. He was manager of Labeyrie's salmon production factory between 1991-1996. He has held several positions as Industrial and General Manager with various food companies and as chairman of the French union of smokers of trout and salmon (STF). He holds an MBA degree and a degree in agricultural engineering.

Yves Gasnier (58)
Food Safety Manager
Joined Labeyrie in 1994 as R&D and Quality Manager. Appointed Industrial Manager in 2000 and subsequently appointed Group Food Safety Manager and in charge of sustainable development in 2006. Prior to that he was R&D and Food Safety Manager at Bordeau Chesnel from 1979 to 1991, then Industrial and Food Safety Manager with various duck food producers from 1991 to 1994.

Hrefna Ingólfsdóttir (41)
Head of Corporate Communications
Joined Alfesca in June 2007. Hrefna is an MBA graduate from Reykjavik University and was formerly Director of Public Relations at Siminn (Iceland Telecom) and worked at the Embassy of Japan. Hrefna, who has 17 years of experience in public relations, communication and marketing, is based at Alfesca's new head office in Reykjavik.

John Synnes (46)
Managing Director - Christiansen Partner
Joined Christiansen Partner in 1999. He has a business education from BI Norwegian school of management and extensive experience in farming, sales and value-added processes.

Alfesca

Financial Statements
July 2006 - June 2007

Statement by the Board of Directors and CEO

The Board of Directors and the CEO submit to the shareholders the audited consolidated financial statements of Alfesca hf for the year ended 30 June 2007.

The consolidated financial statements of Alfesca hf. include the financial statements of Alfesca hf. and its subsidiaries (respectively the "Consolidated Financial Statements" and the "Group"). The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as further explained in note 2.

Alfesca is a European producer and supplier of branded and own-label convenience and premium products in selected food categories to retail and food services markets. Detailed commentaries on the Group's performance are contained in the Chairman's Statement, the Chief Executive's Review and the Business Reviews in the Annual Report. The principal subsidiary and undertakings are listed in note 16.

The results of the Group for the year are set out in the Income Statement. The total revenue of the Group amounted to EUR 616.886 million (2006: EUR 554.659 million). The profit from continuing operations of the Group amounted to EUR 22.203 million (2006: EUR 19.020 million) and the net profit including discontinued operations amounted to EUR 22.432 million (2006: EUR 11.966 million). The total assets of the Group amounted to EUR 670.391 million (2006: EUR 619.103 million) and total equity at the end of the financial year was EUR 296.578 million (2006: EUR 269.168 million). The equity ratio at the end of the accounting year was 44.2%.

The Company continued to follow its strategy to focus its activities mainly on the production and supply of convenience and premium products to the retail and food services markets and showed further growth and development during the year. On 19 February 2007, the Group completed the acquisition of Adrimex SAS, a leading specialised procurer, processor and distributor of high-quality chilled and frozen shellfish primarly in France. In addition, on 11 June 2007, the Group completed the acquisition of Le Traiteur Grec, which is a food processing company specialized in vegetable spreads, blinis bread and tarama. Future prospects are outlined in the Chairman's address, the Chief Executive's review and the business reviews in the Annual Report.

Having regard to the growth and investment plans of the Group, the Board of Directors do not recommend the payment of dividend.

At the end of the year the Company had 916 shareholders on the register of shareholders (2006: 1,141 shareholders). At 30 June 2006, two shareholders held more than 10.0% of the shares in the Company with Kjalar Invest B.V. holding 35.84% and Kaupthing Bank hf holding 19.29%. As notified on 4 June 2007, Kjalar Invest B.V is a company under the control of Mr Ólafur Ólafsson, Chairman of the Board of Directors, who through other related parties is beneficially interested in 39.66% of the share capital of the Company.

As with any large group, Alfesca faces a number of risks and uncertainties. Individual business units´ management teams primarily drive the process by which individual risks and uncertainties are identified, these teams being best placed to identify significant and emerging risks and uncertainties in their businesses. The output from this process feeds into regular management reporting structures. Risks and mitigating controls common across categories are managed and reviewed at Group level. Risks identified and associated mitigating controls are subject to review as part of the Group's health and safety, technical compliance and operational/financial audit programmes.

In addition, an Audit Committee has been set up within the Board responsible for making recommendations to the Board of Directors on areas of risk management and internal control. A Compensation Committee is present within the Board responsible for the Company's policy on remuneration of executive directors and senior managers. No Alfesca hf. employees are members of the Board of Directors.

The Board of Directors and CEO of Alfesca hf. hereby confirm the Consolidated Financial Statements for the accounting year ending on 30 June 2007.

3 September 2007

Board of Directors

Ólafur Ólafsson, chairman

Bill Ronald

Árni Tómasson

Hartmut M. Krämer

Guðmundur Ásgeirsson

CEO
Xavier Govare

Independent Auditors' Report

To the Board of Directors and shareholders of Alfesca hf.

We have audited the accompanying financial statements of Alfesca hf., which comprise the balance sheet as of June 30, 2007, the income statement and 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 financial statements in accordance with generally accepted accounting principles in Iceland. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements give a true and fair view of the financial position of Alfesca hf. as of June 30, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

3 September 2007

Deloitte hf.

Ágúst Heimir Ólafsson
State Authorized Public Accountant

Páll Grétar Steingrímsson
State Authorized Public Accountant

Income Statement 1/7 2006 - 30/6 2007

	Notes	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6	2006/2007 1/4 - 30/6	2005/2006 1/4 - 30/6
Continuing operations					
Net sales	4	616,886	554,659	144,314	116,907
Cost of goods sold		(518,716)	(466,415)	(123,812)	(103,145)
Gross profit		98,170	88,244	20,502	13,762
Other gains and losses		(546)	696	(94)	643
Operating expenses		(64,369)	(62,423)	(19,410)	(13,457)
Operating profit		33,255	26,517	998	948
Net financial expenses	9	(11,867)	(9,272)	(2,427)	(2,137)
Earnings from associates		35	54	53	(59)
Net profit (loss) before taxes		21,423	17,299	(1,376)	(1,248)
Income tax	10	780	1,721	4,835	4,168
Profit from continuing operations		22,203	19,020	3,459	2,920
Discontinued operations					
Profit (loss) from discontinued operations	11	229	(7,054)	0	(3,523)
Profit (loss) for the period		22,432	11,966	3,459	(603)
Attributable to					
Equity holders of the parent		22,432	11,966	3,459	(603)
		22,432	11,966	3,459	(603)
Earnings per share (in Euro cents)	12				
Continuing operations:					
Net earnings per share		0.39	0.33	0.06	0.05
Diluted net earnings per share		0.36	0.32	0.06	0.05
Continuing and discontinued operations:					
Net earnings per share		0.39	0.21	0.06	(0.01)
Diluted net earnings per share		0.37	0.20	0.06	(0.01)
Other information					
Depreciation		18,060	17,276	4,856	5,494
EBITDA	40	53,895	43,793	8,434	6,442

All amounts in thousands of euro

Balance Sheet 30 June 2007

Assets	Notes	30/6/2007	30/6/2006
Fixed assets			
Goodwill	13	209,975	183,675
Other intangible assets	14	135,283	135,089
Property, plant and equipment	15	107,323	107,523
Investments in associated companies		513	498
Held-to-maturity securities	17	9,776	9,670
Available-for-sale investments	18		16
Total fixed assets		462,870	436,471
Current assets			
Inventories	19	109,695	91,905
Trade receivables	20	45,365	32,382
Other receivables	21	24,002	18,061
Bank deposits and cash	20	28,459	14,479
Assets classified as held for sale			25,805
Total current assets		207,521	182,632
Total assets		670,391	619,103

Equity and Liabilities	Notes	30/6/2007	30/6/2006
Shareholders' equity			
Share capital	22	66,544	66,544
Share premium	23	198,713	198,713
Capital reserves	24	1,035	1,035
Equity - settled employee benefits reserve	28	2,580	0
Translation and hedging reserves	26	1,531	(868)
Retained earnings	27	26,163	3,731
Equity attributable to shareholders of the parent		296,566	269,155
Minority interest		12	13
Total equity		296,578	269,168
Liabilities			
Non-current liabilities			
Long-term liabilities	30	184,895	154,438
Obligations under finance leases	31	4,268	5,392
Deferred tax liabilities	32	44,717	44,804
Pension obligations		6,844	7,262
Other obligations		1,611	3,264
		242,335	215,160
Current liabilities			
Bank loans		21,820	23,411
Current maturities of long-term debt	33	9,212	13,243
Other current liabilities		38,925	36,572
Trade payables		61,521	51,200
Liabilities associated with assets classified as held for sale		0	10,349
		131,478	134,775
Total liabilities		373,813	349,935
Total equity and liabilities		670,391	619,103

All amounts in thousands of euro

All amounts in thousands of euro

Statement of Cash Flows 1/7 2006 - 30/6 2007

	Notes	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Cash flow from operating activities			
Net profit for the period		22,432	11,966
Elimination from income from associates		(35)	74
Income tax expense recognised in profit or loss	10	(780)	(1,721)
Finance costs recognised in profit or loss		11,303	9,041
Depreciation	14, 15	18,060	17,276
Other calculated items		(3,640)	(1,455)
Gain/loss on sale of assets		12	(874)
Discontinued operations	11	(229)	7,054
Working capital provided by operating activities		47,123	41,361
Change in current assets and liabilities		(4,391)	(8,066)
Cash generated from operations		42,732	33,295
Tax (paid) received		1,727	(2,940)
Net Cash generated by operating activities		44,459	30,355
Cash flow from investing activities			
Purchase price of fixed assets		(17,358)	(19,255)
Proceeds from disposal of fixed assets		6,704	3,315
Proceeds from disposal of financial assets		20	6,247
Increase in loans & proceeds from repayment of loans		(81)	243
Acquisition in subsidiaries	38, 39	(36,587)	0
Proceeds from sales of subsidiaries		13,434	4,316
Dividends from associated companies		0	77
Net Cash used in investing activities		(33,868)	(5,057)
Cash flow from financing activities			
Proceeds from borrowings		160,928	3,337
Repayment from borrowings		(140,547)	(69,829)
Net financial interest paid		(11,776)	(7,146)
Dividends paid to group shareholders		19	0
Operational loans, changes		(5,304)	11,649
Net Cash provided (used) in financing activities		3,320	(61,989)
Net increase (decrease) in cash and cash equivalents		13,911	(36,691)
Effects of discontinued operation			(3,887)
Effects of foreign exchange adjustments		69	(137)
Cash and cash equivalents at the beginning of the financial year		14,479	55,194
Cash and cash equivalents at the end of the financial year		28,459	14,479

All amounts in thousands of euro

Consolidated Statement of Changes in Equity for the period ended 30 June 2007

	Share capital	Share premium	Capital reserves	Equity - settled employee benefits reserve	Translation/ hedging reserves	Retained earnings	Total equity
Balance 31 December 2004	65,137	194,055	1,035		(303)	(9,760)	250,164
Exchange differences arising on translation of subsidiaries					1,563		1,563
Net gains not recognised in the income statement	0	0	0		1,563	0	1,563
Increase in share capital	1,876	6,227					8,103
Purchases of own shares	(123)	(427)					(550)
Transferred to income due to sale of subsidiaries					(330)		(330)
Net profit for the period						2,791	2,791
Balance 30 June 2005	66,890	199,855	1,035	0	930	(6,969)	261,741
Exchange differences arising on translation of subsidiaries					(947)		(947)
Loss on cash flow hedges					(748)		(748)
Deferred tax liability in Delpierre corrected						(1,266)	(1,266)
Net gains not recognised in the income statement	0	0	0	0	(1,695)	(1,266)	(2,961)
Purchases of own shares	(346)	(1,142)					(1,488)
Transferred to income due to sale of subsidiaries					(103)		(103)
Net profit for the period						11,966	11966
Balance 30 June 2006	66,544	198,713	1,035	0	(868)	3,731	269,155
Exchange differences arising on translation of subsidiaries					952		952
Gain / Loss on cash flow hedges					1,447		1,447
Net income (expense) recognised directly in equity	0	0	0	0	2,399	0	2,399
Net profit for the period						22,432	22,432
Recognition of share based payment				2,580			2,580
Balance 30 June 2007	66,544	198,713	1,035	2,580	1,531	26,163	296,566

All amounts in thousands of euro

Notes to the Financial Statements

1. General information

Alfesca hf. is a limited liability company domiciled in Iceland. Alfesca hf. is the holding company of a European group (the Group) dedicated to processing up-market gourmet and festive foods.

Alfesca hf. operates production sites in France, Spain and the United Kingdom. Its headquarters are located in Iceland. Alfesca hf. products include white fish, shellfish, smoked salmon, smoked herring, foie gras, blini and taramasalata. These products are sold under private label and its own brand names including Labeyrie, Skandia, Delpierre, Blini, and Lyons. Alfesca hf. brands have a leading position in France, Spain and the United Kingdom, which together form the Company's core markets.

These Financial Statements are presented in thousands of euros, the euro being the functional currency in which the majority of the Group's transactions are denominated.

2. Summary of Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

New and revised Standards

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

	Effective date:
- IFRS 7, Financial Instruments: Disclosures	1 January 2007
- IFRS 8, Operating Segments	1 January 2009
- IAS 23, Borrowing cost, revised standard	1 January 2009

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

	Effective Date: Annual periods beginning:
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	On or after 1 March 2006
- IFRIC 8, Scope of IFRS 2	On or after 1 May 2006
- IFRIC 9, Reassessment of Embedded Derivatives	On or after 1 June 2006
- IFRIC 10, Interim Financial Reporting and Impairment	On or after 1 November 2006
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions	On or after 1 March 2007
- IFRIC 12, Service Concession Arrangements	On or after 1 January 2008

These future IFRS changes are not expected to materially affect the annual report. Other probable effects would be the additional disclosure requirements that follow from the implementation of IFRS 7 and IFRS 8.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The consolidated financial statements have been prepared using the purchase method of consolidation accounting. When ownership in subsidiaries is less than 100%, the minority interest in the subsidiaries' income or loss and stockholders equity is accounted for in the calculation of the consolidated income or loss and the consolidated stockholders' equity.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

One of the purposes of consolidated financial statements is to show only the net external sales, expenses, assets and liabilities of the consolidated entities as a whole. Hence, intercompany transactions have been eliminated within the consolidated businesses in the presentation of the consolidated financial statements. Unrealised gain in inventories resulting from intercompany transactions has been eliminated and calculated income tax in the consolidated financial statements adjusted accordingly.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Consolidation´s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group´s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. Any impairment is recognised immediately in the profit or loss and is not subsequently reversed.

Goodwill arising on acquisition of an associated company is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

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Revenue from product sales are recognized when earned as required by generally accepted accounting principles. Product sales are recognised when goods are delivered and title has passed and are shown in the income statement net of value added tax, discount and internal sales.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets at their cost value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases.

Foreign currencies

Transactions in currencies other than euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

For consolidation purposes, the assets and liabilities of the consolidation's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates in the year. Translation differences from foreign companies are posted to translation reserves within equity. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred, except if they fall under IFRS 39 application.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Discontinued Operations

A discontinued operation is a component of an entity that either has been sold or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single plan to dispose of a separate major line of business or geographical area of operations,
- is a subsidiary acquired exclusively with a view to resell.

Components of an entity are any operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. An operation is considered to be discontinued at the date when the entity has either (a) actually disposed of the operation, or (b) when the operation satisfies the criteria to be classified as held for sale.

In the income statement a single amount comprising the sum of the post-tax profit or loss of the discontinued operation is presented separately and the amount recognised on the measurement to fair value less the costs of disposal.

An analysis of the above mentioned amount is presented in the notes. This analysis includes the amount of revenue, expenses and pre-tax profit or loss attributable to the discontinuing operation and the related income taxes. This amount is distinguished from other operations and comparative amounts are restated accordingly.

Government grants

Government grants related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

Taxation

The income tax currently payable or receivable is based on taxable profit for the period. Taxable profit differs from net profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The consolidated company's current tax liability is calculated using the tax rates for each country.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities

All amounts in thousands of euro

are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred 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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

In the preparation of the consolidated financial statements, accumulated gains in inventories from intercompany transactions are eliminated. This has an effect on the income tax expenses of the consolidated companies and an adjustment is included in the deferred tax asset. Income tax is calculated in accordance with tax rates in the countries where the inventories originate.

Other intangible assets

Other intangible assets are recognised in an acquisition of subsidiaries only if an asset can be identified, it is probable that the asset will generate future economic benefits and the cost of the asset can be measured reliably.

Other intangible assets primarily consist of the cost of obtaining trademarks. These assets are carried at original cost less previous years' amortization and impairment losses. Other intangible assets are reviewed at least annualy to determine whether there is any indication that those assets have suffered impairment losses.

Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the consolidation and the cost of the asset can be measured in a reliable manner.

Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost.

The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each year is recognised as an expense, on the following basis:

Buildings	2-4%
Fixtures and furniture	10%
Automobiles	10-20%
Machinery and equipment	6-15%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of the cost or the net realisable value, after taking obsolete and defective goods into consideration. Cost comprises direct materials and, where applicable, direct labor costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard costing method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Investments

Investments in securities are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade receivables

Trade receivables are valued at nominal value less an allowance for doubtful accounts. The allowance is deducted from accounts receivable in the balance sheet and does not represent a final write-off. Trade receivables in currencies other than the euro have been entered at the exchange rates prevailing on the balance sheet date.

Long-term liabilities

Long-term liabilities are valued at nominal value less payments made and the remaining nominal balance is adjusted by exchange rate or index, if applicable. Long-term liabilities in currencies other than the euro are recorded at the exchange rates prevailing on the balance sheet date. Interest expense is accrued on a periodical basis, based on the principal outstanding and at the interest rate applicable.

Trade payables

Trade payables are valued at nominal value and trade payables in currencies other than the euro have been booked at the exchange rates prevailing on the balance sheet date. Trade payables are not interest bearing.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions

Provision is recognised when an enterprise has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring which has been notified to affected parties.

Derivative financial instruments and hedge accounting

The Group´s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The significant interest rate risk arises from bank loans. The Group´s policy is to convert a proportion of its floating rate debt to fixed rates.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasurable to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At the time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Earnings per share

Earnings per share is the ratio between profit and the weighted average number of shares for the period and reveals net profit per share. The nominal value of each share amounts to one ISK. Calculation of diluted earnings per share takes into consideration stock options made with the Group's employees and the prospective deliverance of shares related to those options.

3. Quarterly statements

	2006 1/7 - 30/9	2006 1/10 - 31/12	2007 1/1 - 31/3	2007 1/4 - 30/6	2007 1/7 - 30/6
Net sales	111,841	235,013	125,718	144,314	616,886
Cost of goods sold	(100,209)	(186,196)	(108,499)	(123,812)	(518,716)
Gross profit	11,632	48,817	17,219	20,502	98,170
Commission and other income	0	(343)	(109)	(94)	(546)
Other operating expenses	(12,529)	(18,048)	(14,384)	(19,410)	(64,369)
Operating profit (loss)	(897)	30,426	2,726	998	33,255
Net financial expenses	(3,250)	(2,867)	(3,323)	(2,427)	(11,867)
Earnings from associates	0	(18)	0	53	35
Net profit (loss) before taxes	(4,147)	27,541	(597)	(1,376)	21,423
Income tax	2,164	(8,124)	1,905	4,835	780
Profit (loss) from continuing operations	(1,983)	19,417	1,308	3,459	22,203
Profit (loss) from discontinued operations	229	0	0	0	229
Profit (loss) for the period	(1,754)	19,417	1,308	3,459	22,432
EBITDA	3,503	34,748	7,208	8,434	53,895

All amounts in thousands of euro

4. Segment reporting

For management purposes, the Group is organized into three geographical divisions: France, the UK and other parts of Europe. These divisions are the basis on which the Group reports its primary segment information.

Information about these segments, based on the location of assets, is presented below.

1.7.2006-30.6.2007	France	UK	Other	Eliminations	Consolidated
Revenue:					
External revenue	367,473	191,469	57,944		616,886
Inter-segment revenue	44,641	5,173	86,197	(136,011)	0
Total revenue	412,114	196,642	144,141	(136,011)	616,886

	France	UK	Other	Eliminations	Consolidated
Result:					
Segment result	23,823	12,876	(3,444)		33,255
Other information:					
Capital additions	11,874	4,678	806	0	17,358
Depreciation and amortization	12,996	3,929	1,135	0	18,060
Balance sheet:					
Segment assets	767,647	245,651	358,486	(701,393)	670,391
Segment liabilities	486,626	113,727	53,254	(279,794)	373,813

5. Business segments

Current business segments for Consolidation are fish, shellfish, duck products and other products (blini, spreadables and other products). It is not possible to disclose assets according to business segments due to shared usage of assets.

Net sales are specified as follows according to product lines:

	1/7/2006-30/6/2007
Fish	273,051
Shellfish	151,661
Duck products	119,605
Other products	72,569
	616,886

6. Salaries

Salaries and salary-related expenses paid by the consolidation are specified as follows:

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Salaries	87,013	79,330
Salary-related expenses	26,484	24,146
	113,497	103,476
Average number of positions	3,518	3,299

Salaries and salary-related expenses, classified by operational category, are specified as follows:

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Cost of goods sold	80,658	75,524
Other operating expenses	32,839	27,952
	113,497	103,476

7. Management salaries and benefits

	Salaries and related exp.	Share options	Shares owned ('000)
Board of Directors:			
Ólafur Ólafsson, Chairman of the Board[1]	117		2,330,724
Aðalstein Ingólfsson	43		9.326
Bill Ronald	37		
Árni Tómasson	42		
Hartmut M. Krämer	52		
Guðmundur Ásgeirsson	46		25.800
Executive committee:			
Xavier Govare, CEO	683	52.389	31.595
Other Group Executives (3 in total)[2]	864	45.107	4.936

1 The Company was notified on 4 June 2007 that Mr Ólafur Ólafsson is beneficially interested in 2,330,724 thousand shares through Kjalar Invest BV and other related parties controlled by Mr Ólafur Ólafsson.

2 Other Group Executives include: Philippe Perrineau, CFO; Antony Hovanessian, Business Development Director and Ole Norgaard, CEO UK.

All amounts in thousands of euro

8. Fees to auditors

	2006/2007 1/7 - 30/6
Audit of financial statements	515
Review of interim financial statements	121
Other services	106
	742

The amounts include payments to elected auditors of all companies within the consolidation.

9. Financial income / (expenses)

Interest income and (expenses) are specified as follows in thousands of euro:

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Income from investments:		
Interest on bank deposits	1,269	958
Net profit from available for sale and held to maturity investments	0	176
Other interest income	0	143
	1,269	1,277
Finance costs:		
Interest on bank loans	(12,333)	(9,527)
Interest on finance leases	(263)	(299)
Other interest expenses	(443)	(450)
	(13,039)	(10,276)
Exchange rate differences	(97)	(273)
	(11,867)	(9,272)

10. Corporate tax expense

Corporate tax expenses are specified as follows:

	2006/2007 1/7 - 30/6
Current tax income	43
Deferred tax income	737
	780

Reconciliation of effective tax rate:

	1/7/2006 - 30/6/2007 Amount	%
Profit before tax	21,423	
Tax at the domestic corporate tax rate (18%)	(3,856)	-18%
Effect of different tax rates of other jurisdictions	(1,966)	-9%
Utilization of tax losses	2,853	13%
Tax losses recognised as deferred tax assets	1,213	6%
Tax adjustment following agreement with tax authority	1,856	9%
Other changes	680	3%
	780	4%

11. Discontinued Operations

During the last quarter of the reporting year 2005-2006, a decision was made by the Board of Directors to dispose of the frozen products division of its French subsidiary Delpierre (formerly SIF France). On 13 July 2006, a formal sale agreement was signed, and the frozen activity finished on 4 September 2006. Consequently, the frozen products division of the French subsidiary Delpierre are classified as discontinued operations.

The effects of discontinuing operations on the income statement of the Group are as follows:

	1.7.2006-4/9/2006
Net sales	7,891
Cost of goods sold	(8,441)
	(550)
Commission and other income	(109)
Other expenses	639
Operating loss	(20)
Financial expenses	(65)
Loss before taxes	(85)
Income and net worth tax	314
Net profit	229

12. Earnings per share

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Net profit (loss) from continuing and discontinued operations	22,432	11,966
Net profit (loss) from discontinued operations	(229)	7,054
Net profit (loss) from continuing operations	22,203	19,020

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,741,221	5,771,221

Diluted earnings per share

The earnings used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per share measures, as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006/2007 1/7 - 30/6	2005/2006 1/7 - 30/6
Weighted average number of ordinary shares used in the calculation of basic earnings per share	5,771,221	5,771,221
Shares deemed to be issued for no consideration in respect of:		
Employee options	122,546	120,222
Employee performance shares	280,000	
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	6,143,767	5,891,443

13. Goodwill

	Goodwill
At 1 July 2005	185,648
Exchange differences	(70)
Other changes	(1,903)
At 30 June 2006	183,675
Exchange differences	57
Arising on an acquisition of a subsidiary	26,243
At 30 June 2007	209,975

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to five individual cash-generating units. The carrying amount of goodwill allocated to cash-generating units is as follows:

	30/6/2007	30/6/2006
Cash-generating units (CGU) :		
Lyons Seafood	2,296	2,239
Delpierre	11,386	11,386
Labeyrie	105,050	105,050
Blini	50,000	50,000
Farne	15,000	15,000
	183,732	183,675
Goodwill to be allocated to a CGU in 2007/08	26,243	0
Total goodwill	209,975	183,675

New goodwill arising on LTG and Adrimex acquisitions for EUR 26.243 million has not yet been allocated to a CGU and will be agreed following final completion of Purchase Price Allocation.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts, based on actual operating results and derived from the most recent financial budgets approved by management for the next three to five years. Cash flows for future periods are extrapolated using a 2-4 per cent growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

14. Other intangible assets

	Other intangible assets
Cost:	
At 1 July 2006	138,961
Additions	1,996
Reclassified	0
Arising on an acquisition of a subsidiary	239
Reclassified as held for sale	(4)
At 30 June 2007	141,192
Amortization:	
At 1 July 2006	3,872
Arising on an acquisition of a subsidiary	217
Charge for the period	1,820
At 30 June 2007	5,909
Carrying amount:	
At 1 July 2006	135,089
At 30 June 2007	135,283

15. Property, plant and equipment

	Buildings and sites	Machinery & equipment	Fixtures & office equipment	Under construction & prepaid	Total
Cost:					
At 1 July 2006	100,711	89,566	15,998	1,558	207,833
Additions	3,765	7,466	1,200	2,931	15,362
Exchange differences	430	730	137	0	1,297
Disposals	(8,053)	(2,287)	(449)	0	(10,789)
Arising on an acquisition of a subsidiary	7,001	5,680	1,196	376	14,253
Reclassified as held for sale	(664)	(528)	0	0	(1,192)
Reclassified	143	6,068	55	(3,241)	3,025
At 30 June 2007	103,333	106,695	18,137	1,624	229,789
Accumulated depreciation:					
At 1 July 2006	39,137	51,429	9,744	0	100,310
Depreciation charge	5,181	9,512	1,547	0	16,240
Exchange differences	83	438	108	0	629
Disposals	(2,738)	(653)	(252)	0	(3,643)
Arising on an acquisition of a subsidiary	3,115	3,084	753	0	6,952
Reclassified as held for sale	(77)	(960)	(10)	0	(1,047)
Reclassified	(1,139)	4,614	(450)	0	3,025
At 30 June 2007	43,562	67,464	11,440	0	122,466
Carrying amount:					
At 1 July 2006	61,574	38,137	6,254	1,558	107,523
At 30 June 2007	59,771	39,231	6,697	1,624	107,323

Group policy is to review the fair value of buildings and equipment on a regular basis. The management estimates the fair value of other operating fixed assets at their book value.

All amounts in thousands of euro

16. The Consolidation

The Consolidated Financial Statements of Alfesca hf. pertain to the following subsidiaries:

Name of subsidiary	Place of registration and operation	Ownership %	Principal activity
SIF Norway	Norway	100%	Holding company
Siftor Holding AS	Norway	100%	Holding company
Njord AS	Norway	100%	Holding company
Saltskip hf.	Iceland	100%	Holding company *
Nord Ocean ehf	Iceland	100%	Holding company *
Christiansen Partner AS	Norway	98%	Sales
SIF Prime Foods Ltd	UK	100%	Holding company
Lyons Seafoods Ltd	UK	100%	Production and sales
Financiére de Kiel SAS	France	100%	Holding company
Labeyrie SAS	France	100%	Production and sales
Pierre Guéracague SAS	France	100%	Sales
Blini SAS	France	100%	Production and sales
Farne Salmon and Trout Ltd	Scotland	100%	Production and sales
Adrimex	France	100%	Production and sales
Le Traiteur Grec	France	100%	Production and sales
Delpierre SAS	France	100%	Production and sales
Zilia Holding NV	Dutch Antil.	100%	Holding company
Sedini NV	Netherlands	100%	Dormant
Vensy Espana SA	Spain	100%	Production and sales
Vensy Portugal LTDA	Portugal	100%	Sales
Labeyrie Norge AS	Norway	100%	Sales
Palmitou	France	49%	Sales

* (merged with Alfesca on 30 June 2007)

17. Held-to-maturity securities

	Held-to-maturity securities
Balance at 1 July 2006	9,670
Additions during the year	119
Instalments during the year	(174)
Fair value and exchange rate adjustments	161
Balance at 30 June 2007	9,776

18. Available for sale investments

	Available for sale
Balance at 1 July 2006	16
Additions during the year	0
Disposed of during the year	(16)
Fair value and exchange rate adjustments	0
Balance at 30 June 2007	0

19. Inventories

	30.6.2007	30.6.2006
Raw material	48,675	38,656
Work in progress	6,447	2,173
Finished goods and goods for resale	54,573	51,076
	109,695	91,905

20. Other financial assets

Trade receivables:

	30.6.2007	30.6.2006
Nominal value	47,368	34,205
Allowance for doubtful accounts and sales returns	(2,003)	(1,823)
	45,365	32,382

The average credit period taken on sale of goods is 36 days. An allowance has been made for doubtful accounts and sales returns. This allowance has been determined by management in reference to past experience.

The management considers the carrying amount of trade receivables to approximate their fair value.

Bank deposits and cash:

Bank balances and cash comprise cash and short-term deposits held by the Group by the treasury function. The carrying amount of these assets approximates their fair value.

21. Other receivables :

	30.6.2007	30.6.2006
Staff & social security receivables	1,009	1,200
State receivables	13,847	10,911
Prepaid expenses	4,643	2,521
Others	4,503	3,775
	24,002	18,407

All amounts in thousands of euro

22. Share capital

Share capital is as follows in millions of shares and thousand of euros:

	Shares	Ratio	Nominal value
Total share capital at 30 June 2007	5,741.2	97.7%	66,544
Treasury stock at 30 June 2007	134.7	2.3%	963
	5,875.9	100.0%	67,507

Shares issued and outstanding at year-end numbered a total of 5,875,883,192. The nominal value of each share is one Icelandic krona.

Changes in share capital are as follows:

	Share capital
Balance at 1 July 2005	66,890
Increase in share capital	0
Purchases of own shares	(346)
Balance at 30 June 2006	66,544
Increase in share capital	0
Purchases of own shares	0
Balance at 30 June 2007	66,544

23. Share premium

	Share premium
Balance at 1 July 2005	199,855
Increase in share capital	0
Purchases of own shares	(1,142)
Balance at 30 June 2006	198,713
Increase in share capital	0
Purchases of own shares	0
Balance at 30 June 2007	198,713

24. Capital reserves

	Capital reserves
Balance at 1 July 2005	1,035
Balance at 30 June 2006	1,035
Changes during the period	0
Balance at 30 June 2007	1,035

25. Equity - settled employee benefits reserve

	Equity settled employee benefit reserve
Balance at 1 July 2005	0
Balance at 30 June 2006	0
Changes during the period	2,580
Balance at 30 June 2007	2,580

26. Hedging and translation reserves

	Hedging reserve	Translation reserve	Total
Balance at 1 July 2005	0	930	930
Exchange differences arising on translation of subsidiaries	0	(947)	(947)
Decrease in fair value of cash flow hedging derivatives	(748)	0	(748)
Transferred to income due to sale of subsidiaries	0	(103)	(103)
Balance at 30 June 2006	(748)	(120)	(868)
Exchange differences arising on translation of subsidiaries	1,447	952	2,399
Variation in fair value of cash flow hedging derivatives	0	0	0
Transferred to income due to sale of subsidiaries	0	0	0
Balance at 30 June 2007	699	832	1,531

27. Retained earnings

	Retained earnings
Balance at 1 July 2005	(6,969)
Deferred tax liability in Delpierre corrected	(1,266)
Net profit for the period	11,966
Balance at 30 June 2006	3,731
Net result for the period	22,432
Balance at 30 June 2007	26,163

28. Share based payments

The consolidated companies have made stock option agreements with their executive directors and employees. Below is a schedule of stock option agreements and obligations to increase share capital assuming all conditions will be met. These contracts affect neither the income statement of the Group nor the balance sheet until after the balance sheet date. The contract rate is 4.80.

Contract rate / conditions / date granted	Number of shares (in thousands) 2006-2007	2007-2008	2008-2009	2009-2010	Total
4.80 / Conditional / June 2005	37,740	18,172	30,288	36,345	122,546

Some options are forfeited if the employee leaves the company before the options vest.

	Number of shares (thousands)	Weighted average contract rate
Outstanding at 1 July 2006	120,222	4.80
Roll over of options agreements from previous years	14,168	4.80
Forfeited during the period	(11,844)	4.80
Outstanding at 30 June 2007	122,546	4.80

The Articles of Association of the Company authorize the Board of Directors to issue up to 180,000,000 shares for the purposes of the above contracts and possible further contracts.

Performance Share Plan

On 22 May 2007, the shareholders approved the adoption of a new performance related share based incentive arrangement for executive directors and senior employees of the Group (the "Alfesca Performance Share Plan" or "Plan"). Rights to receive shares in the Company are granted to participants concerning a maximum number of shares, which for the purposes of the Plan total 300,000,000 shares of ISK1 each.

Each award has two parts. The first part of the award vests depending on the achievement of earnings targets for each of the financial years 2007, 2008 and 2009. The second part of the award vests depending upon the growth in the Company's share price over the three year period of the Plan and the achievement of minimum share price in September 2009. In the financial year ending 30 June 2007, awards totalling 280 million shares and representing EUR 2,580 thousand in value were recognised and expensed in the consolidated income statement.

29. Risk management

The principal objective of risk management is to reduce financial risk in the Group and to increase its financial stability. The Group's risk management policy constitutes a framework of guidelines and rules covering areas such as foreign exchange, interest and use of derivatives, as well as liquidity and credit risk. The Group's treasury and risk management function is centralised and supports this objective by identifying, evaluating and hedging financial risk. The Group's treasury guarantees cost-efficient funding and acts as an internal bank for the subsidiaries.

Market risk

Foreign exchange risk, transaction risk and translation exposure. The Group operates internationally and is exposed to foreign exchange risk from various currencies. The underlying net foreign exchange transaction exposure is hedged with derivatives, mainly foreign exchange contracts. These instruments all mature within one year. The Group only hedges foreign exchange currency cash flow forecast for periods of less than 12 months. Translation risk arises as a result of converting the Group's financial results to the functional currency. Translation risk is not hedged.

Interest rate risk

Fluctuations in interest rates have a direct impact on earnings. The interest rates used in the Group's budget are based on forward rates and the Group policy is to have the majority of funding at fixed interest rates.

Credit risk

The Group has no significant credit risk. To minimize credit risk it focuses on ensuring that customers have an appropriate credit history. As of 1 July 2006 all companies in the Group have been using credit insurance as a method of credit control.

Funding risk

The Group has commited credit lines in place to maintain sufficient liquidity and flexibility in funding. The Company is a net borrower and surplus liquidity is used to repay external debt.

30. Long-term liabilities

Remaining balance	30.6.2007	30.6.2006
Loans from credit institutions	179,685	150,143
Other long-term liabilities	5,210	4,295
	184,895	154,438

Loans from credit institutions

Loans in EUR	183,780	161,794
Current maturities	(4,095)	(11,651)
Loans from credit institutions	179,685	150,143

Aggregated annual maturities are as follows:

Within 12 months	4,095	11,651
Over 1 year but within 5 years	76,685	54,448
Over 5 years	103,000	95,696
	183,780	161,794

31. Obligations under finance leases

Remaining balance	30.6.2007	30.6.2006
Finance leases in EUR	5,658	6,331
Current maturities	(1,390)	(939)
Obligations under finance leases	4,268	5,392

Aggregated annual maturities are as follows:

Within 12 months	1,390	939
Over 1 year but within 5 years	2,561	3,243
Over 5 years	1,707	2,149
	5,658	6,331

The management estimates that the fair value of the consolidated lease obligations approximates their carrying amount.
The obligations under finance leases are pledged by the lessor's charge over the leased assets.

All amounts in thousands of euro

32. Deferred tax

The Group's deferred income tax liability at balance sheet date amounts to EUR 44,717 thousand according to the balance sheet. Deferred income tax liability results mainly from recognised intangible assets on acquisition of the subsidiary Labeyrie Group (FDK) in December 2004.

	Deferred tax
At 1 July 2006	(44,804)
Calculated tax for the period	780
Income tax payable for the period	(46)
Arising on an acquisition of a subsidiary	(242)
Corrected tax liability Delpierre	204
Tax movements through equity	(614)
Reclassification	0
Exchange differences	5
At 30 June 2007	(44,717)

The following are the major deferred tax liabilities and assets recognised:

Intangible assets	(40,852)
Fixed tangible assets	(6,128)
Long-term liabilities	234
Short-term liabilites	819
Financial instruments	(490)
Loss carryforward	1,700
	(44,717)

33. Long-term liabilities - due within one year

Loans from credit institutions	4,095
Obligations under finance leases	1,390
Other long-term liabilitites	3,727
	9,212

34. Derivative financial instruments

	30.6.2007	
	Assets	Liabilities
Forward foreign exchange contracts	1,085	(67)
Interest rate swaps	693	(306)
	1,778	(373)
Analysed as:		
Non-current		
Current	1,778	(373)
	1,778	(373)

The derivatives in the analyses are included as a part of other receivable and other current liabilities in the balance sheet.

Derivative financial instruments (cont.) :

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is a counterpart to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures.

At 30 June 2007, the fair value of the Group's currency derivatives is estimated to be approximately -EUR 1,018 thousand. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, comprising EUR 1,085 thousand assets and -EUR 67 thousand liabilities. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to EUR 1,534 thousand has been deferred in equity.

Interest rate swaps

The Group uses interest rate swap to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rate to fixed rates.

The fair value of swaps entered into at 30 June is estimated EUR 387 thousand. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. The fair value of interest rate swaps that are designated and effective as cash flow hedges amounting to -EUR 88 thousand has been deferred to equity.

35. Operating lease arrangements

Minimum lease payments under operating lease recognised in the income statement for the period	393

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Within 12 months	376
Over 1 year but within 5 years	690
Over 5 years	3,388
	4,454

Operating lease payments represent rentals payable by the Group for certain of its buildings, machinery, equipments, office properties and cars.

36. Insurances

At the end of the period, the insurance value of the Group's assets is specified as follows:

	Insurance value	Book value
Fixed assets and inventories	455,414	217,018

The Group has purchased business interruption insurance intended to compensate for temporary interruption of operations.

All amounts in thousands of euro

37. Related parties

Transactions between Alfesca hf. (the parent company) and its subsidiaries, which are related parties of Alfesca hf., have been eliminated on consolidation.

38. Acquisition of Adrimex shares

On 19 February 2007, the Group completed the acquisition of Adrimex SAS (Adrimex) for a total consideration of EUR 11.4 million. The acquisition was financed by long term loan and revolving facilities totaling EUR 22 million.

Adrimex is a leading specialised procurer, processor and distributor of high quality chilled and frozen shellfish, primarily in France. Adrimex's net sales for the financial year ended 30 September 2006 came to EUR 56.4 million.

Net assets acquired:	**Acquired 19.02.2007**
Other intangible assets	18
Property, plant and equipment	5,008
Held-to-maturity securites	9
Deferred tax assets	3
Current assets	16,949
Loans	-2,898
Other obligations	-52
Deferred income tax liabilities	-193
Current liabilities	-16,006
	2,838
Goodwill	8,554
Total consideration	**11,392**

Net cash outflow arising on acquisition:	
Satisfied by cash	11,392
Net debt acquired	5,436
Change in consolidation scope effect	16,828

At acquisition date, the acquirer must allocate the cost of business combination by recognising, at fair value, the identifiable assets, liabilities and contingent liabilities of the acquiree. Any difference between the total of net assets acquisition is treated as goodwill.

The allocation of fair value adjustment on Adrimex´s balance sheet is specified as follows:

Total cash consideration	11,392
Shareholders´ equity	-2,602
To be allocated	8,790
Operating fixed assets	164
Pension obligations	-9
Inventories	204
Deferred tax assets	3
Deferred tax liabilities	-126
Goodwill	8,554
Total allocation	**8,790**

According to the specification on inventories, inventories have been increased by EUR 204 thousand. This opening adjustment has been totally expensed in March as cost of goods sold in the Consolidated Income Statement because all those inventories were sold in March.

39. Acquisition of Le Traiteur Grec shares

On 11 June 2007, the Group completed the acquisition of Le Traiteur Grec (LTG) for a total consideration of EUR 24.3 million. The acquisition was financed by a long-term loan totalling EUR 24 million.

LTG is a food processing company in France, specialized in vegetable spreads, blinis bread and tarama. LTG sells branded products on the French market and mainly to H&SM. For the financial year ended in December 2006, net sales amounted to EUR 12 million.

Net assets acquired	**Acquired 11.06.2007**
Other intangible assets	4
Property, plant and equipment	2,247
Held-to-maturity securites	0
Deferred tax assets	64
Current assets	6,557
Loans	-524
Other obligations	-31
Deferred income tax liabilities	-116
Current liabilities	-1,579
	6,622
Goodwill	17,690
Total consideration	**24,312**

Net cash outflow arising on acquisition:	
Satisfied by cash	24,312
Net cash acquired	-4,553
Change in consolidation scope effect	**19,759**

All amounts in thousands of euro

At acquisition date, the acquirer must allocate the cost of business combination by recognising, at fair value, the identifiable assets, liabilities and contingent liabilities of the acquiree. Any difference between the total of net assets acquisition is treated as goodwill.

Total cash consideration	24,312
Shareholders´ equity	-6,524
To be allocated	17,788
Operating fixed assets	104
Pension obligations	0
Inventories	46
Deferred tax assets	41
Deferred tax liabilities	-93
Goodwill	17,690
Total allocation	**17,788**

According to the specification on inventories, inventories have been increased by EUR 46 thousand. This opening adjustment has been totally expensed in June as costs of good sold in the Consolidated Income Statement because all those inventories were sold during this month.

40. EBITDA

EBITDA means earnings before interest, taxes, depreciation and amortisation and is calculated as follows:

	2006/07 1/7 - 30/6	2005/06 1/7 - 30/6
Profit from continuing operations	22,203	19,020
Add		
Income tax paid (received)	(780)	(1,721)
Less		
Earnings from associates	(35)	(54)
Add		
Net financial expenses	11,867	9,272
Operating profit	**33,255**	**26,517**
Add		
Depreciation and amortization	18,060	17,276
Share based payment expenses	2,580	0
EBITDA	**53,895**	**43,793**

41. Approval of financial statements

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on 3 September 2007.

All amounts in thousands of euro

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