Marel hf

Consolidated Interim Financial Statements 31 March 2007

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The Board of Directors' and CEO's Report

The Board of Directors and CEO of Marel hf hereby ratify the Interim Financial Statements of Marel hf for the period January 1 to March 31, 2007 with their signatures.

Garðabæ, 8 May 2007

Board of Directors

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

Chief Executive Officer

Hörður Arnarson

Financial Ratios

	2007 1.1-31.3	2006 1.1-31.3	2006 1.1-31.12	2005 1.1-31.12	2004 1.1-31.12	2003* 1.1-31.12
Operating results						
Sales	72.244	32.467	208.700	129.039	112.301	106.104
Gross profit	25.423	10.383	68.803	43.625	41.016	34.617
Profit before depreciation (EBITDA)	5.644	1.876	15.679	14.814	16.527	10.129
Profit from operations (EBIT)	3.243	454	7.527	9.721	12.066	6.568
Profit for the period	1.009	551	159	5.715	7.984	3.749
Cash flow statement						
Net cash from (to) operating activities	5.156	(8.171)	(2.992)	2.987	13.207	4.724
Investing activities	(3.597)	(9.812)	(69.754)	(10.180)	(6.389)	(1.955)
Financing activities	(6.403)	44.238	132.318	7.210	(7.263)	(1.153)
Financial position						
Total assets	372.902	154.325	364.793	114.890	95.482	81.334
Working capital	89.039	41.575	87.989	16.557	19.807	17.700
Equity	146.361	40.496	144.423	41.032	31.595	25.167
Various figures in proportion to sales						
Gross profit	35,2%	32,0%	33,0%	33,8%	36,5%	32,6%
Selling and marketing expenses	14,5%	15,0%	13,9%	12,4%	12,4%	12,8%
Research and development expenses	5,0%	5,1%	5,6%	6,1%	5,8%	6,8%
Administrative expenses	11,6%	11,3%	10,6%	8,7%	8,1%	8,1%
Wages and benefits	40,8%	48,5%	42,7%	42,5%	41,9%	41,0%
Profit before depreciation (EBITDA)	7,8%	5,8%	7,5%	11,5%	14,7%	9,5%
Depreciation/amortization	3,3%	4,4%	3,9%	3,9%	4,0%	3,4%
Profit from operations (EBIT)	4,5%	1,4%	3,6%	7,5%	10,7%	6,2%
Profit for the period	1,4%	1,7%	0,1%	4,4%	7,1%	3,5%
Other key ratios						
Current ratio	1,9	1,8	1,9	1,4	1,6	1,7
Quick ratio	1,2	1,0	1,2	0,6	0,7	0,8
Equity ratio	39,2%	26,2%	39,6%	35,7%	33,1%	30,9%
Return on owners' equity	0,7%	5,4%	0,2%	18,1%	30,5%	16,5%
Return on total assets	0,3%	1,6%	0,1%	5,4%	9,0%	4,6%
Earnings to price last 12 months	0,00	0,02	0,00	0,03	0,06	0,05
Price to earnings (P/E) last 12 months	-	46,5	-	36,7	17,7	19,7

*Amounts 2003 are not in conformity with IFRS.

Marel hf. Consolidated interim financial statements 31 March 2007 Amounts in thousands of EUR

Consolidated Income Statement

	Notes	2007 Q1	2006 Q1
Sales	5	72.244	32.467
Cost of sales		(46.821)	(22.084)
Gross profit		25.423	10.383
Other operating income		375	274
Selling and marketing expenses		(10.508)	(4.856)
Research and development expenses		(3.641)	(1.667)
Administrative expenses		(8.406)	(3.680)
Profit from operations		3.243	454
Finance costs - net	7	(1.168)	141
Share of results of associates	27	(285)	0
Profit before income tax		1.790	595
Income tax expense	9	(781)	(44)
Profit for the period		1.009	551
Attributable to:			
Equity holders of the Company		1.006	551
Minority interest		3	
		1.009	551
Earnings per share for profit attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	10	0,27	0,23
-diluted	10	0,26	0,23

The notes on pages 8-28 are an integral part of the consolidated financial statements.

Marel hf. Consolidated interim financial statements 31 March 2007 Amounts in thousands of EUR

Consolidated Balance Sheet

	Notes	31/3 2007	31/12 2006
ASSETS			
Non-current assets			
Property, plant and equipment	12	55.951	56.125
Goodwill	13	97.958	97.117
Other intangible assets	13	17.277	16.510
Investments in associates	27	1.016	939
Available-for-sale investments	28	719	744
Receivables		6.649	7.021
Derivative financial instruments	18	94	37
Deferred income tax assets	21	2.895	1.991
		182.559	180.484
Current assets			
Inventories	14	57.186	53.263
Production contracts	15	14.420	13.118
Receivables and prepayments	16	58.042	54.003
Derivative financial instruments	18	2.427	846
Cash and cash equivalents	17	58.268	63.079
		190.343	184.309
Total assets		372.902	364.793
EQUITY			
Capital and reserves attributable to equity holders of Marel			
Ordinary shares	25	4.048	4.048
Treasury shares	25	(10)	(3)
Share premium		115.827	115.369
Fair value and other reserves	26	1.214	(88)
Retained earnings		25.234	25.052
		146.313	144.378
Minority interest		48	45
Total equity		146.361	144.423
LIABILITIES			
Non-current liabilities			
Borrowings	20	118.877	119.744
Deferred income tax liabilities	21	6.360	4.306
Derivative financial instruments	18	0	0
		125.237	124.050
Current liabilities			
Trade and other payables	19	65.367	54.861
Derivative financial instruments	18	457	445
Current income tax liabilities		240	709
Borrowings	20	33.693	38.803
Provisions	22	1.547	1.502
		101.304	96.320
Total liabilities		226.541	220.370
Total equity and liabilities		372.902	364.793

The notes on pages 8-28 are an integral part of the consolidated financial statements.

Marel hf. Consolidated interim financial statements 31 March 2007 Amounts in thousands of EUR

Consolidated Statement of Changes in Shareholders' Equity

		Attributable to equity holders of the Company						
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006		2.629	12.671	225	25.507	41.032	0	41.032
Cash flow hedges:								
– net fair value gain/(loss), net of tax	26			129		129		129
Currency translation differences	26			(194)		(194)		(194)
Net income/(expenses) recognised directly in equity		0	0	(65)	0	(65)	0	(65)
Purchases of treasury shares		(7)	(460)			(467)		(467)
Employee share option scheme:								
- value of services provided			46			46		46
Dividend related to 2005					(601)	(601)		(601)
Profit for the period					551	551		551
Issue of share capital – acquisition								
		(7)	(414)	(65)	(50)	(536)	0	(536)
Balance at 31 March 2006/ 1 April 2006		2.622	12.257	160	25.457	40.496	0	40.496
Cash flow hedges:								
– net fair value gain/(loss), net of tax	26			547		547		547
Currency translation differences	26			(795)		(795)		(795)
Net income/(expenses) recognised directly in equity			0	(248)	0	(248)	0	(248)
Business combination						0	32	32
Sale of treasury shares		29	1.651			1.680		1.680
Purchases of treasury shares, net		(17)	(1.274)			(1.291)		(1.291)
Employee share option scheme:								
- value of services provided			303			303		303
Profit for the period					(405)	(405)	13	(392)
Issue of share capital – acquisition		1.411	102.432			103.843		103.843
		1.423	103.112	(248)	(405)	103.882	45	103.927
Balance at 31 December 2006		4.045	115.369	(88)	25.052	144.378	45	144.423
Cash flow/net investment hedges:								
– net fair value gain/(loss), net of tax	26			1.330		1.330		1.330
Currency translation differences	26			(28)		(28)		(28)
Net income/(expenses) recognised directly in equity		0	0	1.302	0	1.302		1.302
Sale of treasury shares		(7)	292			285		285
Employee share option scheme:								
- value of services provided			166			166		166
Dividend related to 2005					(824)	(824)		(824)
Profit for the period					1.006	1.006	3	1.009
Issue of share capital - acquisition		0				0		0
		(7)	458	1.302	182	1.935	3	1.938
Balance at 31 March 2007		4.038	115.827	1.214	25.234	146.313	48	146.361

The notes on pages 8-28 are an integral part of the consolidated financial statements.

Marel hf. Consolidated interim financial statements 31 march 2007 Amounts in thousands of EUR

Consolidated Cash Flow Statement

	Notes	2007 Q1	2006 Q1
Cash flows from operating activities			
Net profit		1.009	551
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and impairment of fixed assets		1.173	677
Amortisation and impairment of intangible assets		1.228	744
Currency fluctuations and indexation		(58)	(4.410)
Changes in deferred taxes		851	(175)
Share of results of associates, net of tax		285	0
Other changes		0	(6)
Working capital provided by operating activities		4.488	(2.619)
Changes in operating assets and liabilities:			
Inventories and production contracts		(5.332)	(6.748)
Trade and other receivables		6.412	1.079
Short-term liabilities, increase		(412)	117
Changes in operating assets and liabilities		668	(5.552)
Net cash from (to) operating activities		5.156	(8.171)
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	12	(1.333)	(2.561)
Purchase of intangibles	13	(2.591)	(2.060)
Purchase of associate investments	27	0	(1)
Loans made		0	(5.280)
Proceeds from sale of PPE		327	90
Net cash used in investing activities		(3.597)	(9.812)
Cash flows from financing activities			
Proceeds from (purchase of) treasury shares, net		166	(421)
Proceeds from borrowings		19	45.872
Repayments of borrowings		(5.426)	(511)
Finance lease principal payments		(338)	(101)
Dividend paid to group shareholders		(824)	(601)
Net cash from financing activities		(6.403)	44.238
Net increase in cash and cash equivalents		(4.844)	26.255
Exchange losses on cash and bank overdrafts		33	(4)
Cash and cash equivalents at beginning of year		63.079	3.880
Cash and cash equivalents at end of year		58.268	30.131
Other information			
Interest paid		1.432	1.499
Income tax paid		595	336

The notes on pages 8-28 are an integral part of the consolidated financial statements.

Marel hf. Consolidated interim financial statements 31 March 2007 Amounts in thousands of EUR

Notes to the Consolidated Financial Statements

1. General information

Marel hf (the Company) is a limited liability company incorporated and domiciled in Iceland. The company has its listing on the Icelandic stock exchange.

These consolidated interim financial statements have been approved for issue by the board of directors on 8 May 2007.

2. Summary of significant accounting policies

2.1 Basis of preparation

These March 2007 interim consolidated financial statements of Marel (the Group) are for three months ended 31 March 2007. They have been prepared in accordance with IAS 34.

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

2.2 Consolidation

Subsidiaries
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The principal subsidiaries are listed in note 33.

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

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

Notes to the Consolidated Financial Statements

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

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

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

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. Geographical segments are not reported in these interim 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 euros (EUR), which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in note 3.2.

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.

Notes to the Consolidated Financial Statements

2.5 Property, plant and equipment

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalised as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.6 Intangible assets

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

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

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).

Notes to the Consolidated Financial Statements

Costs associated with developing or maintaining computer software programes 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.

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

2.8 Investments

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

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are included in receivables and prepayments in the balance sheet (see note 2.11).

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

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

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

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

Notes to the Consolidated Financial Statements

2.9 Inventories

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

2.10 Production (construction) contracts

Production costs are recognised when incurred.

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

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

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

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

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

2.11 Receivables and prepayments

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

2.12 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.

2.13 Share capital

Ordinary shares are classified as equity.

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

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

Notes to the Consolidated Financial Statements

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

2.15 Borrowings

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

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

2.16 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.

2.17 Employee benefits

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

Profit sharing and bonus plans
Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least the following condition is met:
– there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

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

2.18 Provisions

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

Notes to the Consolidated Financial Statements

2.19 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.

2.20 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.

2.21 Dividend distribution

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

2.22 Comparatives

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

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

Notes to the Consolidated Financial Statements

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

(b) Credit risk
The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products not delivered until payments are secured. The Group has policies that limit the amount of credit exposure to any one financial institution.

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

(d) Cash flow and fair value interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessor or lessee are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk. The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately between 40 and 50% of its borrowings in fixed rate instruments.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

3.2 Accounting for 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: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of highly probable forecast transactions (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 18. Movements on the hedging reserve in shareholders' equity are shown in note 26.

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.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Notes to the Consolidated Financial Statements

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.

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.

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

3.3 Fair value estimation

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

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

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

4. Critical accounting estimates and judgments

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

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

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

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

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

Notes to the Consolidated Financial Statements

5. Segment information

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

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

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

	Fish	Poultry	Meat	Unallocated	Group
Total gross segment sales	21.463	22.395	18.326	21.530	83.714
Inter-segment sales	(1.121)	(2.497)	(1.072)	(6.780)	(11.470)
Sales	20.342	19.898	17.254	14.750	72.244
Operating profit					3.243
Finance costs - net					(1.168)
Share of results of associates					(285)
Profit before tax					1.790
Income tax expense					(781)
Profit for the period					1.009

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

	Fish	Poultry	Meat	Unallocated	Group
Total gross segment sales	16.625	12.046	7.633	8.842	45.146
Inter-segment sales	(704)	(3.141)	(1.474)	(7.360)	(12.679)
Sales	15.921	8.905	6.159	1.482	32.467
Operating profit					454
Finance costs - net					141
Profit before tax					595
Tax expense					(44)
Profit for the period					551

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

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

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Notes to the Consolidated Financial Statements

6. Quarterly results

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Sales	72.244	71.946	57.648	46.639	32.467
Cost of sales	(46.821)	(48.296)	(38.729)	(30.788)	(22.084)
Gross profit	25.423	23.650	18.919	15.851	10.383
Other operating income	375	642	516	290	274
Selling and marketing expenses	(10.508)	(10.990)	(7.387)	(5.852)	(4.856)
Research and development expenses	(3.641)	(4.291)	(3.285)	(2.501)	(1.667)
Administrative expenses	(8.406)	(7.933)	(7.092)	(3.464)	(3.680)
Profit from operations (EBIT)	3.243	1.078	1.671	4.324	454
Finance costs - net	(1.168)	(1.264)	(1.890)	(2.013)	141
Share of results of associates	(285)	(236)	(498)	(715)	
Profit (loss) before tax	1.790	(422)	(717)	1.596	595
Income tax expense	(781)	(93)	43	(799)	(44)
Profit for the period	1.009	(515)	(674)	797	551
Profit before depreciation (EBITDA)	5.644	3.730	4.094	5.979	1.876

7. Finance costs – net

	Q1 2007	**Q1 2006**
Interest expense:		
- borrowings	(1.906)	(1.191)
- finance leases	(18)	(11)
- other interest expenses	(318)	(30)
	(2.242)	(1.232)
Interest income	578	500
Other finance income (cost)	(24)	0
Net foreign exchange transaction gains/(losses)	520	873
	(1.168)	141

8. Staff costs

	Q1 2007	**Q1 2006**
Wages	26.346	14.259
Related expenses	3.111	1.477
	29.457	15.736

Staff costs analyses as follows in the income statement:

Cost of sales	15.260	9.125
Selling and marketing expenses	6.700	2.717
Research and development expenses	3.086	1.709
Administrative expenses	4.411	2.185
	29.457	15.736

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Notes to the Consolidated Financial Statements

9. Income tax expense

	Q1 2007	Q1 2006
Current tax	(70)	219
Deferred tax (Note 21)	851	(175)
	781	44

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

Profit before tax	1.790	595
Tax calculated at domestic tax rates applicable to profits in the respective countries	508	89
Permanent differences for tax purposes	261	(2)
Impacts from previously unrecogn. tax losses/asset not recognized and other items	12	(43)
Tax charge	781	44

The weighted average applicable tax rate was 44% (2006: 85%).

10. Earnings per share

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

	Q1 2007	Q1 2006
Net profit attributable to equity holders (EUR 000)	1.006	551
Weighted average number of outstanding shares in issue (thousands)	365.998	238.006
Basic earnings per share (EUR cent per share)	0,27	0,23

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

	Q1 2007	Q1 2006
Net profit used to determine diluted earnings per share (EUR 000)	1.006	551
Weighted average number of outstanding shares in issue (thousands)	365.998	238.006
Adjustments for share options (thousands)	18.629	4.561
Weighted average number of outstanding shares for diluted earnings per share (thousands)	384.627	242.567
Diluted earnings per share (EUR cent)	0,26	0,23

11. Dividend per share

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

Marel hf. Consolidated interim financial statements 31 March 2007 Amounts in thousands of EUR

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2006				
Cost	27.872	12.002	7.100	46.974
Accumulated depreciation	(2.463)	(7.593)	(3.676)	(13.732)
Net book amount	25.409	4.409	3.424	33.242
Three months ended 31 March 2006				
Opening net book amount at 1 January 2006	25.409	4.409	3.424	33.242
Exchange differences		(3)	(22)	(25)
Additions	919	951	691	2.561
Disposals	0	(53)	(31)	(84)
Depreciation charge	(107)	(288)	(283)	(678)
Closing net book amount	26.221	5.016	3.779	35.016
Nine months ended 31 December 2006				
Opening net book amount	26.221	5.016	3.779	35.016
Business combination	11.893	2.190	3.639	17.722
Exchange differences	163	106	(101)	168
Additions	4.142	1.845	1.854	7.841
Disposals	(880)	(38)	(548)	(1.466)
Depreciation charge	(299)	(1.284)	(1.573)	(3.156)
Closing net book amount	41.240	7.835	7.050	56.125
At 31 December 2006				
Cost	45.813	18.078	15.750	79.641
Accumulated depreciation	(4.573)	(10.243)	(8.700)	(23.516)
Net book amount	41.240	7.835	7.050	56.125
Three months ended 31 March 2007				
Opening net book amount	41.240	7.835	7.050	56.125
Exchange differences	(5)	1	(24)	(28)
Additions	290	65	978	1.333
Disposals	0	(5)	(301)	(306)
Depreciation charge	(130)	(440)	(603)	(1.173)
Closing net book amount	41.395	7.456	7.100	55.951
At 31 March 2007				
Cost	46.105	18.080	15.485	79.670
Accumulated depreciation	(4.710)	(10.624)	(8.385)	(23.719)
Net book amount	41.395	7.456	7.100	55.951

Depreciation of property, plant and equipment analyses as follows in the income statement:	**Q1 2007**	**Q1 2006**
Cost of sales	780	473
Selling and marketing expenses	162	99
Development expenses	65	45
Administrative expenses	166	61
	1.173	678

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Notes to the Consolidated Financial Statements

13. Intangible assets

	Goodwill	Development costs	Patents	Software	Total
Three months ended 31 March 2006					
Opening net book amount	9.580	8.092	329	97	18.098
Exchange differences	0	8	0	1	9
Additions	0	1.495	500	65	2.060
Amortisation charge	0	(678)	(52)	(14)	(744)
Closing net book amount	9.580	8.917	777	149	19.423
Nine months ended 31 December 2006					
Opening net book amount	9.580	8.917	777	149	19.423
Business combination	87.169	3.868	266	346	91.649
Exchange differences	368	0	1	3	372
Additions	0	5.221	210	326	5.757
Amortisation charge	0	(3.058)	(363)	(153)	(3.574)
Closing net book amount	97.117	14.948	891	671	113.627
Three months ended 31 March 2007					
Opening net book amount	97.117	14.948	891	671	113.627
Exchange differences	(38)	(1)	(1)		(40)
Additions	879	1.812	105	80	2.876
Amortisation charge		(1.128)	(4)	(96)	(1.228)
Closing net book amount	97.958	15.631	991	655	115.235

	Q1 2007	**Q1 2006**
Amortisation of intangible assets analyses as follows in the income statement:		
Cost of sales	24	4
Selling and marketing expenses	20	3
Development expenses	1.119	734
Administrative expenses	65	3
	1.228	744

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (3-5%), gross margin (33-44%) and discount rate (8-12%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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

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Notes to the Consolidated Financial Statements

14. Inventories

	31/3 2007	31/12 2006
Raw materials	30.938	30.155
Work in progress	9.389	6.340
Finished goods	16.859	16.768
	57.186	53.263

The cost of inventories recognised as expense and included in 'cost of goods sold' amounted to EUR 25,725 (2006: EUR 81,138).

Inventories of EUR 6,501 (2005: EUR 6,317) have been pledged as security for borrowings.

15. Production contracts

	31/3 2007	31/12 2006
Ordered work in process	27.283	25.963
Advances received on ordered work in process	(12.863)	(12.845)
	14.420	13.118

16. Receivables and prepayments

Current receivables and prepayments:		
Trade receivables	51.664	49.887
Less: Provision for impairment of receivables	(2.543)	(2.581)
Trade receivables – net	49.121	47.306
Other receivables and prepayments	8.921	6.697
	58.042	54.003

17. Cash and cash equivalents

Cash at bank and in hand	58.268	63.079

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

Cash and bank balances	58.268	63.079

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

18. Derivative financial instruments

	31 March 2007		31 December 2006	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps – cash flow hedges	94	451	37	439
Forward foreign exchange contracts – cash flow hedges	2.427	6	846	6
Total	2.521	457	883	445
Less non-current portion:				
Interest-rate swaps – cash flow hedges	94	0	37	0
Forward foreign exchange contracts – cash flow hedges	0	0	0	0
	94	0	37	0
Current portion	2.427	457	846	445

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

Interest-rate swaps
The notional principal amounts of the outstanding interest-rate swap contracts at 31 March 2007 were EUR 3,848 (2006: EUR 3,845).

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Notes to the Consolidated Financial Statements

19. Trade and other payables

	31/3 2007	31/12 2006
Trade payables	19.951	19.989
Accruals	23.686	17.874
Deferred income	11.466	6.533
Other payables	10.264	10.465
	65.367	54.861

20. Borrowings

	31/3 2007	31/12 2006
Non-current:		
Bank borrowings	19.782	20.246
Debentures	98.417	98.700
Finance lease liabilities	678	798
	118.877	119.744
Current:		
Bank overdrafts	25.892	25.050
Bank borrowings	6.573	11.613
Debentures	473	1.173
Finance lease liabilities	755	967
	33.693	38.803
Total borrowings	152.570	158.547

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of EUR 46,938 (2006: EUR 40,245). The bank borrowings are secured over certain of the land and buildings of the Group and over certain of the inventories. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Liabilities in currency:	Finance lease liabilities	Other borrowings	Total 31/3 2007	Total 31/12 2006
Liabilities in CAD	0	494	494	505
Liabilities in DKK	341	50.732	51.073	31.223
Liabilities in EUR	463	66.120	66.583	76.687
Liabilities in GBP	220	25.084	25.304	42.229
Liabilities in JPY	0	142	142	84
Liabilities in NOK	0	4.330	4.330	1.570
Liabilities in USD	31	2.608	2.639	2.944
Liabilities in other currency	378	1.627	2.005	3.305
	1.433	151.137	152.570	158.547
Current maturates	(755)	(32.938)	(33.693)	(38.803)
	678	118.199	118.877	119.744

Annual maturates of non-current liabilities:

Period 1/4 2008- 31/3 2009 / year 2008	407	21.966	22.373	22.530
Period 1/4 2009- 31/3 2010 / year 2009	232	3.210	3.442	3.510
Period 1/4 2010- 31/3 2011 / year 2010	39	2.363	2.402	2.444
Period 1/4 2011- 31/3 2012 / year 2011	0	72.018	72.018	2.411
Later	0	18.642	18.642	88.849
	678	118.199	118.877	119.744

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Notes to the Consolidated Financial Statements

21. Deferred income tax

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

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

1 January 2006	2.289
Exchange differences and changes within the group	40
Income statement charge (Note 9)	44
Less current tax	(219)
Tax charged to equity	63
31 March 2006	2.217
1 April 2006	2.217
Business combination (Note 29)	786
Exchange differences and changes within the group	166
Income statement charge	851
Less current tax	(1.462)
Tax charged to equity	(243)
End of the nine months period ended 31 December 2006	2.315
1 January 2007	2.315
Exchange differences and changes within the group	(16)
Income statement charge (Note 9)	781
Less current tax	70
Tax charged to equity	315
End of March 2007	3.465

	Q1 2007	Q1 2006
The deferred tax charged/(credited) to equity during the period is as follows:		
Fair value reserves in shareholders' equity		
– hedging reserve	315	63

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

	31/3 2007	31/12 2006
Deferred tax assets	(2.895)	(1.991)
Deferred tax liabilities	6.360	4.306
	3.465	2.315
Deferred income tax liability (assets) analyses on the following items:		
Non-current assets	6.324	5.820
Hedge reserve	335	38
Taxable loss carried forward	(3.875)	(3.761)
Other items	681	218
	3.465	2.315

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Taxable effects of losses amounting to EUR 2,413 expire in the years 2009-2017.

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22. Provisions

Warranty:	
At 1 January 2006	794
Changes entered into income statement	22
At 31 March 2006	816
At 1 April 2006	816
Business combination	737
Changes entered into income statement	(51)
At 31 December 2006	1.502
Changes entered into income statement	45
At 31 March 2007	1.547

	31/3 2007	**31/12 2006**
Analysis of total provisions:		
Current	1.547	1.502

23. Contingencies

Contingent liabilities:

At 31 March 2007 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 3,563 (2006: EUR 3,307) to third parties.

24. Commitments and insurance

Operating lease commitments – where a group company is the lessee

The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 6,463. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2007 - 2012.

Insurance

The Group has bought a loss of profit insurance which will cover work stoppage for up to 12 months, based on terms of operation insurance agreement. The insurance benefits amounts up to EUR 160 million. The Group insurance value of buildings amounts to EUR 51.6 million, production machinery and equipment including software and office equipment amounts to EUR 50.2 million and inventories to EUR 58.7 million.

25. Share capital

	Number of shares (thousands)	Ordinary shares	Treasury shares	Total
At 1 January 2006	238.271	240.064	(1.793)	238.271
Treasury shares purchased	(1.549)		(1.549)	(1.549)
Treasury shares sold	1.019		1.019	1.019
At 31 March 2006	237.741	240.064	(2.323)	237.741
Issue of shares	127.017	127.017		
Treasury shares purchased	(402)		(402)	(402)
Treasury shares sold	1.476		1.476	1.476
At 31 December 2006	365.832	367.081	(1.249)	365.832
Treasury shares sold	331		331	331
At 31 March 2007	366.163	367.081	(918)	366.163

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

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Notes to the Consolidated Financial Statements

26. Fair value reserves and other reserves

	Hedging reserve	Cumulative translation adjustment	Total
Balance at 1 January 2006	(277)	502	225
Cash flow hedges:			
– Fair value gain/(loss) in period	192		192
– Tax on fair value	(63)		(63)
Currency translation differences		(194)	(194)
Balance at 31 March 2006	(148)	308	160
Cash flow hedges:			
– Fair value gain/(loss) in period	778		778
– Tax on fair value	(231)		(231)
Currency translation differences		(795)	(795)
Balance at 31 December 2006	399	(487)	(88)
Cash flow/net investment hedges:			
– Fair value gain/(loss) in period	1.627		1.627
– Tax on fair value	(297)		(297)
Currency translation differences		(28)	(28)
Balance at 31 March 2007	1.729	(515)	1.214

27. Investments in associates

At 1 April 2006	0
Business combination	876
Additions	1
Translation difference	7
Share of results, net of tax	(1.460)
	(576)
Negative balance presented among non-current receivables	1.515
At 31 December 2006	939
At 1 January 2007	(576)
Translation difference	1
Share of results, net of tax	(285)
	(860)
Negative balance presented among non-current receivables	1.876
At 31 March 2007	1.016

28. Available-for-sale investments

At 1 January 2006	680
Impairment unwinding	64
At 31 December 2006	744
Impairment	(25)
At 31 March 2007	719

Available-for-sale investments are classified as non-current assets.

Available-for-sale investments are unlisted equity securities traded on inactive markets.

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Notes to the Consolidated Financial Statements

29. Business combination

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

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

- Cash paid	43.291
- Borrowings from seller	19.487
- New shares issued	44.429
- Direct cost relating to the acquisition	3.599
	110.806
Fair value of net assets acquired	(23.700)
Goodwill	87.106

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

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

Cash and cash equivalents	1.158
Intangibles	4.215
Property, plant and equipment	18.045
Investments in associates	876
Receivables, non-current	116
Inventories	20.486
Production contracts	3.839
Receivables and prepayments	28.849
Borrowings, non-current	(14.199)
Borrowings, current	(12.006)
Trade and other payables	(25.854)
Provisions	(737)
Deferred taxes	(786)
Current tax liabilities	(302)
Fair value of net assets acquired	23.700
Goodwill	87.106
	110.806
Less:	
– New shares issued	(44.429)
– Borrowings from seller	(19.487)
Cash and cash equivalents in subsidiary acquired	(1.158)
Cash outflow on acquisition	45.732

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Notes to the Consolidated Financial Statements

33. Principal subsidiaries

Marel Australia Pty Ltd	Australia
Marel Carnitech (Thailand)	Thailand
Marel Chile	Chile
Marel Deutschland GmbH & Co KG	Germany
Marel Equipment Inc	Canada
Marel Management GmbH	Germany
Marel Russland	Russia
Marel Scandinavia A/S	Denmark
Marel Spain	Spain
Marel UK Ltd	UK
Marel USA Inc	USA
Carnitech Marel Slovakia	Slovakia
AEW Delford Group	UK
Carnitech Group	Denmark
Scanvaegt International Group	Denmark

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