Eyrir Invest ehf.

Financial Statements
for the year 2010
EUR

Eyrir Invest ehf.
Skólavörðustígur 13
101 Reykjavík
Iceland

Reg. no. 480600-2150

Contents

Endorsement and Statement by the Board of Directors and the CEO

Eyrir Invest ehf.’s aim is to own, buy and sell shares, other securities and all other financial assets. The Company started its operation in the year 2000. The Company follows a "Buy and Build" strategy that implies being a leading investor and active participant in operations and strategic planning of core investments by providing knowledge, experience and stable ownership. Eyrir Invest finances it´s operation with equity and long term financing with the target of 40%-50% equity ratio. The aim is to generate long term healthy returns above markets.

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.

According to the statement of Comprehensive Income, profit for the year amounted to EUR 51,819 thousand and total comprehensive income amounted to EUR 33,180 thousand. According to the Balance Sheet, equity at the end of the year amounted to EUR 186,648 thousand and equity ratio is close to 44%.

The Company's core holdings are 32% share in Marel hf., 14% share in Össur hf. and a 17% share in Stork BV through London Acquistion Luxco S.a r l. Eyrir has been a shareholder in Marel and Össur since 2004 and in Stork since 2006. Eyrir's key holdings are market leaders in their respective industries. Marel and Stork functional currency is EUR and Össur accounts are denominated in USD. Shares in Marel and Össur are currently traded in ISK but Össur is also listed on Nasdaq OMX Copenhagen. Stork is an unlisted company after Candover, an UK based private equity fund, and Eyrir’s delisting of the company in beginning of the year 2008.

Eyrir Invest extended the majority of it's borrowing until May 2014 with interest payments every six months, first interest payment is due in May 2011. The extended loans are multicurrency loans with interest terms of EURIBOR/LIBOR + 400 bps. The total amount is close to 150 million Euros. Furthermore, Eyrir Invest decided to issue a new class of bonds of up to 4 billion ISK (26 m Euros). Sale of bonds amounting to 1 billion ISK (6.5 m Euros) has already been secured at year-end 2010. The new bonds mature on May 15th 2014 and carry interest payments every 12 months, with the first interest payment on May 15th 2012. The new bonds are with interest terms of REIBOR + 500 bps and covenants of a minimum equity ratio of 25% as well as a limit on dividend payments to maximum of 50% of net profits. Eyrir will apply for a listing of the new bonds in addition to its currently listed bonds EYRI 05 1 on Nasdaq OMX Iceland.

The managements time and efforts in 2010 have largely been used in structuring and supporting the implementation of the strategy of Eyrir's core holdings. These efforts have amongst other things resulted in more focused, flexible and market driven organisations with stronger financials that now have NIBD / EBITDA ratio of 2-3x, fully in line with targets and international practices. Sound financing gives them good foundation for future growth and value creation.

At the end of November 2010 Marel signed an agreement with group of six international banks on long-term financing in the amount of EUR 350 million. The initial average interest terms are EURIBOR/LIBOR + 320 bps and is expected to decrease during the maturity of the loans, in line with increase of the financial strength of Marel. Terms and conditions are in line with Loan Market Associaton (LMA) corporate standards.

Eyrir uses equity method in accounting for the holdings in Marel. At year end the market value per share in Marel is 100 ISK equal to 65 eurocent per share compared to book value of 62 eurocents per share. Development in beginning of 2011 is further strengthening of Marel´s shareprice in line with it's increased growth and profitability.

Eyrir Invest sold 22.6 million shares in Ossur hf. in the year 2010. After the transaction Eyrir holds 62.840 thousand shares, equivalent to 13.85% of outstanding shares in Össur. Eyrir Invest realised good profits on the sale. The sale takes Eyrir Invest´s holding in Össur below 15% and according to accounting standards Eyrir books its holdings in Össur after the sale at market prices instead of the equity method. Year-end shareprice of Össur is 203 ISK.

Eyrir Invest book value of its share in Stork via London Acquistion is according to fair value method for non listed assets; using comparable transaction multiples, trading multiples and 5 year discounted cash flow valuation. Eyrir Invest book value is based on a conservative approach.

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

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

The Board of Directors of Eyrir Invest seek to maintain good corporate governance in accordace with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers in June 2009. The Board has established written rules of precedure that addresses the role and execution of the work of the Board and the responsibilities of the CEO. The rules of procedure stipulate among other things the convening of Board meetings, their frequency and the arrangement of the meetings. They contain comprehensive instructions on Board members suitability to participate in handling of matters concerning the Company's operations, rules on secrecy, information provided to the Board by the CEO and further rules. The Board as a whole comprises the Audit Committe and the Renumeration Committee.

In 2010 the Board of Directors held ten boardmeetings and on all occations the majority of the Board members was present.

Shareholders at the end of the year were 16 unchanged from the beginning of the year. Three shareholders held more than 10% of outstanding shares each at the end of the year 2010. They are:

Þórður Magnússon*	20.2%
Árni Oddur Þórðarson*	17.3%
Horn Fjárfestingarfélag ehf.	27.5%

*Shares held by Þórður Magnússon, Árni Oddur Þórðarson and by companies fully under their control and ownership. Þórður Magnússon is Chairman of the Board and Árni Oddur Þórðarson the Company´s CEO.

The Board of Directors suggests that no dividends will be paid for the operational year 2010, but refers to the financial statements regarding appropriation of the profit for the period and changes in shareholders' equity.

Statement by the Board of Directors and the CEO
According to our best knowledge it is our opinion that the Annual Financial Statements give a true and fair view of the financial performance of the Company for the financial year 2010, its assets, liabilities and financial position as at 31 December 2010 and its cash flows for the financial year 2010.

Further, in our opinion the Financial Statements and Endorsement of the Board of Directors and the CEO 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 CEO have today discussed the Annual Financial Statements of Eyrir Invest ehf. for the year 2010 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Financial Statements will be approved at the Annual General Meeting of Eyrir Invest ehf.

Reykjavík, 7 February 2011

The Board of Directors:

Thórdur Magnússon, Chairman

Jón Helgi Gudmundsson

Sigurjón Jónsson

Ólafur S. Gudmundsson

Hermann Már Þórisson

CEO:

Árni Oddur Thórdarson

Independent Auditor's Report

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

We have audited the accompanying financial statements of Eyrir Invest ehf., which comprise the statement of financial position as at December 31, 2010, 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 ehf. as at December 31, 2010, 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 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we report, to the extent of our competence, that 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, 7 February 2011

KPMG ehf.

Matthías Þór Óskarsson

Statement of Comprehensive Income for the year 2010

	Notes	2010	2009
Investment income			
Net income from securities and derivatives	6	64,851	4,992
Share of profit (loss) of equity accounted associates	15	7,491	(13,116)
Net interest expenses	7	(15,873)	(13,592)
Net foreign exchange (loss) gain		(3,254)	183
Net operating revenue		53,215	(21,533)
Operating expenses			
Salaries and salary related expenses	8	836	889
Other operating expenses	9	560	1,241
Operating expenses		1,396	2,130
Profit (loss) for the year		51,819	(23,663)
Other comprehensive income			
Foreign currency translation difference of foreign associates		4,649	(970)
Net profit on hedges in investment in foreign associates		2,763	308
Share of comprehensive income from associates		(264)	(7,034)
Translation difference and hedges transferred to profit and loss	14	(25,787)	0
Other comprehensive expense for the year		(18,639)	(7,696)
Total comprehensive income (expense) for the year		33,180	(31,359)
Earnings per share for result attributable to equity holders of the Company for the year (expressed in EUR cent per share)			
Basic and diluted	11	0.05	(0.02)
Earnings per share for total comprehensive income attributable to equity holders of the Company for the year (expressed in EUR cent per share)			
Basic and diluted	11	0.03	(0.03)

The notes on pages 10 to 29 are an integral part of these financial statements.

Financial Statements of Eyrir Invest ehf. 2010 6 Amounts are in EUR thousand

Balance Sheet as at 31 December 2010

	Notes	2010	2009
Assets			
Cash and cash equivalents	12	12,311	3,301
Restricted cash	13	10,447	24,225
Investment securities	14	256,835	167,909
Investments in equity accounted associates	15,16	143,602	208,631
Trade and other receivables	17	1,201	615
Operating assets	18	2,050	2,119
Total assets		426,446	406,800
Equity			
Share capital	19	5,912	5,912
Share premium		97,855	97,855
Reserves		5,674	24,313
Retained earnings		77,207	25,389
Total equity		186,648	153,469
Liabilities			
Borrowings	20,21	237,890	252,958
Trade and other payables		1,908	373
Total liabilities		239,798	253,331
Total equity and liabilities		426,446	406,800

The notes on pages 10 to 29 are an integral part of these financial statements.

Financial Statements of Eyrir Invest ehf. 2010 7 Amounts are in EUR thousand

Statement of Changes in Equity
for the year 2010

	Notes	Share capital	Share premium	Reserves: Share option reserve	Reserves: Translation reserve	Retained earnings	Total equity
2009							
Equity 1.1.2009		5,912	97,855	258	24,975	55,185	184,185
Total comprehensive income for the year					(662)	(30,697)	(31,359)
Share option reserve				643			643
Share option reserve transferred to retain earnings				(901)		901	0
Equity 31.12.2009	19	5,912	97,855	0	24,313	25,389	153,469
2010							
Equity 1.1.2010		5,912	97,855	0	24,313	25,389	153,469
Total comprehensive income for the year					(18,639)	51,819	33,180
Equity 31.12.2010	19	5,912	97,855	0	5,674	77,207	186,648

The notes on pages 10 to 29 are an integral part of these financial statements.

Financial Statements of Eyrir Invest ehf. 2010 8 Amounts are in EUR thousand

Statement of Cash Flows for the year 2010

	Notes	2010	2009
Cash flows from operating activities			
Profit (loss) for the year		51,819	(23,663)
Adjustments for:			
Unrealised gain on securities	6	(64,851)	(4,992)
Share of (profit) loss of associates	15	(7,492)	13,116
Share options expensed	9	0	643
Depreciation	18	80	92
Net interest expenses	7	15,873	13,592
Net foreign exchange loss (gain)		3,254	(183)
Working capital used in operations		(1,317)	(1,395)
Change in operating assets and liabilities		1,618	(1,031)
Cash from (used in) operations before interest		301	(2,426)
Interest paid		(6,683)	(8,792)
Interest received		1,866	3,185
Net cash used in operating activities		(4,516)	(8,033)
Cash flows from investing activities			
Restricted cash, decrease (increase)		17,477	6,085
Investments in shares		(150)	(3,061)
Proceeds from the sale of investment securities		26,061	1,003
Acquisition of operating assets	18	(11)	(31)
Net cash used in investing activities		43,377	3,996
Cash flows from financing activities			
Repayment of borrowings		(29,851)	(3,084)
Increase (decrease) in cash and cash equivalents		9,010	(7,121)
Cash and cash equivalents at 1 January		3,301	10,422
Cash and cash equivalents at 31 December	12	12,311	3,301
Investing and financing activities without cash flow effect			
Proceeds from borrowings		4,701	11,509
Repayment of borrowings		(4,701)	0
Derivatives paid		0	(11,509)

The notes on pages 10 to 29 are an integral part of these financial statements.

Financial Statements of Eyrir Invest ehf. 2010 9 Amounts are in EUR thousand

Notes

1. Reporting Entity

Eyrir Invest ehf. (the "Company") is an international investment company incorporated and domiciled in Iceland. The registered office of the Company is at Skólavörðustígur 13 in Reykjavík, Iceland. The financial statements of Eyrir Invest ehf. as at and for the year ended 31 December 2010 comprise the Company.

Eyrir Invest ehf. is an investment company, aiming to own, buy and sell shares, bonds and other financial instruments. The Company has listed bonds on the NASDAQ OMX Iceland.The Company follows a "Buy and Build" strategy that implies being a leading investor and active participant in operations and strategic planning of core investments by provinding knowlegde, experience and stabel ownership.

2. Basis of preparation

Assets and liabilities in the Balance Sheet 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.

The Financial Statements were approved by the Board of Directors of Eyrir Invest ehf. on 7 February 2011.

b. Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following:

* financial instruments at fair value through profit or loss are measured at fair value.
* investments in associates are accounted for using the equity method.

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, trade 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 at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments 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 instruments 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) Derivative financial instruments

The Company holds, when efficient, derivative financial instruments to hedge its interest rate and currency risk exposure. At year-end 2010, the Company holds no outstanding derivative financial instrument (2009: nil).

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for through profit or loss. Derivatives with positive fair value at the reporting date are recognised as assets in the Balance Sheet while derivatives with negative fair value are recognised as liabilities.

(iii) Hedge accounting

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iii) 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.

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/from share premium.

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

a. Financial instruments, contd.:

(iii) Share capital

Dividends

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

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.

(i) Investment Securities

Investment securities in the Balance Sheet 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.

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) Derivatives

The fair value of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

(iii) Trade and other receivables

The fair value of trade and other 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.

(iv) 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.

(v) Share-based payment transactions

The fair value of employee stock options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behaviour, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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

c. Investment income

(i) Net income from securities and derivatives

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

(ii) Interest income

Interest income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

(iii) Foreign exchange gain (loss)

Net foreign exchange gain (loss) comprises foreign exchange changes arising from assets and liabilities denominated 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

(i) 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 gain or loss arising on translation are recognised in the Statement of Comprehensive Income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to EUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

b. Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are accounted for in these financial statements using the equity method of accounting (equity accounted investees) and are recognised initially at cost.

The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence ceases.

4. Other accounting policies, contd.:

b. Associates, contd.:

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

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 Statement of Comprehensive Income 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 the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income.

(ii) Non-financial assets

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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit 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.

4. Other accounting policies, contd.:

d. Impairment, contd.:

(ii) Non-financial assets, contd.:

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

(i) 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 the Statement of Comprehensive Income when they are due.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. At year-end 2010, there are no outstanding share options.

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, in which case it is recognised in equity.

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. New standards and interpretations not yet adopted

The Company has adopted all IFRSs, interpretations and amendments to existing standards that are applicable for the year ended 31 December 2010 and relevant to the Company. The Company has not adopted early any IFRSs, interpretations or amendments effective after 31 December 2010.

i. Accounting estimates and judgements

Key sources of estimation uncertainty

Determination of fair values of financial instruments

As indicated in note 3b the Company's investment securities and derivatives are measured at fair value on the Balance Sheet. For part 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.

Determination of fair value of share-based payment transactions

The fair value of options at grant date is determined as disclosed in accounting policy 3b(v). For share options granted to employees, in many cases market prices are not available, because the options granted are subject to terms and conditions that do not apply to traded options. If traded options with similar terms and conditions do not exist, the fair value of the options granted are estimated by applying an option pricing model. In estimating the fair value of options at grant date, the management considers factors that knowledgeable, willing market participants would consider in selecting the option pricing model to be used for this purpose.

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 2010, 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. Further quantitative disclosures are included throughout these Financial Statements.

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 CEO 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.

There were no significant concentrations of credit risk to counterparties at 31 December 2010.

Liquidity risk

Liquidity risk is the risk that the Group 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 not risking damage to the Company's reputation.

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 financial instruments were 40.8% of total assets at year-end 2010 (2009: 41.3%).

5. Financial risk management, contd.:

Liquidity risk, contd.:

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 2010.

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 on a daily basis 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 14.

Currency risk

The Company is exposed to currency risk on sales and purchases of equity and debt securities, and borrowings that are denominated in a currency other than the functional currency of the Company.

The Company uses, when efficient, forward exchange contracts to hedge its currency risk. When necessary, forward exchange contracts are rolled over at maturity. At year-end 2010, there was no active forward exchange contract market in Iceland.

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

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. Any excess cash and cash equivalents of the Company are invested in short-term money market loans to banks.

Other market price risk

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

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.

5. Financial risk management, contd.:

Other market price risk, contd.:

The Company's financial investments in shares and equity accounted associates is diversified by industries as follows:

	2010	2009
Food Systems; Marel	35.9%	36.8%
Health services; Össur	20.7%	19.2%
Technical services - Oil & gas; Stork	23.9%	24.2%
Aerospace services; Stork	19.5%	19.8%
	100.0%	100.0%

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 limited dividends have been paid to maintain strong capital base and to support further value creation in the Company's core holdings. At the end of 2010 the equity ratio is 44% and thus within the targeted 40%-50% range.

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. The Company’s return on capital was 33.8% in 2010 (2009: negative 12.7%; 2008: positive 7,8%).

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.

Financial Statements of Eyrir Invest ehf. 2010 19 Amounts are in EUR thousand

Investment income

6. Net income from securities and derivatives is specified as follows:

	2010	2009
Gain (loss) on the sale of securities	31,497	(386)
Change in fair value of securities	33,354	938
Change in fair value of derivatives	0	4,440
Net income from securities and derivatives	64,851	4,992

7. Net Interest expenses is specified as follows:

Interest expenses	(17,873)	(16,909)
Interest income	2,000	3,317
Net interest expenses	(15,873)	(13,592)

Salaries and salary-related expenses

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

Salaries and performance-based payments	717	747
Contributions to defined contribution plans	74	71
Other salary-related expenses	41	57
Salaries, Board of Directors	4	14
Total salaries and salary-related expenses	836	889
Full time equivalent positions at the end of the year	8	10
Average number of full time equivalent positions during the year	8	10

Salaries to the Chairman of the Board and the CEO are specified as follows:

	Salaries	Other benefits	Defined contribution plan	Total salaries & benefits
Thórdur Magnússon, Chairman of the Board	70	13	7	90
Árni Oddur Thórdarson, CEO	169	19	17	205

The CEO and the Chairman of the Board do not have any share options at year-end 2010. Share options can only be issued to them if approved by a Shareholders' meeting.

Salaries paid to three other members of the board during the year 2010 amounted to EUR 8 thousand (2009: 5 thousand).

Other operating expenses

9. Other operating expenses specify as follows:

	2010	2009
Depreciation	80	91
Other operating expenses	480	1,150
Total other operating expenses	560	1,241

Included in other operating expenses for the year 2009 are EUR 643 thousand which relate to equity-settled shared-based payments but all employees relinquished their rights without any compensation.

Financial Statements of Eyrir Invest ehf. 2010 20 Amounts are in EUR thousand

Income tax

10. Income tax recognised in the Statement of Comprehensive Income is specified as follows:

Reconciliation of effective tax rate:

		2010		2009
Profit (loss) before income tax		51,819		(23,663)
Income tax using the Company's tax rate	(18.0%)	9,327	15.0%	3,549
Changes in value of shares and taxable loss not expected to be utilized	23.1%	(11,969)	(8.8%)	(2,092)
Temporary difference due to unrecorded tax asset and other changes	(5.1%)	2,642	(6.2%)	(1,457)
Effective tax rate	0.0%	0	0.0%	0

Earnings per share

11. Profit attributable to equity holders of the Company:

	2010	2009
Profit (loss) for the year	51,819	(23,663)
Weighted average number of ordinary shares (basic and diluted)		
in thousand shares		
Issued ordinary shares at 1 January	1,007,681	1,007,681
Weighted average number of ordinary shares at 31 December	1,007,681	1,007,681
Earnings per share:		
Basic earnings per share (EUR)	0.05	(0.02)
Diluted earnings per share (EUR)	0.05	(0.02)

Total comprehensive income attributable to equity holders of the Company:

	2010	2009
Total comprehensive income (expense)	33,180	(31,359)
Earnings per share:		
Basic earnings per share (EUR)	0.03	(0.03)
Diluted earnings per share (EUR)	0.03	(0.03)

Cash and cash equivalents

12. Cash and cash equivalents consists of bank deposits.

Restricted cash

13. Bank deposits amounting to EUR 10,447 thousand (2009: EUR 24,225) are restricted to use for the Company at year-end. Deposits are cash held by financial institutions as collaterals for borrowings.

Notes, contd.:

Investment securities

14. Investment securities are specified as follows:

	Ownership	Fair value 31.12.2010	Ownership	Fair value 31.12.2009
Listed securities:				
Össur hf.*	13.85%	82,711	18.8%	-
Unlisted securities:				
Foreign investments:				
London Acquisition Luxco S.á.r.l.**	17.0%	173,579	17.0%	163,909
Unlisted shares		545		1,723
Unlisted bonds		0		2,277
Total unlisted securities		174,124		167,909
Fair value of investment securities at year-end		256,835		167,909

* In 2010 the Company sold 22.6 million shares in Össur hf. and thus reducing its share of total shares in Össur from 18.8% to 13.85%. Consequently in 2H 2010 the Company ceased to account for its shares in Össur in accordance with the Equity Method and now accounts for the shares at market value. Simultaniously the Company discontinued to use hedge accounting for the investment in Össur. The total effect of the change in accounting method resulted in 46 million EUR increase in investment income through profit and loss. Thereof, 21 million EUR were transferred from reserves among equity to profit and loss. Net effect of changes in accounting method amount to EUR 25 million increase in operating revenues.

** London Acquisition Luxco S.á.r.l. is a holding company owned by funds that are controlled by Candover Investments plc. and Eyrir Invest ehf. London Acquisition sole asset is the Dutch company Stork B.V.

When measuring fair value of the Company's shares in London Acquisition S.á.r.l. the Company's managements uses comparison with market multiples of comparable companies, multiples in recent transactions with comparable companies and projected discounted cash flow.

Investments in equity accounted associates

15. Investments in equity accounted associates are specified as follows:

31 December 2010	Ownership	Share in profit	Carrying amount	Market value	Market value exceeding book value
Marel hf., Iceland	31.9%	4,194	143,602	151,024	7,422

Total share in profit and loss of associates amounts to 7,491 million EUR and inclues share of Össur hf.'s profit for the first nine months of 2010.

31 December 2009	Ownership	Share in profit (loss)	Carrying amount	Market value	Book value exceeding market value
Marel hf., Iceland	32.0%	(15,337)	137,018	80,448	56,570
Össur hf., Iceland*	18.8%	2,221	71,613	73,182	(1,569)
		(13,116)	208,631	153,630	55,001

Financial Statements of Eyrir Invest ehf. 2010 22 Amounts are in EUR thousand

Investments in equity accounted associates, contd.:

16. Key financial information of associated companies:

31 December 2010	Total assets	Total liabilities	Total revenue	Total expenses	Profit
Marel hf. *	877,623	534,354	601,337	587,711	13,626
31 December 2009					
Marel hf.	882,882	559,085	551,299	563,110	(11,811)
Össur hf.**	436,039	219,328	229,973	214,174	15,799

* Further financial information on Marel can be found at www.marel.com.

** In the year 2010, the Company's share in Össur was diluted below 15% share and as a result the Company's investment in Össur hf. is no longer accounted for as an investment in associate. See further note 14.

Trade and other receivables

17. Trade and other receivables are specified as follows:

	2010	2009
Capital gain tax	371	376
Receivable from sale of investment securities	578	0
Other receivables	252	239
Total trade and other receivables	1,201	615

At 31 December 2010 and 31 December 2009 no allowance was conceded for doubtful receivables. No impairment loss was recognised during the years.

Operating assets

18. Operating assets are specified as follows:

	Buildings	Other operating assets	Total
Gross carrying amount			
Balance at 1.1.2009	2,085	288	2,373
Additions during the year	25	6	31
Balance at 31.12.2009	2,110	294	2,404
Additions during the year	0	11	11
Balance at 31.12.2010	2,110	305	2,415
Depreciation and impairment losses			
Balance at 1.1.2009	70	123	193
Depreciation	42	50	92
Balance at 31.12.2009	112	173	285
Depreciation	42	38	80
Balance at 31.12.2010	154	211	365
Carrying amounts			
1.1.2009	2,015	165	2,180
31.12.2009	1,998	121	2,119
31.12.2010	1,956	94	2,050
Depreciation ratios	2%	20-30%	

The insurance value of the buildings amounted to EUR 822 thousand at year-end 2010. The tax assessment value of the buildings amounted to EUR 578 thousand at year-end. The insurance value of other operating assets amounted to EUR 0,1 million at year-end 2010.

Financial Statements of Eyrir Invest ehf. 2010 23 Amounts are in EUR thousand

Equity

19. Issued capital

The Company's share capital, according to its Articles of Association amounts to ISK 1,008 million and is all fully paid. The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Board of Directors has the right to increase the share capital by 201,536,244 new shares. Share capital according to the Balance Sheet amounted to EUR 5,9 million at year-end 2010, share capital is specified as follows:

	Amounts	Ratio
Total issued shares at the end of the year (ISK thousand)	1,007,681	100.0%
Share capital according to the Articles of Association	1,007,681	100.0%

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.

Share option reserve

The reserve includes the accrued part of the fair value of share options. This reserve is transferred to share premium when share options are exercised. The reserve is transferred to retained earnings when the share options are not exercised. No share options were outstanding at year-end.

Translation reserve

Foreign exchange differences arising from the translation of the financial statements of equity accounted associates, as well as from translation of liabilities that hedge the Company's net investment in foreign operations, are recognised directly in a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Borrowings

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

	Average interest rate	2010	2009
EUR	4.6%	120,392	140,190
ISK, unindexed	9.8%	20,672	24,501
ISK, indexed	5.5%	32,124	31,144
SEK	-	0	34,439
USD	4.6%	52,201	13,866
GBP	5.0%	4,110	3,930
JPY	4.4%	2,354	1,905
NOK	6.7%	2,468	2,188
CHF	4.3%	3,569	795
Borrowings		237,890	252,958

Borrowings, contd.:

Borrowings are secured as follows:

	2010	2009
Secured bank loans	182,428	202,460
Unsecured bond issues and bank loans	55,462	50,498
Borrowings total	237,890	252,958

The Company's investment securities and investments in associates are collateralised to secured bank loans; book value of collateralised investments are as follows:

Investment in Össur hf.	82,711	71,528
Investment in London Acquisition B.V	173,579	163,909
Investments in Marel hf.	138,440	137,003
	394,730	372,440

In the balance sheet the Company has netted it's bond claim in one of the failed Icelandic banks against borrowings from the same bank. The face value of the bond is USD 10 million. After the collapse of the Icelandic banks, the Company declared to the bank that its claim against the bank would be settled against the borrowings. The bank acknowledges Eyrir as a beneficial owner of the bond but disputes the right to settle it against borrowings. According to Icelandic Laws provided that certain conditions are met, the Company can net it's claim against each other. The Company believes that all conditions according to Icelandic Laws are fully met and will fully protect its interest. It is likely that the matter will be solved through an Icelandic court before end of 2011.

21. Repayment of borrowings are specified as follows:

Repayments in 2010	-	9,789
Repayments in 2011	20,112	75,109
Repayments in 2012	64,150	115,244
Repayments in 2013	29	48,863
Repayments in 2014	147,801	308
Repayments in 2015	29	-
Subsequent	5,769	3,645
Borrowings	237,890	252,958

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

Deferred income tax liability

22. The deferred income tax liability is specified as follows:

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

	2010	2009
Investment securities and investments in equity accounted associates	24,602	31,332
Derivatives	0	0
Other balance sheet items	(97)	(127)
Tax losses carried forward	(17,512)	(17,199)
Temporary difference due to unrecorded tax asset	(6,993)	(14,006)
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 pay no income tax in the year 2011 due to tax losses carried forward.

Financial Statements of Eyrir Invest ehf. 2010 25 Amounts are in EUR thousand

Hedges of net investments in foreign associates

23. The carrying amounts of the net investments in the foreign associates and of the borrowings designated as hedging instruments were as follows:

	Carrying amount of:	
31 December 2010	**Investment**	**Hedged borrowing**
Össur hf., Iceland*	-	-
31 December 2009		
Össur hf., Iceland	71,612	12,733

The amounts of foreign currency differences recognised directly in other comprehensive income were as follows:

	Amount of foreign currency translation difference on:	
Hedged net investments in foreign associates:	**Net investments**	**Borrowings**
31 December 2010		
Össur hf., Iceland*	-	-
31 December 2009		
Össur hf., Iceland	970	308

* In the year 2010, the Company's investment in Össur hf. was reclassified to financial instruments through profit and loss in accordance with IAS 39. As a result, hedge accounting does no longer apply and the accumulated translation reserve in equity is transferred to retained earning through profit and loss for the year 2010. See further note 14.

Financial instruments

24. 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	
	2010	**2009**
Loans and receivables	1,201	2,892
Cash and cash equivalents	12,311	3,301
Restricted cash	10,447	24,225
	23,959	30,418

Financial Statements of Eyrir Invest ehf. 2010 26 Amounts are in EUR thousand

Notes, contd.:

Financial instruments, contd.:

Liquidity risk

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

31 December 2010

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Financial liabilities:						
Secured bank loans	190,989	218,586	12,157	47,886	154,091	4,452
Unsecured bond issues	46,901	52,231	16,011	28,369	7,851	0
Trade and other payables ...	1,908	1,908	1,908	0		
	239,798	272,725	30,076	76,255	161,942	4,452

31 December 2009

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Financial liabilities:						
Secured bank loans	202,460	223,262	8,413	62,291	149,318	3,240
Unsecured bond issues	50,498	55,448	7,853	22,574	25,021	0
Trade and other payables	373	373	373	0	0	0
	253,331	279,083	16,639	84,865	174,339	3,240

Currency risk

Exposure to currency risk

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

31 December 2010	ISK	SEK	USD	GBP	NOK	Other
Financial instruments at fair value through profit or loss	82,929	0	3	0	324	0
Loans and receivables	66	0	578	0	0	0
Cash and equivalents	12,229	1	6	0	0	5
Restricted cash	10,463	46	0	0	0	0
Borrowings	(52,815)	0	(52,199)	(4,110)	(2,468)	(5,924)
Net balance sheet exposure	52,872	47	(51,612)	(4,110)	(2,144)	(5,919)

31 December 2009	ISK	SEK	USD	GBP	NOK	Other
Financial instruments at fair value through profit or loss	0	0	261	0	1,461	0
Loans and receivables	380	32	0	0	0	0
Cash and equivalents	2,887	128	154	0	18	43
Restricted cash	24,023	122	33	15	32	0
Borrowings	(55,644)	(34,439)	0	(11,826)	(2,188)	(2,581)
Net balance sheet exposure	27,290	(34,157)	448	(3,856)	(677)	(2,538)

Financial Statements of Eyrir Invest ehf. 2010 27 Amounts are in EUR thousand

Financial instruments, contd.:

24. Currency risk, contd.:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
ISK	162.342	173.149	154.230	180.380
SEK	9.543	10.589	8.964	10.269
USD	1.327	1.398	1.337	1.441

Sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2010 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 2009.

	Profit or loss	
	2010	2009
ISK	(5,287)	(2,729)
USD	5,161	(45)
SEK	(5)	3,416
Other	1,217	707

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.

Interest rate risk

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

	Carrying amount	
	2010	2009
Fixed rate instruments		
Financial liabilities	(32,124)	(26,895)
	(32,124)	93,975
Variable rate instruments		
Financial assets	0	2,277
Financial liabilities	(202,608)	(222,174)
	(202,608)	(219,897)

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, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. 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 2009.

	2010		2009	
	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(2,026)	2,026	(2,199)	2,199
Cash flow sensitivity (net)	(2,026)	2,026	(2,199)	2,199

Financial Statements of Eyrir Invest ehf. 2010 28 Amounts are in EUR thousand

Financial instruments, contd.:

25. Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment securities	256,443	256,443	165,632	165,632
Loans and receivables	1,523	1,523	2,892	2,892
Cash and cash equivalents	12,311	12,311	3,301	3,301
Restricted cash	10,442	10,442	24,225	24,225
Secured bank loans	(191,115)	(191,115)	(202,460)	(199,082)
Unsecured bond issues and bank loans	(46,901)	(46,901)	(50,498)	(48,466)
Trade and other payables	(1,907)	(1,907)	(373)	(373)
	40,796	40,796	(57,281)	(51,871)

The basis for determining fair values is disclosed in note 4.

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:

	2010	2009
Secured bank loans	2.8% - 6.7%	3.7% - 6.5%
Unsecured bond issues, indexed / non-indexed	5.5% - 9.8%	5.5% - 13.75%

Guarantees

26. Guarantees

Eyrir Invest hasn´t issued any guarantees or entered into any obligations for its associated company or other shares in companies owned by Eyrir.

Related parties

27. Identity of related parties

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

Key management personnel compensation

During the year the Company paid salaries to the Chairman of the Board of Directors and the CEO. Further information is in note 8.

Other related party transaction

The Company has no other related party transaction in the year 2010.

Financial Statements of Eyrir Invest ehf. 2010 29 Amounts are in EUR thousand