

Atorka Group hf

**Condensed Consolidated Interim Financial
Statements 1 January to 31 March 2007**



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The Board of Director's and the CEO Report

Atorka Group hf (Atorka) is a progressive international investment company. Atorka's main investment strategy is to invest in companies, with strong cash flow generation, experienced management and growth potential, organic or external. Atorka looks, in general, to hold its investments for three to five years depending on an overall estimate for each given investment.

These Condensed Consolidated Interim Financial Statements comprise the financial statement of the parent company Atorka Group hf and all its subsidiaries. They have been prepared in accordance with International Financial Accounting Standards (IFRS) for Interim Financial Statements (IAS 34).

It is the Board's opinion that all information necessary to perceive the Group's status as at 31 March 2007, its operational results for the period January 1 to March 31 2007 and the Group's financial development is presented in the Condensed Consolidated Interim Financial Statements. The Group's net profit after taxes amounted to ISK 459 million. The Group's equity amounted to ISK 10.318 million.

Atorka has, in addition to these Condensed Consolidated Interim Financial Statements, prepared and publicly filed Condensed Separate Parent Company Interim Financial Statements. Users of these Condensed Consolidated Interim Financial Statements should read them together with the Condensed Separate Parent Company Interim Financial Statements as at and for the period ended 31 March 2007 in order to obtain complete information on the financial position, results of operations and changes in financial position of the Group and the parent company. The Condensed Separate Parent Company Interim Financial Statements have been approved and publicly filed at the same time as these Condensed Consolidated Interim Financial Statements.

The Board of Directors and Chief Executive Officer of Atorka Group hf hereby ratify the Condensed Consolidated Interim Financial Statements of Atorka Group hf for the period January 1 - March 31 2007 with their signatures.

Kópavogur, 23 May 2007.

Board of Directors of Atorka Group hf

Þorsteinn Vilhelmsson

Karl Axelsson

Hrafn Magnússon

Örn Andrésson

Ólafur Njáll Sigurðsson

Chief Executive Officer of Atorka Group hf

Magnús Jónsson

Condensed Consolidated Interim Income Statement

	Notes	2007 01.01 - 31.03	2006 01.01 - 31.03
Financial Income			
Dividend income.....		76.245	29.789
Fair value changes on investments and other financial assets.....		681.113	1.395.599
Interest income and other related financial income.....	5	296.995	204.843
Interest expenses.....	5	(1.482.249)	(685.583)
Interest expenses - Convertible loan.....		(97.200)	0
Net financial income		<u>(525.097)</u>	<u>944.648</u>
Operating income			
Sales.....		20.117.252	4.302.573
Other operating income		34.010	12.285
Total operating income		<u>20.151.262</u>	<u>4.314.859</u>
Operating expenses			
Cost of sales, production - and processing cost.....		16.748.132	3.280.971
Administrative and other operating expenses.....		2.457.222	1.003.986
Total operating expenses		<u>19.205.355</u>	<u>4.284.957</u>
Net profit (loss) of disposal group held for sale.....		8.428	(27.977)
Profit before income tax		<u>429.239</u>	<u>946.573</u>
Income tax.....		29.461	(180.815)
Net profit		<u>458.700</u>	<u>765.758</u>
Attributable to:			
Equity holders of the company.....		384.062	765.434
Minority Interest.....		74.637	324
		<u>458.700</u>	<u>765.758</u>
Earnings per share	7	0,12	0,26
Diluted earnings per share	7	0,12	0,26
Segment information	4		

The notes on pages 6 - 18 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Balance Sheet

Assets	Notes	31.03 2007	31.12 2006
Non-current assets			
Property, plant and equipment		23.124.430	24.321.264
Goodwill and other intangible assets		21.577.594	24.261.561
Loans and receivables		1.507.007	810.339
Available for sale financial assets		88.400	66.806
Derivative financial instruments		140.383	101.302
Deferred income tax assets		799.019	1.051.462
		<u>47.236.832</u>	<u>50.612.735</u>
Current assets			
Inventories and construction in progress		7.836.014	8.068.836
Land and building construction		388.440	395.346
Trade and other receivables		15.519.715	14.283.445
Financial assets at fair value through profit and loss		11.848.896	6.193.147
Derivative financial instruments		376.904	47.776
Cash and cash equivalents		10.255.972	12.654.928
		<u>46.225.940</u>	<u>41.643.478</u>
Assets in disposal group classified as held for sale		7.024.458	7.033.843
Total assets		<u><u>100.487.231</u></u>	<u><u>99.290.056</u></u>
Equity			
Capital and reserves attributable to equity holders of Atorka Group hf			
Share capital	10	3.261.092	3.066.617
Share premium		6.066.264	4.688.972
Fair value and other reserves	11	584.875	990.089
Retained earnings		(1.034.449)	1.956.432
		<u>8.877.781</u>	<u>10.702.110</u>
Minority interest		<u>1.439.926</u>	<u>1.570.020</u>
Total equity		<u>10.317.708</u>	<u>12.272.130</u>
Liabilities			
Non-current liabilities			
Convertible loan assumed by a subsidiary		3.822.467	4.083.501
Borrowings		46.536.427	49.391.969
Deferred income tax liabilities		1.285.073	1.339.838
Derivative financial instruments		0	6.762
Retirement benefit obligations		981.748	1.074.095
		<u>52.625.715</u>	<u>55.896.165</u>
Current liabilities			
Trade and other payables		22.384.514	18.455.315
Current tax liabilities		285.556	191.991
Borrowings		11.780.262	9.459.840
Derivative financial instruments		54.700	2.008
		<u>34.505.032</u>	<u>28.109.154</u>
Liabilities in disposal group classified as held for sale		3.038.776	3.012.608
Total liabilities		90.169.523	87.017.926
Total equity and liabilities		<u><u>100.487.231</u></u>	<u><u>99.290.056</u></u>

The notes on pages 6 - 18 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Share capital	Share premium	Fair value and other reserves	Retained earnings	Minority interest	Total
Balance at 1 January 2006	2.741.737	3.114.687	505.626	3.948.175	8.240	10.318.465
Currency translation differences			320.812		1.087	321.899
Net profit				765.434	324	765.758
Total recognised income and expenses at 31 March 2006	<u>0</u>	<u>0</u>	<u>320.812</u>	<u>765.434</u>	<u>1.411</u>	<u>1.087.657</u>
Purchases of treasury shares	(461.645)	(2.405.032)				(2.866.677)
Sales of treasury shares	945.315	4.767.250				5.712.565
Dividend				(1.012.095)		(1.012.095)
Balance at 31 March 2006	<u>3.225.407</u>	<u>5.476.905</u>	<u>826.438</u>	<u>3.701.514</u>	<u>9.651</u>	<u>13.239.915</u>
Balance at 1 January 2007	3.066.617	4.688.972	990.089	1.956.432	1.570.020	12.272.130
Currency translation differences			(377.277)		5.355	(371.922)
Net fair value gains/(loss), net of tax:						
- Intercompany loans			(32.257)			(32.257)
Net profit				384.062	74.637	458.700
Total recognised income and expenses at 31 March 2007	<u>0</u>	<u>0</u>	<u>(409.536)</u>	<u>384.114</u>	<u>79.992</u>	<u>54.587</u>
Purchases of treasury shares	(162.228)	(953.852)				(1.116.080)
Sales of treasury shares	356.703	2.331.144				2.687.847
Other changes in minority interest					(210.086)	(210.086)
Accrued stock options			4.322			4.322
Dividend				(3.374.995)		(3.374.995)
Balance at 31 March 2007	<u>3.261.092</u>	<u>6.066.264</u>	<u>584.875</u>	<u>(1.034.449)</u>	<u>1.439.926</u>	<u>10.317.708</u>

Interim statement of cash flow January 1 to March 31, 2007

	2007 1.1 - 31.03	2006 1.1 - 31.03
Cash flows from (to) operating activities	1.845.174	(873.982)
Cash flows (to) from investments activities	(6.472.267)	334.491
Cash flows from financing activities	<u>2.576.357</u>	<u>1.760.317</u>
Increase (decrease) of cash	(2.050.736)	1.220.826
Exchange gains/(losses) on cash and bank overdrafts	(348.220)	71.940
Cash at beginning of the year	12.654.928	2.809.732
Cash at end of period	<u>10.255.972</u>	<u>4.102.498</u>
Operating, investing and financing activities not affecting cash flows:		
Conversion of working capital into investment in subsidiaries	0	781.410
Investments in subsidiaries	0	(5.011.732)
Sales of treasury shares	0	4.230.321
Declared, unpaid dividend	0	(1.012.095)

Notes to the Consolidated Financial Statements

1. General information

Atorka Group hf (the Company / Parent Company) is an investment company, listed on the OMX Nordic Exchange in Iceland and is included in the ICEX-15 index. Atorka invests in companies on global growth markets and supports growth both internal and external. In its investments, Atorka emphasises companies characterised by solid operations and strong cash flow, strong management, promising conditions for internal and external growth, and opportunities for value enhancement.

These Condensed Consolidated Interim Financial Statements comprise the financial statements of the Atorka Group hf and its subsidiaries ("the Group") as listed in note 12.

The Company is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Hlíðarsmári 1, Kópavogur.

These Condensed Consolidated Interim Financial Statements have been approved for issue by the board of directors on 23 May 2007.

2. Summary of significant accounting policies

2.1 Basis of preparation

These Condensed Consolidated Interim Financial Statements of Atorka Group are for the period January 1 - March 31 2007. The Group's Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Condensed interim financial statements such as these do not include information as extensive as annual financial statements compiled in accordance with IFRS. The Condensed Consolidated Interim Financial Statement reflect the IFRS and interpretations issued and effective in May 2007.

The policies set out below have been consistently applied to the periods presented.

The Parent Company has in addition to these Condensed Consolidated Interim Financial Statements prepared Condensed Separate Interim Financial Statements in accordance with IFRS for the parent company. In the separate financial statements all investments in subsidiaries are accounted at fair value in accordance IAS 39 - Financial instruments: Recognition and Measurement instead of using the equity accounting and consolidation of the subsidiaries as described in note 2.2. The substance for such accounting in the Condensed Parent Company Interim Separate Financial Statements is the requirement in IAS 27 - Consolidated and Separate Financial Statements. Users of these Condensed Consolidated Interim Financial Statements for the Group should read them together with the separate financial statements for the Company as at and for the period end March 31 2007 in order to obtain complete information on the financial position, results of operations and changes in financial position of the Company and the Group. The Condensed Separate Interim Financial Statements have been approved and publicly filed at the same time as these Condensed Consolidated Interim Financial Statements.

The Board's and management of the Company opinion is that the accounting treatment in the Condensed Parent Company Separate Interim Financial Statements based on IAS 39 gives a clear view of the result and the financial position of the Company in accordance with the main purpose of the Company which is private equity investments.

Notes to the Consolidated Financial Statements

The difference in the results for the period January 1 - March 31 2007 between these reporting entities, i.e. the Condensed Consolidated Interim Financial Statements for the Group and the Condensed Parent Company Separate Interim Financial Statements relate to different measurements of investments in subsidiaries. In the Condensed Parent Company Separate Interim Financial Statements the fair value adjustments of the investments in subsidiaries are accounted in the income statement together with dividend income from the subsidiaries. In these Condensed Consolidated Interim Financial Statements all subsidiaries are consolidated in accordance with accounting method as described in note 2.2. The difference in the after tax net result for the period can be described as follows:

The Group net profit for the period based on consolidated financial statements	458.700
Share in net profit of controlling companies	(530.683)
Fair value adjustments and dividend income from controlling companies net of tax	3.103.700
The Parent Company net profit	<u>3.031.717</u>

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through profit or loss.

The preparation of Condensed Consolidated Interim Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Condensed Consolidated Interim Financial Statements, are disclosed in Note 3.

2.2 Group accounting

Subsidiaries

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

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

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Business segments are defined in note 4.

Notes to the Consolidated Financial Statements

2.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

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

2.5 Non-current assets and disposal groups classified as held for sale

Disposal group represent a subsidiary which is held for sale. Liabilities connected with the disposal group are recognised as a special liability on the balance sheet. The presentation and measurement of these assets and liabilities are based on IFRS 5, Non-Current Assets Held for Sale and Discontinued Operation. Items included under non-current assets held for sale are recognised at the lower of carrying amount or fair value less cost to sell, taken into account the measurement requirement exception in IFRS 5.

2.6 Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

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

Land and buildings	20-50 years
Production equipment	5-15 years
Other equipment	3-8 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

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

2.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 2.3).

Research and development

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

Computer software

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 3 years. Intangible assets are not revalued.

Notes to the Consolidated Financial Statements

2.8 Impairment of assets

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

2.9 Investments

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

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in receivables and prepayments in the balance sheet (see note 16).

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Realized and unrealized gains and losses, arising from changes in the fair value of the financial assets at fair value through profit or loss category, are included in the income statement in the period in which they arise.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.10 Derivative financial instruments and hedging activities

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

- (a) hedges of the fair value of recognised liabilities (fair value hedge);
- (b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

Notes to the Consolidated Financial Statements

Fair value hedges

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

Cash flow hedge

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

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

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

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains/(losses) – net.

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

Derivatives at fair value through profit or loss

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

2.11 Inventories

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

Notes to the Consolidated Financial Statements

2.12 Construction contracts in progress

Contractual construction in progress is stated at its foreseeable sales price related to its percentage of completeness. Construction in progress are generally drilling- and construction works. If a loss on work in progress is foreseeable it is immediately charged to income.

2.13 Land- and building construction

Land- and building construction costs are recognised when incurred.

Land- and building constructions are capitalized at cost. When operational effect of sales of land- and building constructions can be estimated specifically, cost and revenue are stated using the percentage of completion method. Percentage of completion is measured by taking the percentage of accrued cost in relation to estimated total cost of each contracted work in progress.

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

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

2.14 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.17 Borrowings

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

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

Notes to the Consolidated Financial Statements

2.18 Deferred income tax

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

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

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

2.19 Employee benefits

Profit sharing and bonus plans

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

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

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

Share-based compensation

The Group has entered into stock options contracts with its employees enabling them to acquire shares in the Group. In all instances the exercise price corresponds to the market value of the shares at grant date. The stock options were granted after 7 November 2002 and cost related to the agreements is expensed during the vesting period based on the related terms. The agreements are equity settled and the related expenses are recognised in the income statement.

2.20 Revenue recognition

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

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

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

Notes to the Consolidated Financial Statements

2.21 Leases

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

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

2.22 Dividend distribution

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

2.23 Share based compensation

The Company has entered into share-based contracts with its employees, which enable employees to buy shares in the Company at market price. Under these contracts the employee has the right to receive, and the Company the obligation to pay a cash payment representing the shortfall between the market share price and the strike price according to the contract. These contracts are cash settled share based contracts under IFRS 2. On each reporting date an obligation will be treated as a liability, if the fair value of the strike price under the contract exceeds the market price, and treated as an employee cost in the income statement.

3. Critical accounting estimates and judgements

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

(a) Estimated impairment of goodwill

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

(b) Income taxes

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

(c) Fair value of investments:

The Group reviews the fair value of all investments on every reporting date. The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as market risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Notes to the Consolidated Financial Statements

4. Segment information

Business segments

At 31 March 2007, the Group is organised on a worldwide basis into three main business segments (industries): (1) Financial and investments, (2) Energy and construction industry and (3) plastic industry

The financial and investment segment includes the parent company Atorka Group hf and Atorka ráðgjöf ehf

The energy and construction segment includes Renewable Energy Resources ehf and it's subsidiaries.

The plastic industry segment includes Promens hf, Eignarhaldsfélagið Bolar, BPF and their subsidiaries.

The segment results for the three months ended 31 March 2007 are as follows:

	Financial & investm.	Energy and construction	Plastic industry	Group
Total operating income	770	1.626.003	18.524.489	20.151.263
Operating expenses	299.373	1.326.975	17.579.007	19.205.355
Operating profit (loss)	(298.602)	299.028	945.482	945.908
Other financial income	199.504	(77.057)	(647.544)	(525.097)
Net profit of disposal group				8.428
Profit (loss) before tax	(99.098)	221.971	297.938	429.239
Income tax expense				29.461
Profit for the period				458.700

Additional information regarding segments other than financial and investment.

	Energy and construction	Plastic industry	Total
Operating profit (loss)	299.028	945.482	1.244.510
Depreciation / amortisation	93.007	780.310	873.317
EBITDA	392.035	1.725.792	2.117.827

The segment assets and liabilities at 31 March 2007 and capital expenditure for the period end are as follows:

	Financial & investm.	Energy and construction	Plastic industry	Elimination / unallocated	Total
Assets	21.012.886	21.769.426	60.120.531	(2.415.612)	100.487.231
Liabilities	33.440.514	9.839.574	50.183.326	(3.293.892)	90.169.523
Thereof interest bearing	29.478.118	6.031.050	32.174.559	(3.293.892)	64.389.836
Thereof net interest bearing	23.927.740	3.632.445	27.896.335	(3.293.892)	52.162.628
Capital expenditure	0	300.258	693.755	0	994.013

Notes to the Consolidated Financial Statements

The segment results for the period ended 31 March 2006 are as follows:

	Financial & investm.	Energy and construction	Plastic industry	Group
Total operating income	0	1.206.636	3.108.222	4.314.858
Operating expenses	313.677	971.336	2.999.943	4.284.956
Operating profit	<u>(313.677)</u>	<u>235.300</u>	<u>108.279</u>	<u>29.902</u>
Net financial income	913.105	42.033	(10.490)	944.648
Net loss of disposal group				(27.977)
Profit before tax	599.428	277.333	97.789	946.573
Income tax				<u>(180.815)</u>
Profit for the period				<u>765.758</u>

Secondary reporting format - geographical segments

	2007 01.01 - 31.03	2006 01.01 - 31.03
Operating income		
Iceland	1.758.017	1.537.074
Other countries	18.393.246	2.777.785
	<u>20.151.262</u>	<u>4.314.859</u>
Total Assets	31.3 2007	31.12 2006
Iceland	43.910.769	50.020.168
Other countries	56.576.462	49.269.888
	<u>100.487.231</u>	<u>99.290.056</u>

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

5. Finance costs – net

	2007 01.01 - 31.03	2006 01.01 - 31.03
Interest expense:		
- bank borrowings	(1.103.689)	(603.101)
- net foreign exchange loss	(159.967)	(69.717)
- finance cost due to aquisition of subsidiary	(124.959)	0
- other interest expenses	(93.636)	(12.765)
Total interest expense	<u>(1.482.249)</u>	<u>(685.583)</u>
Interest income	284.071	123.081
Net foreign exchange transaction gains	12.925	81.762
Total interest income	<u>296.995</u>	<u>204.843</u>
Finance cost - net	<u>(1.185.254)</u>	<u>(480.740)</u>

Notes to the Consolidated Financial Statements

6. Quarterly results	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Other financ. exp. due to acq. of sub.	0	(376.324)	0	0	0
Other financial income	(525.097)	(586.930)	(590.877)	(1.313.576)	944.648
Sales	20.117.252	7.585.929	8.272.103	11.024.765	4.302.573
Other operating income	34.010	154.263	29.605	190.552	12.285
Total operating income	<u>20.151.262</u>	<u>7.740.192</u>	<u>8.301.708</u>	<u>11.215.316</u>	<u>4.314.859</u>
Cost of sales, prod. - and proc. cost	16.748.132	6.244.320	6.053.869	8.581.886	3.280.971
Administrative and other op. exp.	2.457.222	1.425.498	1.844.724	2.139.109	1.003.986
Restructuring cost	0	498.833	0	0	0
	<u>19.205.355</u>	<u>8.168.651</u>	<u>7.898.593</u>	<u>10.720.995</u>	<u>4.284.957</u>
Net gain (loss) of disposal group held for sale	8.428	0	218.558	59.280	(27.977)
Impairment of goodwill	0	(138.441)	0	0	0
(Loss) profit before income tax	429.239	(1.530.154)	30.796	(759.975)	946.573
Income tax	29.461	914.985	1.463	90.936	(180.815)
Net profit (loss)	458.700	(615.169)	32.259	(669.039)	765.758

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of outstanding shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares. The calculation of diluted earnings per share takes into consideration the outstanding stock options when calculating the share capital.

	2007	2006
	01.01 - 31.03	01.01 - 31.03
Net profit attributable to shareholders	384.062	765.434
Weighted average number of outstanding shares in issue	3.163.854	2.981.599
Earnings per share	0,12	0,26
Diluted earnings per share	0,12	0,26

8. Dividend per share

The dividends paid in 2007 and 2006 were 3.375 million ISK and 975 million ISK respectively or ISK 1,1 per share in 2007 and ISK 0,3 per share in 2006.

Notes to the Consolidated Financial Statements

9. Commitments

House rental agreement

In the year 2004 two companies in the Healthcare segment signed a 15 year non-cancellable house rental agreement one for Krókhals 14 and the other for Lyngháls 13 in Reykjavík. These properties are fully occupied by operating companies within the Healthcare segment. Terms and conditions are usual and customary.

10. Share capital

Summary of share capital:	31.03 2007	31.12 2006
Total authorized number of shares	3.373.650	3.373.650
Treasury shares	(112.558)	(307.033)
	<u>3.261.092</u>	<u>3.066.617</u>

11. Fair value and other reserves

	Legal reserve	Hedging reserve	Accrued cost of stock options	Cumulative translation adjustment	Total
Balance at 1 January 2007	315.975	9.466	0	664.648	990.089
Currency translation differences				(377.278)	(377.278)
Net fair value gains/(loss), net of tax:					
- Intercompany loans		(32.258)			(32.258)
Accrued cost of stock options			4.322		4.322
Balance at 31 March 2007	<u>315.975</u>	<u>(22.792)</u>	<u>4.322</u>	<u>287.370</u>	<u>584.875</u>

12. Principal subsidiaries

At the period-end the Company owned the following subsidiaries that are all included in the consolidation.

Name of subsidiary	Location	Ownership	Principal activity
BPF hf	Iceland	100%	Holding company
Eignarhaldsfélagið Beta ehf	Iceland	100%	Holding company
A. Karlsson ehf	Iceland	100%	Operating company
Besta ehf	Iceland	100%	Operating company
UAB IIsanta	Lithuania	100%	Operating company
Icepharma hf	Iceland	100%	Operating company
Parlogis hf	Iceland	100%	Operating company
Volcano Holdings BV	Holland	100%	Holding company
Renewable Energy Resources ehf	Iceland	100%	Holding company
Jarðboranir hf	Iceland	100%	Operating company
Björgun ehf	Iceland	100%	Operating company
Promens hf	Iceland	84%	Holding company
Star Aquisitionco AS	Norway	100%	Holding company
Polimoon ASA	Norway	100%	Operating company
Promens International	Holland	100%	Holding company
Eignarhaldsfélagið Bolar hf	Iceland	100%	Holding company