# Eyrir Invest hf.

## Financial Statements
## for the year 2013
## EUR

Eyrir Invest hf.
Skólavörðustígur 13
101 Reykjavík
Iceland

Reg. no. 480600-2150

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# Endorsement and Statement by the Board of Directors and the Managing Directors

Eyrir Invest hf. is an international investment company that focuses on investments in industrial companies and ventures that have the potential to become global market leaders. Through leadership these companies are able to create economies of scale and value for customers, employees and shareholders. The Company began its operation on 8 June 2000.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies. The Company's functional currency is EUR.

**Operations in 2013**

According to the statement of comprehensive income, loss for the year amounted to EUR 18.7 million and total comprehensive loss amounted to EUR 19.2 million. As stated in the statement of financial position total assets amount to EUR 333.9 million, equity at the end of the year amounts to EUR 168.9 million and equity ratio is 51%.

The Company's core holdings are a 29% share in Marel hf. and a 17% holding in Stork BV through London Acquisition Luxco S.à r.l. Stork owns and operates Fokker Technologies and Stork Technical Services. From 1 January 2013, Fokker Technologies and Stork Technical Services have separate corporate governance and financing. Eyrir Invest has been the principal shareholder in Marel hf. since 2005, a period of rapid external and internal growth. Eyrir Invest furthermore invests in prominent growth companies through its venture capital subsidiary, Eyrir Sprotar slhf, which is the lead investor in ReMake Electric, an expert in energy metering and energy management soulutions, and Saga Medica, a natural products manufacturer.

- Marel is a leading global provider of advanced equipment, systems and services for the poultry, fish and meat processing industry. Marel has offices and subsidiaries in over 30 countries and employs approximately 4,000 people. Marel's revenues in 2013 amounted to EUR 662 million. Marel is the largest listed company on NASDAQ OMX Iceland and 99% of its revenues derive outside Iceland.
- Stork Technical Services (Stork TS) is a world class, knowledge-based service provider to the oil, gas, power and chemical industries. Stork TS roots date back 185 years and the company holds strong position in the technical services market focusing increasingly on customers in the energy industry. Stork TS has grown its customer base and geographical presence both organiclly and through acquisitions. Stork TS employs around 14,500 employees dedicated to serve the oil, gas and power businesses in Benelux, North Sea, Caspian region, Middle East and North and South America. Revenues in 2013 were around EUR 1,440 million.
- Fokker Technologies is a tier one supplier to the aerospace industry with customers such as Boeing, Airbus, Lockheed Martin and Gulf Stream counting for 80% of total revenues. Fokker Technologies is also a provider of service and spare parts to discontinued production fleet such as Fokker, that counts for 20% of total revenues. Employees are around 4,000 and revenues were EUR 760 million in 2013.

At the beginning of the year 2013, new B shares for the total amount of EUR 15.7 million were issued, the purpose of the issuance was to further strengthen the financials of the Company.

On 30 September 2013, the Company repurchased listed bond issue Eyri 11 1 and has no longer any listed financial instrument on NASDAQ OMX Iceland.

Eyrir Invest book value of its share in Stork via London Acquisition is according to fair value method for non-listed assets; using comparable transaction multiples and trading multiples.

The Company's shares in Marel are accounted for at fair value according to fair value method for listed assets; using quoted price on NASDAQ OMX Iceland hf.

Árni Oddur Þórðarson Eyrir's CEO since foundation resigned at the end of October 2013 as he was at that time appointed CEO of Marel hf. The Board of Directors consequently changed the organizational setup in Eyrir Invest so that the Management responsibililties are split between three Managing Directors. Margrét Jónsdóttir is Managing Director of Operations, Sigfús Oddsson is Managing Director of Funding and Örn Valdimarsson is Managing Director of Investments.

# Endorsement and Statement by the Board of Directors and the Managing Directors, contd.:

The Company average number of full time equivalent employees during the year is eight.

Information on risk management are presented in the notes to the Financial Accounts. Eyrir Invest aims to reduce risk by diversifying its holdings to different growth industries, see further note 5.

**The Board**

The Board consists of five to seven Directors which are elected annually at the Annual General Meeting. Þórður Magnússon is the Chairman of the Board and has served on the Board since the Company was founded in the year 2000. Other Directors are: Jón Helgi Guðmundsson, Dr. Ólafur Steinn Guðmundsson, Sigurjón Jónsson, Svanhvít Hrólfsdóttir and Ingólfur Guðmundsson.

The majority of the Board is independent of the Company and its major shareholders. Þórður Magnússon, Chairman, is a co-founder of Eyrir Invest and holds a major share in the Company. Árni Oddur Þórðarson, former CEO of the Company, is also a co-founder of the Company and defined as a major shareholder.

**Corporate governance**

The Company's Corporate Governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland hf. and Confederation of Icelandic Employers. The Guidelines can be found on the Iceland Chamber of Commerce's website, www.vi.is. In general, the Company is in compliance with the Icelandic Guidelines on Corporate Governance and places great emphasis on having all information regarding its operations and actions transparent. However the Company deviates from the Guidelines regarding a nomination committee as the Board of Directors has not established such a committee as it deems it not necessary.

The Board of Directors has established written rules of procedure where the Board's tasks are laid out and its role in relation to the Managing Directors. Current rules of procedure were adopted on 18 December 2009 and reviewed on 26 March 2013. These rules stipulate among other things the convening of Board meetings, comprehensive rules on Board member's suitability to participate in handling matters concerning the Company's operations, rules on confidentiality, information provided to the Board by the Managing Directors and further rules.

According to the Board of Directors best knowledge the Company's Financial Statements are in compliance with International Financial Reporting Standards (IFRS) and good accountancy practices. The Company prepares interim Financial Statements and monitors risk on a regular basis and secures segregation of duties and dictates work processes in order to minimize risk in the Company's operations. The Board, as a whole, comprises the Audit Committee which task is to ensure the quality of the Company's financial information. All Board members excluding the Chairman comprise the Remuneration Committee.

For the operational year 2013, the Board of Directors held ten Board meetings and two meetings in the Remuneration Committee. Audit Committee meetings coincide with Board meetings. On all occasions the majority of the Board members and Committee members were present.

# Endorsement and Statement by the Board of Directors and the Managing Directors, contd.:

**Shareholders and appropriation of profit**
Shareholders at year-end were 20, up from 16 at the beginning of the year. Ten largest ordinary shareholders are:

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Landsbankinn hf. * | 23.2% | 23.3% |
| Þórður Magnússon* | 20.0% | 20.2% |
| Árni Oddur Þórðarson* | 17.3% | 17.3% |
| Lífeyrissjóður verslunarmanna | 10.0% | 10.0% |
| Sigurjón Jónsson | 8.0% | 8.2% |
| Landsbankinn Íslands hf., aðalstöð | 6.9% | 6.9% |
| Landsbankinn Luxembourg | 3.0% | 3.0% |
| Arkur ehf. | 2.6% | 2.6% |
| Klondike Group Ltd. | 2.4% | 2.4% |
| Ayette Ltd. | 2.2% | 2.2% |

*Shares held by Landsbankinn hf., Þórður Magnússon, Árni Oddur Þórðarson and by companies fully under their control and ownership. Þórður Magnússon is Chairman of the Board.

The Board of Directors proposes that no dividends will be paid for the operational year 2013 and refers to the financial statements regarding appropriation of the loss for the year and changes in shareholders' equity.

**Statement by the Board of Directors and the Managing Directors**
According to our best knowledge it is our opinion that the Financial Statements give a true and fair view of the financial performance of the Company for the financial year 2013, its assets, liabilities and financial position as at 31 December 2013 and its cash flows for the financial year 2013.

Further, in our opinion the Financial Statements and Endorsement of the Board of Directors and the Managing Directors give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the Managing Directors have today discussed the Financial Statements of Eyrir Invest hf. for the year 2013 and confirm them by means of their signatures. The Board of Directors and the Managing Directors recommend that the Financial Statements will be approved at the Annual General Meeting of Eyrir Invest hf.

Reykjavík, 8 February 2014.

The Board of Directors:

Managing directors:

# Independent Auditor's Report

To the Board of Directors and Shareholders of Eyrir Invest hf.

We have audited the accompanying financial statements of Eyrir Invest hf., which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Eyrir Invest hf. as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on the Board of Directors report**

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 8 February 2014.

***KPMG ehf.***

Matthías Þór Óskarsson

# Statement of Comprehensive Income for the year 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Investment income** | | | |
| Change in fair value of investment securities | | ( 13,810) | ( 7,992) |
| Change in fair value of subsidiaries | | 96 | ( 5) |
| Dividend income | | 2,361 | 2,489 |
| Interest expenses | | ( 11,632) | ( 10,923) |
| Interest income | | 662 | 395 |
| Net foreign exchange gain | | 5,171 | 3,430 |
| Net investment loss | | ( 17,152) | ( 12,606) |
| **Operating expenses** | | | |
| Salaries and salary related expenses | 6 | 1,014 | 987 |
| Other operating expenses | | 489 | 555 |
| Operating expenses | | 1,503 | 1,542 |
| **Loss for the year** | | ( 18,655) | ( 14,148) |
| **Other comprehensive income** | | | |
| Translation difference transferred to profit or loss | | ( 554) | ( 370) |
| **Other comprehensive income for the year** | | ( 554) | ( 370) |
| **Total comprehensive income for the year** | | ( 19,209) | ( 14,518) |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (expressed in EUR cent) | 13 | ( 2.01) | ( 1.37) |

The notes on pages 11 to 29 are an integral part of these financial statements.

*Financial Statements of Eyrir Invest hf. 2013* 7 *Amounts are in EUR thousand*

# Statement of Financial Position as at 31 December 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 7 | 2,637 | 775 |
| Investment securities | 9 | 326,691 | 364,473 |
| Receivables | 10 | 2,580 | 2,820 |
| Restricted cash | 8 | 13 | 13 |
| Operating assets | 11 | 1,934 | 2,034 |
| **Total assets** | | 333,855 | 370,115 |
| **Equity** | | | |
| Share capital | | 6,570 | 5,947 |
| Share premium | | 112,706 | 97,623 |
| Translation reserve | | 4,262 | 4,816 |
| Retained earnings | | 45,360 | 64,015 |
| Total equity | 12 | 168,898 | 172,401 |
| **Liabilities** | | | |
| Borrowings | 14,15 | 164,806 | 194,504 |
| Trade and other payables | | 151 | 3,210 |
| Total liabilities | | 164,957 | 197,714 |
| **Total equity and liabilities** | | 333,855 | 370,115 |

The notes on pages 11 to 29 are an integral part of these financial statements.

*Financial Statements of Eyrir Invest hf. 2013* 8 *Amounts are in EUR thousand*

# Statement of Changes in Equity for the year 2013

| | Notes | Share capital* | Share premium | Translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| Equity 1.1.2012 | | 6,546 | 112,598 | 5,186 | 78,163 | 202,493 |
| Treasury shares purchased | | ( 599) | ( 14,975) | | | ( 15,574) |
| Total comprehensive loss for the year | | | | ( 370) | ( 14,148) | ( 14,518) |
| Equity 31.12.2012 | 12 | 5,947 | 97,623 | 4,816 | 64,015 | 172,401 |
| **2013** | | | | | | |
| Equity 1.1.2013 | | 5,947 | 97,623 | 4,816 | 64,015 | 172,401 |
| Issue of B shares | 12 | 623 | 15,083 | | | 15,706 |
| Total comprehensive loss for the year | | | | ( 554) | ( 18,655) | ( 19,209) |
| Equity 31.12.2013 | 12 | 6,570 | 112,706 | 4,262 | 45,360 | 168,898 |

***Share capital**

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| A shares | 5,947 | 5,947 |
| B shares | 623 | 0 |
| Total share capital | 6,570 | 5,947 |

The notes on pages 11 to 29 are an integral part of these financial statements.

*Financial Statements of Eyrir Invest hf. 2013* 9 *Amounts are in EUR thousand*

# Statement of Cash Flows for the year 2013

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | ( 18,655 ) | ( 14,148 ) |
| Adjustments for: | | | |
| Change in fair value of investment securities | | 13,810 | 7,992 |
| Change in fair value of subsidiaries | | ( 96 ) | 5 |
| Depreciation | 11 | 55 | 76 |
| Interest expenses | | 11,632 | 10,923 |
| Dividend income | | ( 2,361 ) | ( 2,489 ) |
| Interest income | | ( 662 ) | ( 395 ) |
| Net foreign exchange gain | | ( 5,171 ) | ( 3,430 ) |
| Working capital used in operations | | ( 1,448 ) | ( 1,466 ) |
| Change in operating assets and liabilities | | 102 | ( 641 ) |
| Cash used in operations before interest | | ( 1,346 ) | ( 2,107 ) |
| Interest paid | | ( 15,960 ) | ( 7,326 ) |
| Interest received | | 659 | 394 |
| Dividends received | | 2,361 | 2,489 |
| Net cash used in operating activities | | ( 14,286 ) | ( 6,550 ) |
| **Cash flows from investing activities** | | | |
| Restricted cash, decrease | | 0 | 1,042 |
| Investments in subsidiaries | | ( 1,860 ) | ( 1,247 ) |
| Investments in shares in other companies | | ( 3,000 ) | ( 20,515 ) |
| Proceeds from the sale of investment securities | | 25,453 | 16,906 |
| Proceeds from the sale of operating assets | | 62 | 0 |
| Acquisition of operating assets | 11 | ( 17 ) | ( 28 ) |
| Net cash from (used in) investing activities | | 20,638 | ( 3,842 ) |
| **Cash flows from financing activities** | | | |
| New borrowings | | 832 | 35,551 |
| Share capital sold | | 15,706 | 15,377 |
| Own shares purchased | 19 | 0 | ( 15,574 ) |
| Repayment of borrowings | | ( 21,599 ) | ( 33,161 ) |
| Net cash (used in) from financing activities | | ( 5,061 ) | 2,193 |
| **Increase (decrease) in cash and cash equivalents** | | 1,291 | ( 8,199 ) |
| **Effect of exchange fluctuations on cash held** | | 571 | ( 445 ) |
| **Cash and cash equivalents at 1 January** | | 775 | 9,419 |
| **Cash and cash equivalents at 31 December** | 7 | 2,637 | 775 |
| **Investing and financing activities without cash flow effect:** | | | |
| Investment in shares in other companies | | 0 | ( 3,000 ) |
| Unpaid investment in shares in other companies | | 0 | 3,000 |

The notes on pages 11 to 29 are an integral part of these financial statements.

*Financial Statements of Eyrir Invest hf. 2013* 10 *Amounts are in EUR thousand*

# Notes

**1. Reporting Entity**

Eyrir Invest hf. (the "Company") is a limited liability company incorporated and domiciled in Iceland. The registered office of the Company is at Skólavörðustígur 13 in Reykjavík, Iceland.

Eyrir Invest hf. is an international investment company that focuses on investments in industrial companies and ventures that have the potential to become global market leaders. Through leadership these companies are able to create economies of scale and value for customers, employees and shareholders.

The Company's management has concluded that the Company meets the definition of an investment entity according to IFRS. Therefore, the Company's investments in subsidiaries are accounted for at fair value through profit or loss and subsidiaries are not consolidated in these financial statements.

**2. Basis of preparation**

Assets and liabilities in the statement of financial position are presented in liquidity order which is considered more appropriate for the Company than the current/non-current presentation. For each asset and liability item that combines amounts expected to be recovered or settled after more than 12 months, a payment schedule is disclosed.

**a. Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies. These financial statements are separate financial statements and the Company does not present consolidated financial statements.

The financial statements were approved by the Board of Directors of Eyrir Invest hf. on 8 February 2014.

**b. Basis of measurement**

The financial statements have been prepared on the historical cost basis except for investment in investments securities and subsidiaries, which are measured at fair value with fair value changes recognised in profit or loss.

The methods used to measure fair values are discussed further in note 3b.

**c. Functional and presentation currency**

The financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless otherwise stated.

**d. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in note 4i.

**3. Accounting policies related to financial instruments**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 3. Accounting policies related to financial instruments, contd.:

### a. Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans and other receivables, cash and cash equivalents, borrowings, trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise of cash held at bank.

Accounting for finance income and expenses is discussed in note 3c.

*Financial assets designated at fair value through profit or loss*
The Company designates its investment securities and subsidiaries as financial assets at fair value through profit or loss upon initial recognition since the Company manages the investment securities and makes purchase and sale decisions based on their fair value. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets designated at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

*Other*
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses for financial assets.

#### (ii) Share capital

*Ordinary shares*
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of shares and share options are recognised as a deduction from equity.

*B shares (preference shares)*
B shares are classified as equity. B shares are non-redemable but B shares have priority to dividend over A shares until B shares have received dividend amounting to ISK 2.60 per share on a yearly basis starting on 1 February 2013 and ISK 3.90 per share starting on 1 February 2018. B shares carry limited voting rights and shareholders holding B shares can at any time demand that the Company convert all of the holdings of individual B shareholders into class A shares. Incremental costs directly attributable to issue of B shares are recognised as a deduction from equity.

*Repurchase of share capital*
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from share premium.

*Dividends*
Dividends are recognised as a decrease in equity in the period in which they are declared.

## 3. Accounting policies related to financial instruments, contd.:

### b. Fair value measurement principles for financial instruments

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment securities in the statement of financial position consist of investments in equity and debt securities. The fair value of listed securities in an active market is determined by reference to their quoted market bid price at the reporting date without any deduction for estimated future selling costs.

When a quoted market price is not available on a stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the investment is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### (i) Investment securities

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the reporting date. Fair values for unquoted equity investments are estimated, if possible, using applicable price / earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

#### (ii) Receivables

The fair value of receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### (iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### c. Investment income

#### (i) Net income from securities

Net income from investments in securities comprise net gain or loss on the sale of securities, changes in the fair value of the investments, foreign exchange differences other than foreign exchange economic hedges, transaction costs, dividend income and interest income. Dividend income is recognised in profit and loss on the date the entity's right to receive payments is established.

#### (ii) Interest income and expense

Interest income and expense, are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the carrying amount of the financial instrument.

#### (iii) Foreign exchange gain (loss)

Net foreign exchange gain (loss) comprises foreign exchange changes arising from assets and liabilities de-nominated in foreign currencies and gains and losses arising from derivatives hedging economically the foreign currency risk. Net currency gains and losses are reported on a net basis.

## 4. Other accounting policies

### a. Foreign currency

**Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange gain or loss, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain from financial instruments at fair value through profit or loss.

### b. Subsidiaries

An subsidiary is an entity over which the Company has control over. The Company controls an investee when the company is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are not consolidated and are measured at fair value through profit or loss.

### c. Operating assets

**(i) Buildings and other operating assets**

Buildings and other operating assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

**(ii) Subsequent costs**

The cost of replacing part of an item of operating asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

**(iii) Depreciation**

Depreciation is recognised in the profit and loss on a straight-line basis over the estimated useful live of each part of operating assets. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings ..... | 50 years |
| Other operating assets ..... | 3-5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

### d. Impairment

**(i) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit and loss.

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**4. Other accounting policies, contd.:**

**d. Impairment, contd.:**

**(i) Financial assets, contd.:**

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

**(ii) Non-financial assets**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**e. Employee benefits**

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit and loss when they are incurred.

**f. Income tax expense**

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**g. Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4. Other accounting policies, contd.:

### h. Changes in accounting policies

The Company has adopted all new standards and amendments to standards, including any consequential amendments to other standards as they have been endorsed by the EU, with a date of initial application of 1 January 2013. The Company has also early adopted *Amendments to IFRS 10, IFRS 11, IFRS 12 and IAS 27.* Only the adoption of IFRS 13 *Fair Value Measurments* and IFRS 10 *Consolidated Financial Statements* have any effect on the Company's financial statements.

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurement. The implementation of IFRS 13 does not have any effect on the fair value of the Group's assets but has effect of the disclosures of investment securities.

IFRS 10 allows investments funds to measure subsidiaries at fair value through profit or loss and not consolidate subsidiaries. As the Company fullfills all the criteria set forward in the standard the Company has implimented that change and measures subsidiaries at fair value through profit and loss and does not present consolidated financial statements.

### i. Accounting estimates and judgements

#### Key sources of estimation uncertainty

##### Determination of fair values of financial instruments and subsidiaries

As stated in note 3b the Company’s investment securities, subsidiaries and derivatives are measured at fair value in the statement of financial position. For some of these financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same, subject to the appropriate adjustments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, e.g. interest rates, volatility, estimated cash flows etc., and therefore, cannot be determined with precision.

##### Determination of impairment of financial assets

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 4d(i). The assessment for impairment is based upon management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty’s financial situation and the net realisable value of any underlying collateral.

##### Determination of impairment of non-financial assets

Non-financial assets are regularly valuated for impairment. The assessment for impairment is based upon management’s estimates of future cash flows and discount rate.

#### Critical accounting judgements in applying the Company’s accounting policies

##### Classification of securities

The Company’s accounting policies provide scope for securities to be designated at fair value through profit or loss. By making this designation, the management has determined that it has met the necessary criteria as set out in accounting policy 3a(i).

## 5. Financial risk management

**Overview**

The Company maintains, when available, positions in both derivative and non-derivative financial instruments in accordance with its investment strategy. The Company's investment portfolio comprises quoted and non-quoted equity and debt investments. At year-end 2013, the Company holds no positions in derivative financial instruments.

The Company’s investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed from its use of financial instruments are:

* credit risk
* liquidity risk
* market risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company’s risk management. The Board has commended the Managing Directors day to day developing and monitoring of the Company’s risk management policies.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company aims to minimize this risk factor by only entering agreements with solid and well known financial institutions in addition to closely monitoring the credit risk on an ongoing basis.

Transactions involving derivative financial instruments are usually with counterparties with whom the Company has signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk.

**Exposure to credit risk**

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

| | Carrying amount | |
|---|---|---|
| | 2013 | 2012 |
| Cash and cash equivalents | 2,637 | 775 |
| Receivables | 2,580 | 2,820 |
| Restricted cash | 13 | 13 |
| | 5,230 | 3,608 |

**Past due and impaired assets**

No financial assets carried at amortised cost were past due or impaired either at 31 December 2013 or 31 December 2012.

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## 5. Financial risk management, contd.:

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due and thus secure sustainability.

The Company's financial instruments can include investments in unlisted equity investments and derivative contracts traded over-the-counter, which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to its fair value in order to meet its liquidity requirements, or to respond to specific events such as a deterioration in the credit-worthiness of any particular issuer. Unlisted investment securities were 43.9% of total assets at year-end 2013 (2012: 44.2%).

To mitigate this risk the Company has a policy of adequate cash at any given time and in addition to that having a large part of its asset in listed financial investments, that are considered to be readily realisable in normal market conditions.

The Company maintains no lines of credit with financial institutions at year-end 2013.

#### Maturity analysis for financial liabilities

The following are the contractual maturities of financial liabilities, including estimated future interest payments:

**31 December 2013**

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | |
| Secured bank loans ...................... | 164,806 | 193,183 | 10,583 | 40,904 | 138,298 | 3,398 |
| Trade and other payables ............ | 151 | 151 | 151 | 0 | 0 | 0 |
| | 164,957 | 193,334 | 10,734 | 40,904 | 138,298 | 3,398 |

**31 December 2012**

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | |
| Secured bank loans ...................... | 188,173 | 213,409 | 43,623 | 133,749 | 26,493 | 9,544 |
| Unsecured bonds/loans ............... | 6,331 | 6,498 | 617 | 5,881 | 0 | 0 |
| Trade and other payables ............ | 3,210 | 3,210 | 3,210 | 0 | 0 | 0 |
| | 197,714 | 223,117 | 47,450 | 139,630 | 26,493 | 9,544 |

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company's market risk is managed by the employees in accordance with policies and procedures in place.

Details of the Company's investment portfolio at the reporting date are disclosed in the schedule of investments included in note 9.

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## 5. Financial risk management, contd.:

### Market risk, contd.:

#### (i) Currency risk

The Company is exposed to currency risk on sales and investment in securites, cash, and borrowings that are denominated in a currency other than the functional currency of the Company.

The Company's total net currency balance is monitored on a regular basis and treated as any other calculated financial position.

*The Company´s exposure to foreign currency risk was as follows based on notional amounts:*

| **31 December 2013** | **ISK** | **USD** | **GBP** | **Other** |
|---|---|---|---|---|
| Investment securities | 183,489 | 0 | 0 | 302 |
| Receivables | 779 | 1,790 | 0 | 0 |
| Cash and equivalents | 2,598 | 25 | 0 | 1 |
| Restricted cash | 13 | 0 | 0 | 0 |
| Borrowings | ( 50,575) | ( 39,860) | ( 6,476) | ( 1,497) |
| Trade and other payables | ( 210) | 0 | 0 | 0 |
| Net balance sheet exposure | 136,094 | ( 38,045) | ( 6,476) | ( 1,194) |

| **31 December 2012** | **ISK** | **USD** | **GBP** | **Other** |
|---|---|---|---|---|
| Investment securities | 202,133 | 0 | 0 | 343 |
| Receivables | 941 | 1,870 | 0 | 0 |
| Cash and equivalents | 751 | 0 | 0 | 1 |
| Restricted cash | 13 | 0 | 0 | 0 |
| Borrowings | ( 50,751) | ( 44,628) | ( 7,274) | ( 4,744) |
| Trade and other payables | ( 150) | 0 | 0 | 0 |
| Net balance sheet exposure | 152,937 | ( 42,758) | ( 7,274) | ( 4,400) |

| | **Average rate** | | **Reporting date spot rate** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| ISK | 162.83 | 161.18 | 158.94 | 170.27 |
| USD | 1.33 | 1.29 | 1.38 | 1.32 |
| GBP | 0.85 | 0.81 | 0.83 | 0.82 |

*Sensitivity analysis*

A 10% strengthening of the euro against the following currencies at 31 December would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2012.

| | **Profit or loss** | |
|---|---|---|
| | **2013** | **2012** |
| ISK | ( 13,609) | ( 15,294) |
| USD | 3,805 | 4,276 |
| GBP | 648 | 727 |
| Other | 119 | 440 |

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## 5. Financial risk management, contd.:

### Market risk, contd.:

#### (i) Currency risk, contd.:

A 10% weakening of the euro against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (ii) Interest rate risk

The majority of the Company's financial assets are non-interest-bearing. Interest-bearing financial assets are subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Company is exposed to interest risk from interest bearing liabilities and that risk is mitigated by active risk management.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | Carrying amount 2013 | Carrying amount 2012 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial liabilities | ( 5,404) | ( 5,239) |
| **Variable rate instruments** | | |
| Financial assets | 2,650 | 788 |
| Financial liabilities | ( 159,402) | ( 189,265) |
| | ( 156,752) | ( 188,477) |

*Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

| | 2013 Profit or loss | | 2012 Profit or loss | |
|---|---|---|---|---|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Variable rate instruments | ( 1,568) | 1,568 | ( 1,885) | 1,885 |
| Cash flow sensitivity (net) | ( 1,568) | 1,568 | ( 1,885) | 1,885 |

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## 5. Financial risk management, contd.:

### Market risk, contd.:

#### (iii) Other market price risk

Market price risk arises from financial assets at fair value through profit or loss, primarily equity investments.

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

For the Company's financial assets that are carried at fair value, with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect investment income.

Price risk is mitigated by the Company's Management by constructing a diversified portfolio of investments and instruments traded on various markets. In addition market fluctuations are monitored on intraday basis which enables the Company to react quickly to any changes in the market.

The Company's financial investments in shares is diversified by industries as follows:

| | 2013 | 2012 |
|---|---|---|
| Food Systems; Marel | 56% | 55% |
| Technical services - Oil & gas; Stork | 24% | 25% |
| Aerospace services; Stork | 20% | 20% |
| | 100% | 100% |

#### (iv) Fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 31 December 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Investment securities | 326,691 | 326,691 | 364,473 | 364,473 |
| Cash and cash equivalents | 2,637 | 2,637 | 775 | 775 |
| Restricted cash | 13 | 13 | 13 | 13 |
| Loans and receivables | 2,580 | 2,580 | 2,820 | 2,820 |
| Secured bank loans | ( 164,806) | ( 165,703) | ( 188,173) | ( 188,011) |
| Unsecured bond issues and bank loans | 0 | 0 | ( 6,331) | ( 6,766) |
| Share subscription | 0 | 0 | ( 3,000) | ( 3,000) |
| Trade and other payables | ( 151) | ( 151) | ( 209) | ( 209) |
| | 166,964 | 166,067 | 170,368 | 170,095 |

The basis for determining fair values is disclosed in note 3.

*Interest rates used for determining fair values*

The interest rate used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

| | 2013 | 2012 |
|---|---|---|
| Secured bank loans | 3.1% - 9.6% | 4.0% - 9.5% |
| Unsecured bond issues, indexed / non-indexed | - | 10.5% |

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## 5. Financial risk management, contd.:

### Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business. It is the strategy of the Company to pay as dividend 10 - 25% of each year profit. However, in recent years no dividends have been paid to maintain a strong capital base and to support further value creation in the Company's core holdings. At the end of 2013 the equity ratio is 51% (2012: 47%).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Return on equity from foundation of the Company is well above market return. However Company's return on capital was negative by 10.8% in 2013 (2012: negative by 7.0%), mainly due to adjustment in fair value of the holdings in London Acquistion Luxco S.à r.l.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements, except when stated in loan agreements.

### Salaries and salary-related expenses

**6. Salaries and salary-related expenses are specified as follows:**

| | 2013 | 2012 |
|---|---|---|
| Salaries | 704 | 674 |
| Contributions to defined contribution plans | 84 | 79 |
| Other salary-related expenses | 75 | 103 |
| Salaries, Board of Directors | 151 | 131 |
| Total salaries and salary-related expenses | 1,014 | 987 |
| | | |
| Full time equivalent positions at the end of the year | 8 | 8 |
| Average number of full time equivalent positions during the year | 8 | 8 |

Salaries and benefits paid to directors and management are specified as follows:

| 2013 | Salaries | Other benefits | Defined contribution plan | Total salaries & benefits |
|---|---|---|---|---|
| Þórður Magnússon, Chairman of the Board | 96 | 13 | 9 | 118 |
| Árni Oddur Þórðarson, CEO (until November 2013) | 212 | 19 | 21 | 252 |
| Salaries to three managing directors | 65 | 0 | 7 | 72 |

| 2012 | Salaries | Other benefits | Defined contribution plan | Total salaries & benefits |
|---|---|---|---|---|
| Þórður Magnússon, Chairman of the Board | 81 | 15 | 7 | 103 |
| Árni Oddur Þórðarson, CEO | 211 | 22 | 17 | 250 |

The managing directors and the Chairman of the Board do not have any share options at year-end 2012 and 2013. Share options can only be issued to them if approved by a Shareholders' meeting.

### Cash and cash equivalents

**7.** Cash and cash equivalents consists of bank deposits.

### Restricted cash

**8.** Bank deposits amounting to EUR 13 thousand (2012: EUR 13 thousand) are restricted to use for the Company at year-end. Deposits are cash held by financial institutions as collateral for borrowings.

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## Investments in securities

### 9. Investments in securities are specified as follows:

| | Ownership | Fair value 31.12.2013 | Ownership | Fair value 31.12.2012 |
|---|---|---|---|---|
| **Listed securities:** | | | | |
| Marel hf. | 29.3% | 180,218 | 33.1% | 200,817 |
| **Unlisted securities:** | | | | |
| London Acquisition Luxco S.à r.l. * | 17.0% | 142,900 | 17.0% | 162,000 |
| Eyrir Sprotar slhf. (Reykjavík) | 100.0% | 3,223 | 100.0% | 1,268 |
| Eyrir Sprotar GP ehf. (Reykjavík) | 100.0% | 1 | 100.0% | 1 |
| Other unlisted shares | | 349 | | 387 |
| Total unlisted securities | | 146,473 | | 163,656 |
| Fair value of shares | | 326,691 | | 364,473 |

* London Acquisition Luxco S.à r.l. is a holding company owned by funds that are controlled by Arle Investments plc., Eyrir Invest hf. and several other investors. London Acquisition sole asset is the Dutch company Stork B.V. Stork B.V. consist of two business lines: Stork Technical Services and Fokker Technologies.

At period end Eyrir Invest hf. held 17.0% stake in Stork BV through London Acquisition Luxco S.à r.l. As Stork BV is not listed on any stock exchange, a quoted market price was not available. The fair value of the investment in London Acquisition S.à r.l. was calculated by using market multiples based on analysis of market multiples for comparable companies and comparable transactions.

#### Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly. The group has no level 2 financial assets or liabilities.
- Level 3: unobservable inputs for the asset or liability.

| **31 December 2013** | Level 1 | Level 3 | Total |
|---|---|---|---|
| Investment in shares | 180,218 | 146,473 | 326,691 |
| **31 December 2012** | | | |
| Investment in shares | 200,817 | 163,656 | 364,473 |

There were no transfers between levels during the period.

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## 9. Investments in shares, contd.:

### Investment in shares carried at fair values

| | Level 1 | Level 3 |
|---|---|---|
| Balance at 1 January 2013 | 200,817 | 163,656 |
| Total gains and losses for the year included in profit or loss | 4,789 | ( 19,043) |
| Total gains and losses for the year included in other comprehensive income | ( 554) | 0 |
| Investments in investment securities | 0 | 1,860 |
| Proceeds from sale of investment securities | ( 24,834) | 0 |
| Balance at 31 December 2013 | 180,218 | 146,473 |

#### Level 3 fair values

Fair values are based on last 12 month EBITDA and on an analysis of market multiples for comparable companies and comparable transactions. The market multiples range from 10 to 11 at 31 December 2013 (2012: forecast EBITDA from 8 to 10).

## Receivables

### 10. Receivables are specified as follows:

| | 2013 | 2012 |
|---|---|---|
| Capital gain tax | 613 | 564 |
| Other receivables | 1,967 | 2,256 |
| Receivables | 2,580 | 2,820 |

At 31 December 2013 and 31 December 2012 no allowance was conceded for doubtful receivables. No impairment loss was recognised during the years.

## Operating assets

### 11. Operating assets are specified as follows:

| | Buildings | Other operating assets | Total |
|---|---|---|---|
| **Gross carrying amount** | | | |
| Balance at 1.1.2012 | 2,110 | 321 | 2,431 |
| Additions during the year | 19 | 9 | 28 |
| Balance at 31.12.2012 | 2,129 | 330 | 2,459 |
| Additions | 11 | 6 | 17 |
| Disposals | 0 | ( 95) | ( 95) |
| Balance at 31.12.2013 | 2,140 | 241 | 2,381 |
| **Depreciation and impairment losses** | | | |
| Balance at 1.1.2012 | 196 | 153 | 349 |
| Depreciation | 42 | 34 | 76 |
| Balance at 31.12.2012 | 238 | 187 | 425 |
| Depreciation | 43 | 12 | 55 |
| Disposals | 0 | ( 33) | ( 33) |
| Balance at 31.12.2013 | 281 | 166 | 447 |
| **Carrying amounts** | | | |
| 1.1.2012 | 1,914 | 168 | 2,082 |
| 31.12.2012 | 1,891 | 143 | 2,034 |
| 31.12.2013 | 1,859 | 75 | 1,934 |
| Depreciation ratios | 2% | 20-30% | |

The insurance value of the real estate amounted to EUR 1,359 thousand at year-end 2013 (2012: 1,227 thousand). The tax assessment value of the buildings amounted to EUR 625 thousand at year-end (2012: 551 thousand). The insurance value of other operating assets amounted to EUR 315 thousand at year-end 2013 (2012: 359 thousand).

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## Equity

### 12. Share capital and share premium

**a.** ***Issue of B shares***

On 31 January 2013, the Company received subscription for B shares for the nominal amount of ISK 107,630,769. Total subscription price amounted to EUR 15.7 million after transaction cost. On 15 February the consideration was paid to the Company and the shares are issued.

**b.** ***Share capital***

| | Ordinary shares | | B shares | |
|---|---|---|---|---|
| | **31.12.2013** | **31.12.2012** | **31.12.2013** | **31.12.2012** |
| Issued at 1 January | 1,008,681 | 1,108,681 | 0 | 0 |
| Issued for cash | 0 | 0 | 107,631 | 0 |
| Own shares purcased | 0 | ( 100,000) | 0 | 0 |
| Issued at period end | 1,008,681 | 1,008,681 | 107,631 | 0 |
| Authorised for issue | 1,108,681 | 1,218,681 | 231,000 | 0 |

**c.** ***Ordinary shares***

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of 1 ISK at meetings of the Company. Ordinary share capital according to the statement of financial position amounted to EUR 5.9 million at year-end 2013 (2012: EUR 5.9 million).

**d.** ***B shares***

B shares have priority to dividend over A shares until B shares have received dividend amounting to ISK 2.60 per share on a yearly basis starting on 1 February 2013 and ISK 3.90 per share starting on 1 February 2018. According to the Company's article of association the Company is not authorised to pay more than ISK 2.6 ISK per share on a yearly basis in dividend to shareholders of ordinary shares and B shares until 1 February 2018. After that time the Company can pay shareholders 3.9 ISK per share on a yearly basis to shareholders of ordinary shares and B shares. B shares are generally without voting rights. If changes are to be made on the Articles of Association relating to increase or decrease in B shares, changes relating to the Company´s dividend policy or other changes related to the rights of owners of B shares, the approval of shareholders representing at least 2/3 of B shares present is required. Shareholders holding B shares can at any time demand that the Company convert all of the holdings of individual B shareholder into class A shares.B share capital according to the statement of financial position amounted to EUR 0.6 million (2012: EUR 0 million).

Accumulated dividend rights of shareholders of B shares amounts to 1,628 thousand EUR at year end 2013.

**e.** ***Share premium***

Share premium represents excess of payment above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve which can not be paid out as dividend to shareholders.

## Earnings per share

### 13. Profit attributable to ordinary sharesholders (basic and diluted)

| | 2013 | 2012 |
|---|---|---|
| Loss for the year | ( 18,655) | ( 14,148) |
| Dividends on preference shares | ( 1,628) | 0 |
| Loss attributable to ordinary shareholders | ( 20,283) | ( 14,148) |

**Weighted average number of ordinary shares (basic and diluted)**

*In thousand shares*

| | 2013 | 2012 |
|---|---|---|
| Share capital at 1 January | 1,008,681 | 1,108,681 |
| Effect of own shares held | 0 | ( 79,726) |
| Weighted average number of share capital | 1,008,681 | 1,028,955 |

**Earnings per share:**

| | 2013 | 2012 |
|---|---|---|
| Basic and diluted earnings per share for comprehensive income (EUR cent) | ( 2.01) | ( 1.37) |

## Earnings per share, contd.:

### 13. Profit attributable to ordinary sharesholders (basic and diluted), contd.

| | 2013 | 2012 |
|---|---|---|
| Total comprehensive income | ( 19,209) | ( 14,518) |
| Dividends on preference shares | ( 1,628) | 0 |
| Total comprehensive income attributable to ordinary shareholders | ( 20,837) | ( 14,518) |
| **Earnings per share:** | | |
| Basic and diluted earnings per share (EUR cent) | (2.07) | (1.41) |

At 31 December 2013, 107.8 thousand preference shares were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

## Borrowings

### 14. Borrowings, including accrued effective interest, are specified as follows:

| | Average interest rate 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| EUR | 5.2% | 5.0% | 66,398 | 87,106 |
| ISK, unindexed | 9.3% | 8.3% | 40,690 | 41,493 |
| ISK, indexed | 5.5% | 5.4% | 9,885 | 9,258 |
| USD | 5.1% | 5.1% | 39,860 | 44,628 |
| GBP | 4.3% | 5.6% | 6,476 | 7,274 |
| CHF | 3.8% | 4.3% | 935 | 3,462 |
| JPY | 4.0% | 4.5% | 562 | 1,283 |
| Borrowings | | | 164,806 | 194,504 |

Borrowings are secured as follows:

| | 2013 | 2012 |
|---|---|---|
| Secured bank loans | 164,806 | 188,173 |
| Unsecured bond issues and bank loans | 0 | 6,331 |
| Borrowings total | 164,806 | 194,504 |

The Company’s investment securities are collateralised to secured bank loans; book value of collateralised investments are as follows:

| | 2013 | 2012 |
|---|---|---|
| Investments in Marel hf. | 180,218 | 200,817 |
| Investment in London Acquisition Luxco S.â.r.l. | 142,900 | 162,000 |
| | 323,118 | 362,817 |

The Icelandic Supreme Court has ruled that loan agreements nominated in ISK with repayment defined with reference to foreign currencies are unlawful. Based on this ruling, some of the Company's loans have been recalculated and a gain in the amount of EUR 6.1 million is recognised in the statement of comprehensive income in the year 2013.

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**15. Repayment of borrowings are specified as follows:**

| | 2013 | 2012 |
|---|---|---|
| Repayments in 2013 | - | 24,859 |
| Repayments in 2014 | 1,665 | 137,880 |
| Repayments in 2015 | 31,379 | 24,409 |
| Repayments in 2016 | 42,880 | 4,056 |
| Repayments in 2017 | 39,805 | 1,232 |
| Repayments in 2018 | 47,053 | 634 |
| Subsequent | 2,024 | 1,434 |
| Borrowings | 164,806 | 194,504 |

According to loan agreements the Company has to fulfil certain covenants. At year end the Company is in full compliance with all covenants in its loan agreements.

## Income tax

**16. Income tax is specified as follows:**

Reconciliation of effective tax rate:

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Loss before income tax | | (18,655) | | (14,148) |
| Income tax using the Company's tax rate | (20.0%) | (3,731) | (20.0%) | (2,830) |
| Temporary difference due to unrecorded tax asset and other changes | 20.0% | 3,731 | 20.0% | 2,830 |
| Effective tax rate | 0.0% | 0 | 0.0% | 0 |

## Deferred income tax liability

**17. The deferred income tax liability is specified as follows:**

The deferred income tax liability is attributable to the following items:

| | 2013 | 2012 |
|---|---|---|
| Tax losses carried forward | (19,972) | (17,189) |
| Temporary differences in Statement of financial position items | (730) | (717) |
| Unrecorded tax asset | 20,702 | 17,906 |
| Deferred income tax liability at end of period | 0 | 0 |

Tax asset is not recognised due to uncertainty over future utilization of the tax asset. The Company will not pay income tax in the year 2014 due to tax losses carried forward.

## Guarantees

**18. Guarantees**

Eyrir Invest hf. has not issued any guarantees or entered into any obligations for its subsidiaries or other companies owned by Eyrir Invest hf.

## Related parties

**19. Identity of related parties**

The Company has a related party relationship with its shareholders with significant influence, subsidiaries, associates, and with its directors and executive officers.

**Shareholders with significant influence**

Landsbankinn hf. is defined as related party due to major shareholding directly and indirectly through Horn Fjárfestingarfélag hf., totalling 23.2% of outstanding ordinary shares at year-end 2013. Eyrir Invest finances its activities with equity and long-term financing. Landsbankinn hf. has been one of Eyrir Invest hf's creditors since foundation.

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**Related parties, contd.:**

**19. Transactions with related parties**

Borrowings from Landsbankinn hf. amount to EUR 109.3 million at year-end 2013 (2012: EUR 112.8 million) or 66% of total borrowings (2012: 58%). Interest expences recognised through profit or loss on borrowings from Landsbankinn hf. amounted to EUR 7.2 milion (2012: EUR 5.6 million).

Eyrir Invest hf. has deposits at Landsbankinn hf. amounting to EUR 588 thousand at year-end 2013 (2012: EUR 237 thousand). In 2013 interest income amounted to EUR 42 thousand (2012: EUR 112 thousand).

All financing activities between Landsbankinn hf. and Eyrir Invest hf. are on a arms-length basis at market rates.