EYRIR INVEST

11

ANNUAL REPORT

Core Investments

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Leading global provider of advanced equipment and systems for the food processing industry.

STORK® TECHNICAL SERVICES

Stork Technical Services is a world class, knowledge-based asset integrity management company dedicated to providing seamless performance to corporations in the oil & gas, power, chemical and other major industries with operations in the North Sea, Europe, Americas, Caspian Sea, Middle East and Asia.

FOKKER TECHNOLOGIES

With 100 years of aircrafting experience, Fokker designs, manufactures, maintains and overhauls aircraft parts, aerospace structures, landing gears and aircraft wiring systems.

EYRIR SPROTAR

A leading venture capital investor with focus on supporting companies which show potential for becoming global leaders within their respective fields.

Industry	% of Eyrir Invest's total assets	Eyrir Invest's ownership in company, %
Food Processing Industry: "The only reliable way to produce more food is to use more technology." – The Economist	52%	36%
Oil & Gas: "Oil is the world's vital source of energy and will remain so for many years to come, even under the most optimistic of assumptions about the pace of development and deployment of alternative technology". – International Energy Agency	22%	17%
Aerospace: "Over the past 20 years, air travel grew by an average of 4.8% each year, despite two major world recessions, terrorist acts, the Asian financial crisis of 1997, the severe acute respiratory syndrome (SARS) outbreak in 2003, and two Gulf wars. The resilience of air transport growth comes from its intrinsic importance to the livelihood of people around the world." – Airbus global market forecast	18%	17%
Innovation: "Overnight success takes 11 years."	1%	100%

In addition cash and venture investments represents 7% of total assets


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"You can't build a reputation on what you are going to do."

Henry Ford

Eyrir Invest is an international investment company. Our main focus is 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.

Strategy

We follow a „Buy and Build“ strategy. We are an investor that invests in relatively few companies at any given time. Our investment strategy does not follow a preconceived timeframe. We aim to become the leading investor in our holdings and build a strong and good relationship with our co-investors.

Vision

Eyrir Invest provides its holdings with stable ownership, experience and long-term thinking. We ensure that execution is aligned with strategy. That is how we give value to our investments. That is how we do business.

Our Values

Long-term thinking

We consider scenarios that might occur in the future and are constantly watching out for new opportunities

Courage

We are proactive and exercise leadership when necessary

Endurance

We possess stamnia and patience to support as needed the projects we believe in

Integrity

We act responsibly and are trustworthy in all our interactions

Financial objectives

Eyrir Invest aims to achieve a healthy return on equity while maintaining a strong balance sheet.

- The aim is to generate long-term attractive returns for our shareholders; returns that are above global market returns.
- Equity ratio will be maintained above 40%.

Reynisdrangar seen from Dyrholaey

Angelica

Angelica was used as currency by the Vikings and was so valuable in medieval times that Iceland's first lawbook specifically banned angelica theft. It has been used in Iceland for medical purposes for 1100 years.

Angelica is named after an archangel and is therefore often called "The Angel's Herb". Angelica is a relative of the ginseng plant, and is sometimes called "The Ginseng of the North".

"Only buy something that you'd be perfectly happy to hold if the markets shut down for 10 years."

Warren Buffett

Letter to shareholders and financial partners

Eyrir´s long-term „buy and build“ strategy has a proven track record. Our investment philosophy is to invest in companies with a clear competitive advantage and the potential to become market leaders within their fields.

Eyrir Invest takes an active role as an owner, supporting core investments with stable ownership, experience and long-term thinking.

The equity markets in 2011 were weak with the MSCI World Index in Euros declining by 5.2%. The markets were mixed, with share prices of financial institutions collapsing, while technologically leading companies, with truly global revenue streams and a broad customer base, showed healthy growth in sales and profitability, leading to increases in shareholder value.

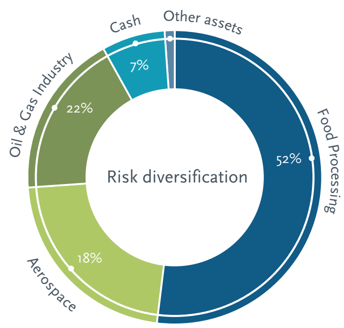
Emerging markets such as South America, Asia and Eastern Europe continued to grow beyond their developed counterparts. The world population reached 7 billion in 2011 and is expected to exceed 9 billion in 2050. The prevailing trends are urbanization and an increase in average family income in emerging markets, with a booming increase in active consumers. The number of active consumers is predicted to rise to 4.9 billion in 2050, compared with the current level of 1.8 billion. Political instability and general overheating in emerging markets, leading to global inflation, are issues to look out for. Good corporate citizenship and a focus on sustainability will be an essential theme to secure long term value creation.

European equity markets were volatile in 2011 as investors feared that unsustainable sovereign debt levels might slow down the economic recovery. The inevitable recapitalisation of the financial sector was a cause for concern as well. Meanwhile, the US economy showed strong signs that the recovery is gaining momentum with more job creation and brighter prospects.

We should not forget all the great companies headquartered in Europe and the US which have a long-standing heritage of successful global businesses. Those companies are directly benefitting from prevailing trends in emerging markets. Those great companies are thinking outside of the relatively small European market and shaping their own destiny by continuing to make smart investments in innovation, and further market penetration, with full focus on operational excellence to create further value. All in all investors with a global view should be cautiously optimistic at this point in time.

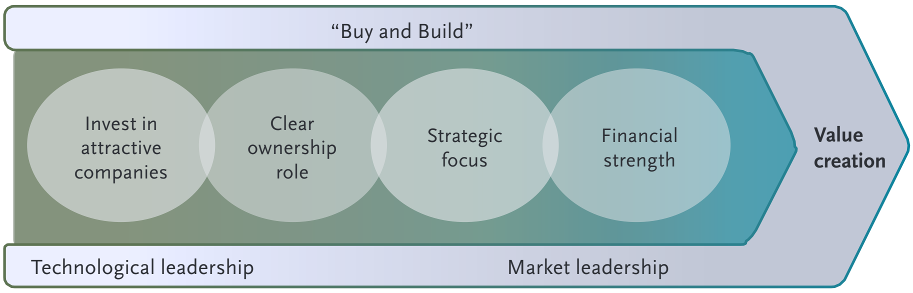
Eyrir Invest´s core holdings derive 99% of their revenues from outside Iceland.

All have been relying on innovation and geographical expansion. Revenues from emerging markets have been increasing steadily and are expected to continue to grow.



A proven "buy and build" strategy

Eyrir's net profits were slightly positive in 2011 while our benchmark, the MSCI World Index in Euros, decreased. It is important to realise that Eyrir is not a speculative investor, focusing on short-term results, but rather a long-term strategic business partner with a focus on solid and sustainable future cash flows and real value creation. Eyrir Invest's shareholder return has been good since its foundation in mid-2000. Net Asset Value per share was 18.3 eurocents at year end 2011 compared to 1.4 eurocents at foundation. The MSCI World Index nominated in euros has declined by 37% or 4% annually over the same period.



2011 was an eventful year

2011 was an eventful year for us, with highlights including Marel's stellar performance with 15% organic growth and a significant increase in profitability. Good results can in large part be attributed to Marel´s successful penetration into new and growing markets, as well as the focus on consistently bringing innovative new products to the market. Marel has further secured its global leadership and new orders are well balanced between emerging markets and more established markets in North America and Western Europe.

Another major milestone was the successful geographical expansion by Stork Technical Services when it, in co-operation with shareholders, acquired RBG last spring. RBG has already been rebranded as Stork Technical Services (STS). Following the acquisition STS operates in the North Sea, Benelux, Caspian Sea, Africa, Middle East and the Americas, and has around 14.500 employees and revenues estimated at around 1.4 billion euros.

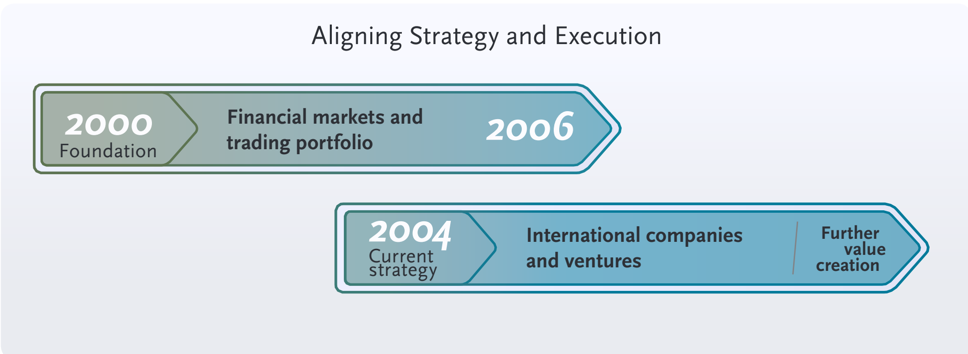
Dear shareholders and financial partners

2011 was an eventful year for Eyrir, with highlights including the stellar performance of Marel, Stork Technical Services, successful acquisition of RBG, and the establishment of Eyrir Sprotar, backed by equity increase at the end of the year.

The slightly positive results in 2011 are acceptable in light of turbulent market circumstances during the year. Our companies have strengthened their competitive positions by continuous innovation and further geographical expansion. All in all, we start the year 2012 cautiously optimistic.

Eyrir Invest has a long tradition of investing in high potential companies. In 2011 we founded Eyrir Sprotar, a specialist investment company focusing on prominent growth companies. The foundation of Eyrir Sprotar provides increased distinction between Eyrir's core investments and growth capital investments. We should not forget that we are in it for the long haul and the seeds for tomorrow´s success stories are planted today.

In its early years, Eyrir Invest focused on investments in financial institutions and participated in many restructuring projects in Iceland, including playing an instrumental role in the bank merger of Bunadarbanki and Kaupthing. Eyrir´s current investment strategy was defined in 2004 when the company shifted its focus to technologically leading industrial companies and ventures.



A good base for further value creation

Eyrir´s financials remain strong, with total assets close to 400 million EUR, good liquidity and an equity ratio in excess of 50%. Our core holdings also boast good long-term financing with net interest bearing debt at 2–4x EBITDA with strong operational cash flows to shareholders and creditors. A strategic 10% share increase was executed at the end of the year. We welcome the Pension Fund of Commerce as a new shareholder.

Finally, we would like to take the opportunity to thank our team and business partners for their work during 2011. We provide our companies with stable ownership, experience and long-term thinking. We ensure that execution is aligned with a clear and focused strategy. That is how we do business.

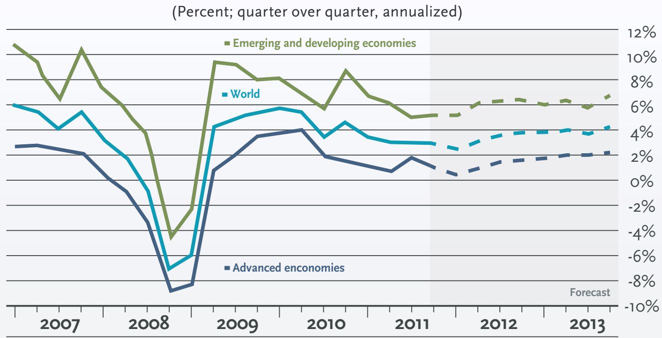
A new equilibrium is emerging

For the past few years the world economy has been slowly recovering and in many ways it can be said that 2011 marked a turning point in that recovery as a new economic equilibrium emerges. Developing economies are growing much quicker than their developed counterparts and their importance in the global economy is increasing.

The rapid rise of the emerging markets, at the same time as more developed countries experience slow growth, or even no growth, is well on its way to establishing a new global economic equilibrium. The transition will however take many more years, as most emerging markets still have a lot of catching up to do. During this transition phase there will be times when the going gets tough, but looking to the longer term there is little doubt that eventually living standards will continue to improve, providing companies and investors all over the world with many exciting challenges and opportunities. Companies in the developed world, which have invested wisely in innovation and market penetration geared towards those growing markets, are generally in good shape today and with good growth potential despite the challenges closer to home.

Global GDP Growth

(Percent; quarter over quarter, annualized)



Source: IMF World Economic Outlook, January 2012.

In the short term, market signals remain mixed. The world's largest economy, the US, continued to grow and by the end of the year there were strong signs that the recovery was gaining momentum, with more job creation and brighter prospects for the years to come. As expected, the emerging markets continued to grow rapidly and in many markets there were even signs of overheating. Thus, the largest part of the world appears to be back on track and experiencing the normal ups and downs of the traditional economic cycle. In many of the emerging markets 2011 was the time for more conservative economic policy with focus on tempering rising inflation. The most disappointing news comes from Europe where sovereign debt remains the main issue. It now looks likely that most of Europe will need more time to recover from the financial crisis and hopefully the political issues that stand at the forefront can be dealt with effectively in 2012. The challenge remains to bring debt levels down, and to increase the competitiveness of the economies in order to create sustainable growth.

Iceland – a slow but steady recovery

In 2011 Iceland completed the economic programme that was initiated in co-operation with the IMF. The programme was executed as planned, resulting in a stable exchange rate and good improvement in government financials. A slow recovery has been underway in Iceland since late 2010 with modestly rising GDP, in large part thanks to strong export sectors, such as the fishing industry, and growth in tourism. Job creation has improved and the fiscal position has stabilized at an acceptable level. At year end 2011 net government debt is estimated to have peaked at 69% of GDP and to start coming steadily down from 2012 and onward.

Iceland Quarterly GDP Growth

Source: Central Bank of Iceland, February 2012

The Icelandic economy has a strong platform to grow from, with its well educated and flexible workforce, valuable renewable natural resources in geothermal and hydro energy, as well as rich fishing grounds. With the financial crisis of 2008 now firmly behind us, it is time to focus on looking ahead and plan for the future. The key issues are monetary policy and whether to join the EU or not. The Icelandic government has already applied for full membership of the EU and discussions with the EU are progressing well and according to plan.

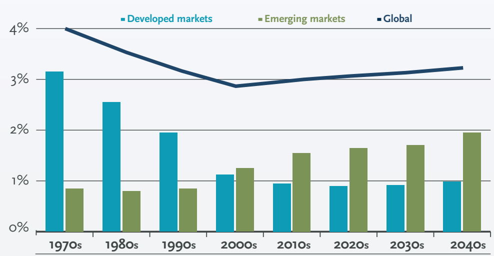
Marel remains one of Iceland's most prominent export companies with a solid platform for continued growth and good operational results.

Outlook

The global economy is undergoing a transformation which eventually will lead to a new economic equilibrium. In this transition phase, consumers in developed countries will not be the main driving force of economic growth. Instead global growth will continue to shift towards the emerging markets, both through increased investments and, eventually, increased consumption.

Contributions to Global Growth

Growth in the emerging markets will boost global growth



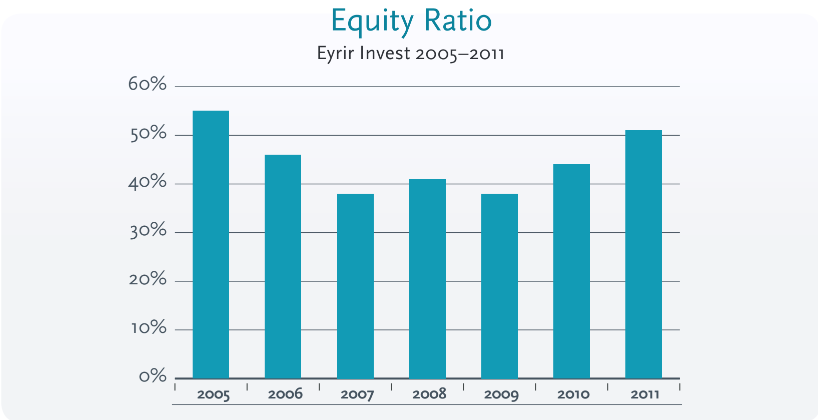
Source: HSBC Global Research: The World in 2050, January 2011

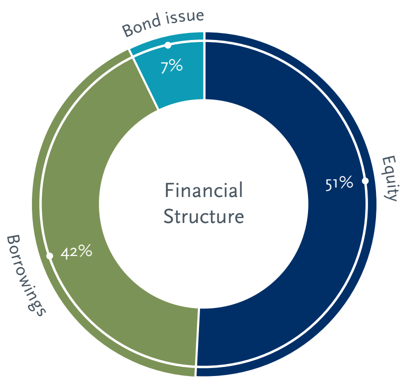
Eyrir Invest's assets are ideally positioned within industry sectors that enjoy good growth prospects for the long-term. Marel, as the leading provider of advanced equipment for the food processing industry, Fokker Aerospace, as a top tier supplier to the aerospace and defense sector with a great programme portfolio, and Stork Technical Services, as a strong regional player in the oil & gas services with a growing geographical footprint and good growth prospects in emerging markets.

Financial strength

Eyrir invest is financed through equity and long-term financing. At year-end 2011 Eyrir´s total assets amount to EUR 395 million and the equity ratio is 51%.

The Board of Directors of Eyrir Invest decided to increase the number of shares in the Company by 101 million shares or close to 10% of total shares. All the new shares were subscribed in December and fully paid by cash settlement on 12 January 2012. The issue of the new shares broadens the shareholder base and increases the investment capacity of Eyrir Invest in the future.





In 2004 Eyrir became a major shareholder in Össur hf. and has from that time actively supported Össur´s growth strategy. At the beginning of 2011 Eyrir held 14% share in Össur but has for the best part of the period of possession held 20-25% of total shares during which Össur tripled its revenues and increased profitability. In the first half of 2011 Eyrir sold its remaining 14% share in the company in order to further increase Eyrir´s financial strength and flexibility.

In 2011 Eyrir issued a new class of bonds with final maturity in May 2014 amounting to EUR 6.5 million. In 2011 the Company repaid unsecured bonds issued in 2007. At the beginning of the year Eyrir had secured EUR 150 million in long-term financing. During the year the Company further secured new loans and extended existing loans for the amount of EUR 30 million.

Core holdings with sound financials

Eyrir´s core holdings are 36% holding in Marel and 17% holding in Stork B.V. which owns and operates Stork Technical Services and Fokker Technologies. The long-term outlook for Eyrir Invest and its core holding is good. The financials of Core holdings are in line with strategy and international benchmarks with net debt levels at 2–4x EBITDA.

The operational year of 2011 was a record year for Marel in terms of revenues which grew organically by 15%. The growth was driven by innovation and strengthening of the company´s global sales and service network. Marel reached a major milestone in long-term refinancing through a club of six international banks at year end 2010 resulting in a 40% reduction in interest costs in 2011. Net debt of Marel has decreased from EUR 379 million in Q4 2008 to EUR 250 million in Q4 2011.

Marel´s AGM 2012 decided to pay a dividend for the operating year 2011 equal to 20% of operating profit, resulting in approximately EUR 2.5 million dividend payment to Eyrir. Market value of shares in Marel has risen from EUR 0.65 per share at the beginning of 2011 to EUR 0.79 at the year-end.

Stork B.V. is financed through a club syndicate with final maturity in 2016. Stork Technical Services is a service provider in the oil and gas industry in the Benelux area, North Sea, Caspian Sea, the Middle East and South America. In the past years the company has sold non-core assets for 200 million EUR and in H1 2011 the Technical Services section acquired RGB, a company in the oil service industry based in Scotland, thus expanding its geographical footprint and broadening its revenue base.

Pall Hardarson,
President NASDAQ
OMX Iceland

"Today Marel is the largest company on NASDAQ OMX Iceland. At initial listing at the stock exchange in 1992 Marel was valued at ISK 300 million. The company had 45 employees, five of them located outside Iceland. Now, 20 years later, Marel is a leader within its field. Market value is in excess of ISK 100 billion. Employees are 3.900 whereof 450 are located in Iceland.

This success would have been unthinkable without access to capital from the Icelandic stock market."

Eyrir Invest's portfolio

Eyrir Invest's core holdings, representing over 90% of assets, are in the leading industrial companies: Marel, Stork Technical Services and Fokker Technologies. Eyrir Invest's shareholder return has been good since its foundation in mid-2000.

Successful "Buy and Build" strategy

The vast majority of Eyrir Invest's assets are in three leading industrial companies: Marel, Stork Technical Services and Fokker Technologies. These investments have been carefully selected based on Eyrir Invest's ''Buy and Build" strategy and today these three companies are market leaders within their respective industries and/or have strong brand recognition in their markets.

Eyrir Invest is the lead investor in Marel, holding 36% of total shares. Eyrir Invest also holds approximately 17% in the Netherlands-based industrial conglomerate Stork B.V. which is the holding company of Stork Technical Services and Fokker Technologies. In addition, Eyrir holds a small portfolio of venture capital investments in young promising companies through it´s venture capital arm, Eyrir Sprotar.

Core Holdings

Core Holdings	Industry	% of Eyrir Invest's total assets	% Ownership in company
Marel	Leading global provider of advanced equipment and systems for the food processing industry.	52%	36%
Stork Technical Services	Stork Technical Services is a world class, knowledge-based asset integrity management company dedicated to providing seamless performance to corporations in the oil & gas, power, chemical and other major industries with operations in the North Sea, Europe, Americas, Caspian Sea, Middle East and Asia.	22%	17%
Fokker Technologies	With 100 years of aircrafting experience, Fokker designs, manufactures, maintains and overhauls aircraft parts, aerospace structures, landing gears and aircraft wiring systems.	18%	17%
Eyrir Sprotar	A leading venture capital investor with focus on supporting companies which show potential for becoming global leaders within their respective fields.	1%	100%

Eyrir Invest started reducing general investments in the financial markets in mid-2006 and since mid-2008, there have been no investments in its trading book. The company's cash position represents 7% of total assets at year end 2011.

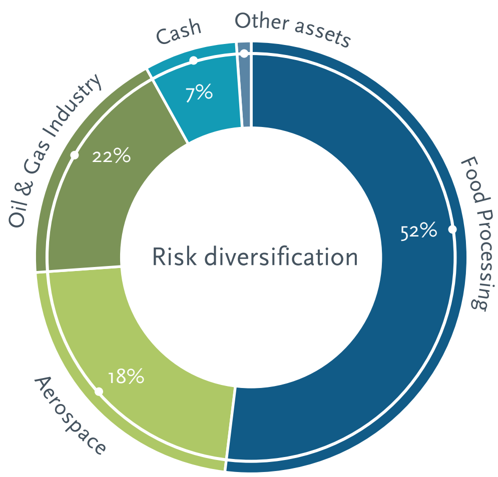
A year of good value creation

In 2011 Eyrir Invest's core holdings continued to make good progress. Marel achieved excellent organic growth of 15% and is now in a position to capitalize on its strong market position and capture the growth opportunities in the industry, in particular in new and fast growing markets. With increased market penetration, Marel is able to leverage its leading technical position and important steps were taken in expanding the geographical footprint of Marel in 2011.

For Stork Technical Services, the acquisition of RBG in 2011 marks an important milestone. The addition of RBG´s portfolio enhances the service offering and significantly increases Stork Technical Services global reach and capabilities. RBG´s portfolio includes complex support services such as oil platform decommissioning, fabric maintenance, inspections services and access solutions. Most importantly, the acquisition is a vital step in Stork Technical Services' strategy of expanding its geographical footprint and increases the share of operations outside its traditional markets in Western Europe.

Fokker Technologies continued to develop its operations in line with the strategy. The establishment of a new manufacturing facility in Mexico was an essential element of Fokker's long-term strategy of expanding into emerging markets, and will enable Fokker´s aerostructures division to achieve its ambitious growth plans. On the services side, a strategic alliance with Bombardier increases the scope of Fokker Services´ operations by leveraging Fokker´s strengths in servicing out-of-production aircraft.

Investment in venture capital has always been a part of Eyrir´s strategy, although a small portion of our portfolio. Towards the end of 2011 venture capital investment was given a solid platform with increased focus, with the establishment of Eyrir Sprotar slhf as Eyrir´s venture capital investment arm.



Investing in strong growth industries

We at Eyrir Invest believe that our "Buy & Build" investment strategy, in combination with our long-term view, is what will differentiate us. We believe that we have built a unique portfolio based on this principle, which has the potential to generate significant shareholder value and cash flows in the near future. Core holdings are well managed and have strong balance sheets. Our core holdings have shown the ability to combine growth and healthy cash flows. In addition they are all in the position to capture value-creating opportunities in their strategic plans.

Marel hf.

Marel is the leading global provider of advanced equipment and systems for the fish, meat, and poultry industries with an increased focus on the convenience food industry.

"It was a very good year for Marel, with pure organic growth of 15% compared to 2010. The strength of the order book gives us confidence heading into 2012. We continue to strive for operational excellence across the whole range of our activities. The experience of the past few years shows that we have the ability and committed employees to take our company further and to realize our future ambitions."

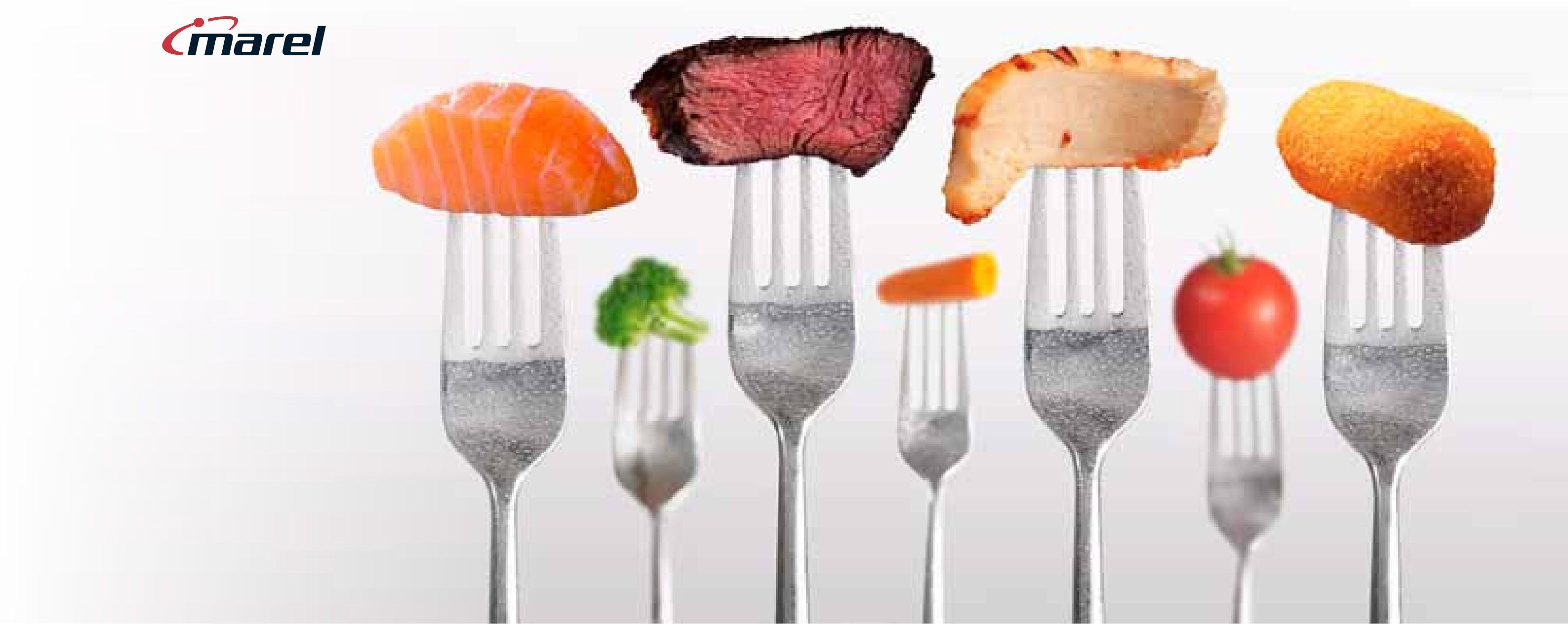
- Theo Hoen, CEO of Marel

2011 was a good year for Marel with a 15% organic revenue growth, record order intake and good profitability. Turnover in 2011 was 668 million euros with normalized EBITDA of 98 m. After having transformed the competitive landscape in a highly fragmented industry, Marel is now an undisputed world-wide industry leader in providing solutions and equipment for the fish, meat, and poultry industries. Marel currently has over 4.000 employees in 40 countries.

The market in which Marel operates is fast growing and dynamic. It is expected that established markets, such as North America and Western Europe, will continue to grow by an average rate of 4% annually. Growth of 6-8% annually is predicted in emerging economies, including Asia, the Middle East, Latin America, and Central and Eastern Europe. Marel has a good balance in new orders between emerging markets and more established markets in North America and Western Europe.

- Urbanisation continues at a pace in emerging markets, resulting in a rise in average family incomes, which is in turn driving increased protein consumption.

- Changes in consumer habits are a key driver in western countries where the time spent in the kitchen cooking each day has dramatically decreased over the past few decades, from hours to minutes in some countries. The popularity of convenience food has grown tremendously.

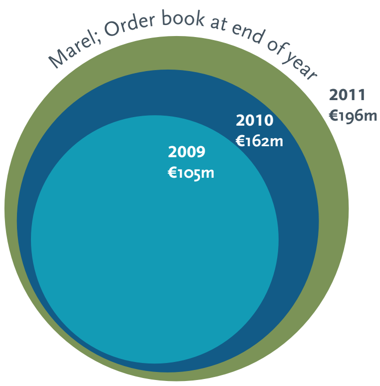


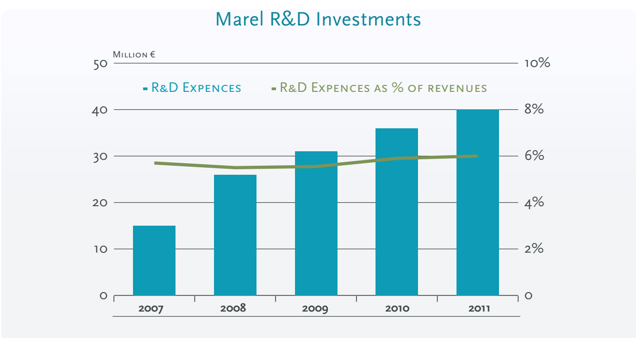
"Overall, 2011 was our most successful year. Growth has continued unabated within the poultry processing industry. The growth in Asia reflected the increasing popularity of poultry as a healthy and cheap alternative to other sources of protein. The South American market has as well received a boost in 2011. Investments are clearly on the rise in Argentina and the Brazilian market is investing in further automation."

- Ton de Weerd, Managing Director of Marel's Poultry Industry Centre.

Marel's quality of earnings is high with a good distribution of earnings among the poultry, fish, meat and further processing sectors. Moreover, one-third of revenues are service-related and two-thirds from new equipment sales. Marel's aim is to be the customers´ choice on a global scale. Marel´s customer base is well diversified with no single customer accounting for more than 4% of total revenues annually.

Marel is shaping its own destiny by continuing to invest well above the industry average in innovation and further market penetration, laying the foundation for high organic sales growth, good quality of earnings and profitability for many years to come. In 2011 Marel captured growth well above market growth. The year 2012 starts on a strong foot with high momentum in markets and a record order book.





Marel started as a research project at the University of Iceland in 1977 with the initial aim of increasing efficiency in the Icelandic fish processing industry.

„Marel is making a strong name in the meat industry globally.

In Australisa we received in 2011 substantial orders from many of our existing customers who have been upgrading to the latest Marel technology, including large turnkey beef deboning and trimming system"

– Sigstein Grétarsson Chief Operating Officer in Marel.

A focus on sustainability

Fish, meat and poultry consumption continues to steadily increase. At the same time, the focus on higher quality, improved yield and reduced waste continues to grow.

Increasingly, the company is harnessing its drive to innovate in the development of products that promote sustainability. The Marel RevoPortioner is an example of how the company is using the latest technology to reduce energy use and waste. The RevoPortioner produces perfectly portioned products, such as chicken nuggets and hamburgers, at low pressure, while retaining the texture and structure of the raw material. It is encouraging to see that our efforts are having an impact.

A clear "buy and build strategy"

Eyrir Invest first acquired shares in Marel in 2004 and has been Marel's principal shareholder since autumn 2005, now holding approximately 36% of total outstanding shares. Eyrir Invest's "Buy and Build" strategy has been the cornerstone of our participation in Marel.

At the AGM in 2006, the two phase growth strategy was presented. Marel would take the lead in the consolidation that was looming for the food systems industry. Companies needed a certain size and critical mass in order to be able to take advantage of opportunities developing in newer markets, such as in Eastern Europe, Asia and South America.

Today Marel has around 16-18% market share in a robust and fast growing market that has total sales in excess of 4 billion in 2011. Marel's excellent performance in 2011 is a direct result of the successful execution of this strategy.

Today Marel is truly a global leader in providing advanced systems and solutions to the fish, meat and poultry industries.

A fragmented market

As we predicted, consolidation is picking up steam in the industry. Marel has already taken pole position with its carefully planned acquisitions since 2006 and having benefited from having had first pick of future partners. Following a brief period of refocusing of the business once the period of high external growth was completed, we have entered the second phase of our growth strategy – a sustained period of high organic growth. Our goal is to continue to grow faster than the market and to capture 20% market share by 2015. The performance in recent years shows that Marel is already on the fast track to achieving this ambitious goal.

The rising tide of consolidation and integration is transforming the global economy. The food industry is no exception. The processors who are Marel's customers have grown in size and reach. They need to be able to count on equipment providers who can supply them with superior technology and who have the critical mass needed to follow them into new markets. Marel has risen to the challenge and positioned itself to become the customers' choice in an increasingly global industry.

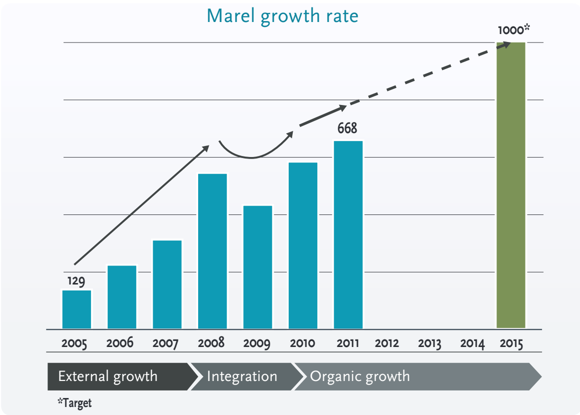
"In a company like ours that thrives on innovation, we need a diversity of talents and points of view"

– Hrund Rudolfsdottir, Head of HR in Marel

Bright days ahead

Strengthening Marel´s geographical footprint has been a major priority in recent years. The company has integrated offices in a number of countries and expanded its presence in new and growing markets.

In order to be able to capitalize on the opportunities that a fast-growing market presents, Marel has undergone major changes in the past two years. Marel now has a new market-driven organizational structure and all key processes have been strengthened. The Marel team has shown its abilities in the past and remains set on delivering what is required to ensure that Marel continues to be the customers' choice.



“With the new day comes new strength and new thoughts.”

Eleanor Roosevelt

Stork b.v.

Eyrir Invest owns around 17% of total shares in Stork B.V., which owns and operates Stork Technical Services and Fokker Technologies.

Stork Technical Services is now a pure play oil, gas, and energy service provider while Fokker Technologies focuses on structures, electric wiring and post-production services in the aerospace industry.

With high strategic flexibility, the company is focusing on its two divisions; Stork Technical Services and Fokker Technologies. As a result of the streamlining which took place following the delisting, Stork Technical Services is now a pure play oil, gas, and energy service provider while Fokker Technologies focuses on structures, electric wiring and post-production services.

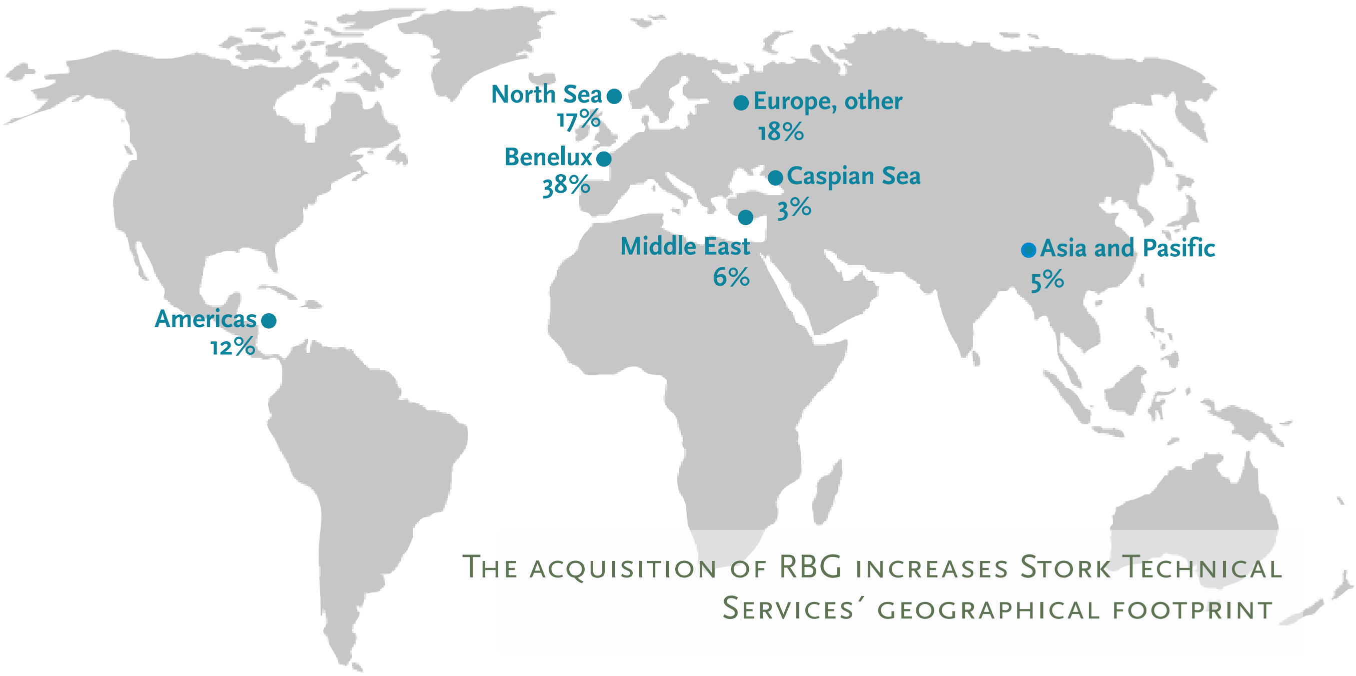
Each division is now refocusing on strategic growth, both organic and external, to increase size and sustain a leading position in their respective industries, anticipating the expected consolidation of the coming years.

Operations in 2011 were somewhat coloured by the slowdown in some of Stork´s core markets in Western Europe. Group sales remained at similar levels as the previous year but operational results declined slightly. However, Stork´s order book and financial position remain strong and provide a solid basis for the short to medium-term future of Stork´s respective businesses.

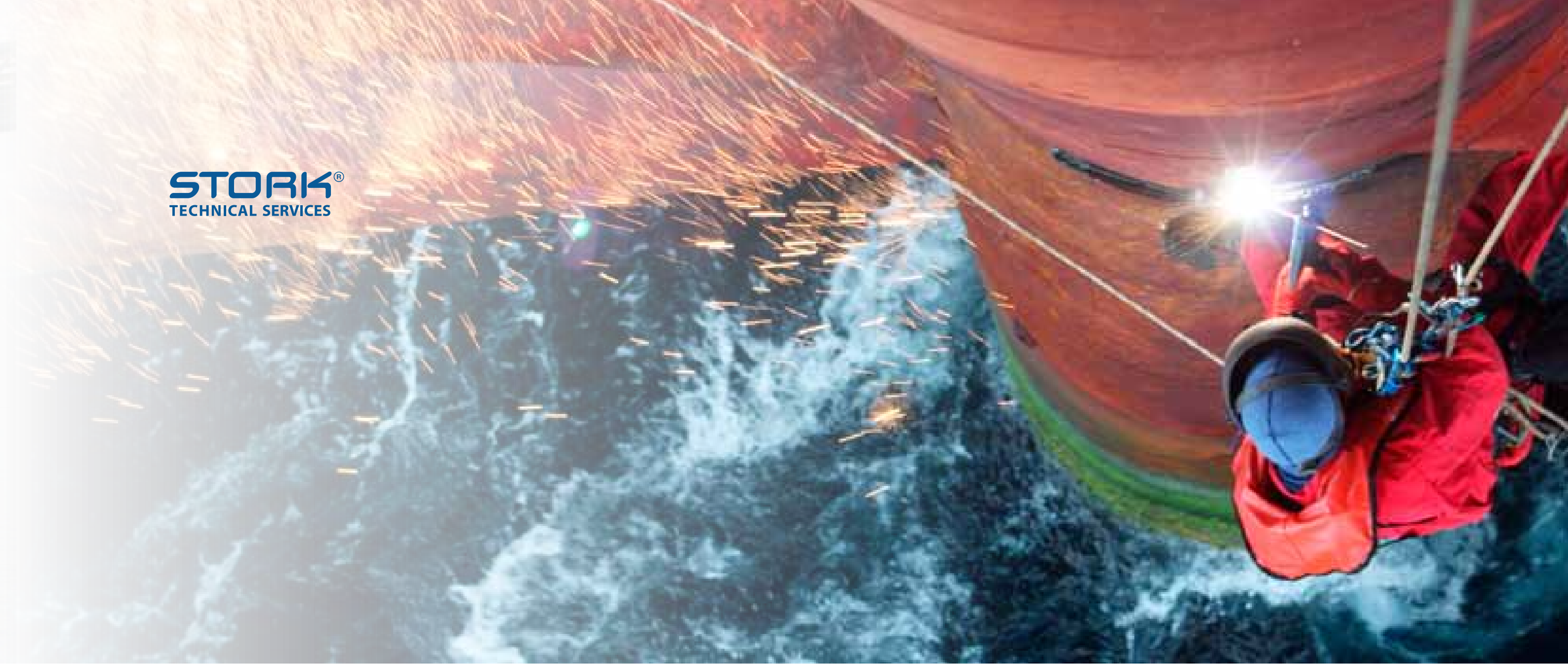
More importantly, in 2011 significant progress was made in the strategic development of the company, thus maintaining the right course towards successful value creation for the shareholders. In particular, a satisfactory agreement on recovery premiums and the future arrangement of pension liabilities of the Stork companies is an important milestone.

"The RBG acquisition is consistent with our strategy to enhance our service offering whilst expanding our global footprint. RBG is a solid and well-structured business with a history of strong performance. RBG's talented employees and strong client relationships align well with Stork Technical Services' strategy of partnering with our clients by listening, thinking and doing."

–Doug Meikle, CEO, Stork Technical Services



The acquisition of RBG increases Stork Technical Services´ geographical footprint



"The growth and development of RBG over the years has been exceptional. Rebranding to Stork Technical Services is the start of an exciting time for our employees and business as we enter a new period of growth.

We are stronger together as part of Stork and bringing together the best of both businesses means we can deliver a combined support package that sets a new benchmark for outstanding HSEQ performance and industry-leading service delivery."

–Dave Workman, CEO of RBG

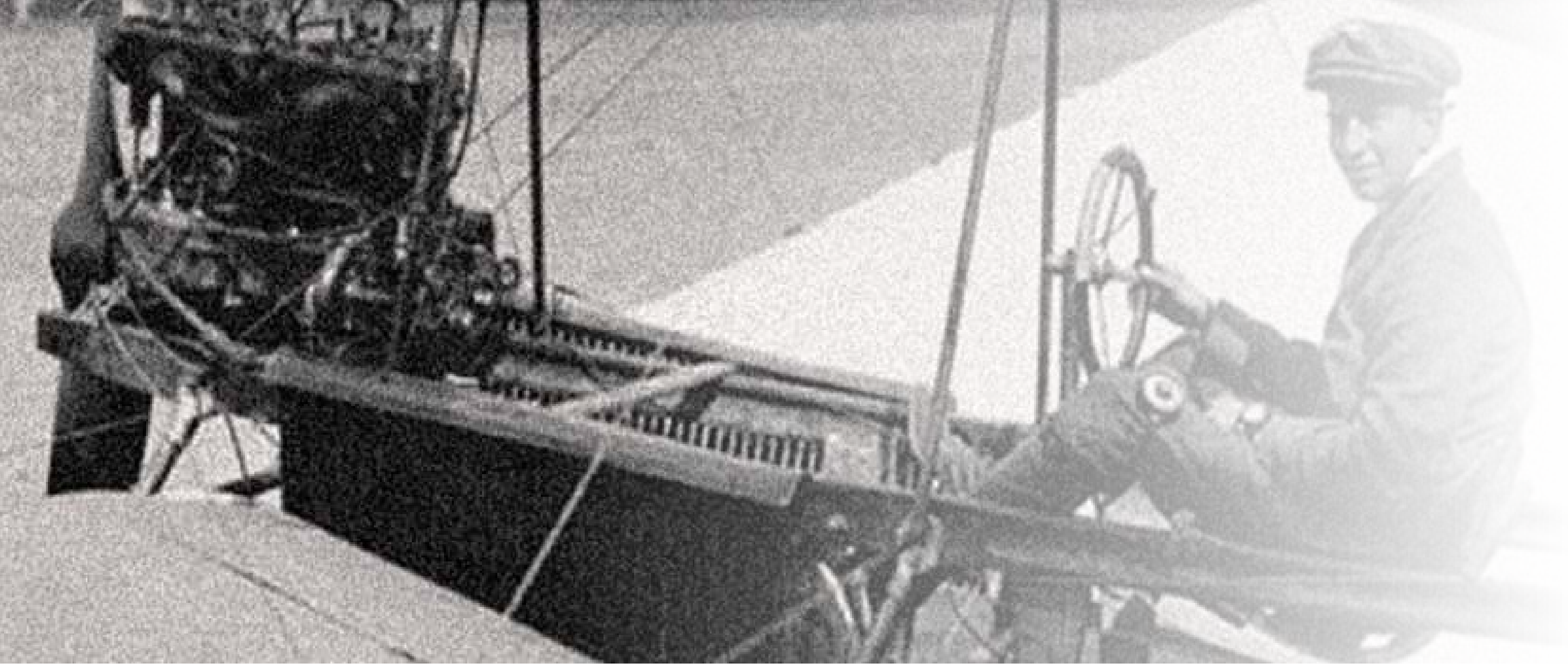
Stork Technical Services

Stork Technical Services (STS) is a world-class knowledge based asset integrity management company to the oil, gas and power companies. STS expanded geographically in 2011 by acquiring RBG, a UK based supplier of inspection, assessment and repair services to the global energy industry. RBG has already been rebranded as Stork Technical Services (STS). Following the acquisition, STS operates in the North Sea, Benelux, the Caspian Sea, Africa, Middle East and the Americas. STS has 14.500 employees, estimated revenues of around 1.4 billion Euros and estimated operating EBITDA of 95 million Euros.

The acquisition included all of RBG's primary activities in the UK, Europe, Americas, Caspian Sea and the Middle East, as well as 4,500 personnel. The addition of RBG's portfolio will provide Stork Technical Services' clients with additional expertise and more choice from a single trusted partner. RBG's clients will gain access to asset integrity management solutions focusing on maintenance, modification and overhaul of existing facilities for the oil & gas, power and chemicals industries.

RBG Acquisition

The acquisition of RBG satisfies a large number of strategic objectives. The deal internationalizes the business, with the Benelux now counting 40%, instead of the majority of revenues previously. The STS-RBG combination can service blue chip clients, such as Shell, BP and Total, in a large number of locations across the globe, giving it a seat at the table with these major operators. Synergies exist in a variety of ways.



In 2011 Fokker celebrated 100 years of aircrafting.

In 2011 Fokker Technologies launched a production facility in Chihuahua in Mexico.

"This expansion is an important step in Fokker's global footprint strategy, and will enable our Aerostructures division to achieve its ambitious growth plans, both with our current portfolio and with the expected new contracts, while at the same time further strengthening our competitive position",

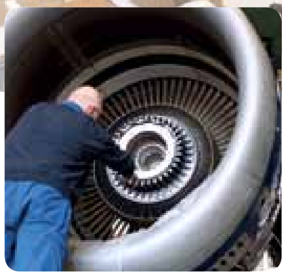
–Hans Büthker, Chief Operating Officer at Fokker Aerostructures.

Fokker Technologies

Fokker Technologies designs, develops and produces structures, landing gears and electrical systems for the aerospace and defense industry, and supplies integrated maintenance services to aircraft owners and operators. Fokker is a tier one subcontractor for many of the major manufacturers such as Airbus, Boeing, Lockheed Martin and Gulfstream. Fokker Technologies employs 3,700 people, has estimated revenues of approximately 685 million euros and estimated operating EBITDA of 74 million euros.

In 2011 Bombardier Aerospace and Fokker Technologies entered into a strategic alliance for a new programme aimed at improving the availability of components and reducing the cost of repairs for Dash aircraft operators. Another major milestone was the increased geographical footprint when Fokker Aerostructures launched a production facility in Mexico.

Fokker Technologies enjoys above average market growth potential based on a solid project pipeline in a well balanced project portfolio of commercial and military projects, and is well positioned in key industry programs, niche technological positioning and strong commercial relationships. It is Fokker's strategy to build on its strong engineering and project management skills and establish its position as a key specialist to aerospace OEMs.



Favourable outlook for aerospace

The main reasons for the strong rebound of the aerospace industry and the continued favourable outlook are twofold:

- Growth in emerging markets remains very strong where improvements in standard of living and increased international trade lead to good growth in air transport (the Chinese domestic market will exceed the European market in size within a number of years).
- High oil price combined with increased demands for a reduction in carbon footprint leads to demand for newer aircraft with more efficient fuel consumption.

Due to these effects the general consensus is that the outlook in the aircraft industry is very good and this is evident in the strong order book at the major producers. Furthermore, it is considered highly probable that consolidation is imminent in the industry, in particular because of the strategy by major producers to consolidate their supply chains and the general strategy by most players to look for increased footprint in emerging markets.

The largest orders received in the history of the aerospace industry were booked in 2011. These orders result in revenues in 5-7 years and confirm that the outlook for operations is good.

Fokker Technologies had a year of excellent progress. The Structures and Wiring Business Units saw strong growth and business wins, as well as in the financial performance. The service Business Unit trailed behind. To step up financial performance there, a performance improvement programme is in full execution. In general the civil aerospace industry is expected to enjoy healthy growth on global scale and Fokker Technologies is well positoned to benefit from underlying trends.

– Sjoerd Vollebregt, CEO of Fokker Technologies and the Holding Company Stork B.V.

Eyrir sprotar slhf.

Eyrir sprotar will focus on supporting promising ventures for international growth and value creation, fully in line with Eyrir´s "Buy and Build" philosophy.

In 2011 another step was taken towards increasing the focus on venture capital investments by forming a special venture arm in the form of Eyrir Sprotar.

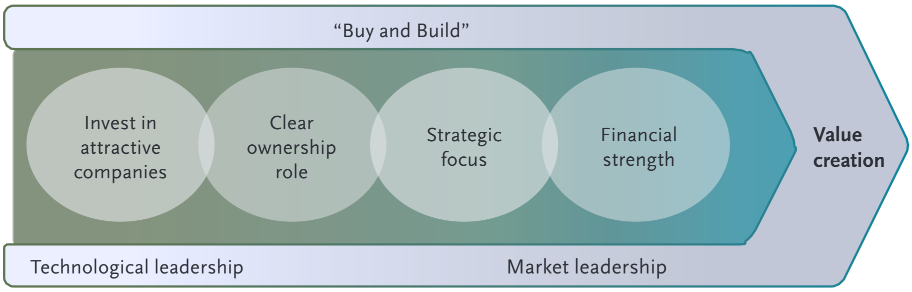
By taking this step, Eyrir is able to provide even stronger support to venture capital, not least at the operational level.

Sprotar is the Icelandic term for the English word Seed or Venture.

Eyrir Invest has been increasing its venture capital activities. In venture capital Eyrir adheres to the same investment principles as in core holdings when it comes to selecting and following up on investments, applying its "Buy and Build" philosophy.

Within ventures, Eyrir invests in companies that have high growth potential and the potential to become technological leaders. These investments in ventures do not have a preconceived timeframe.

Eyrir Invest has a long tradition, and a strong platform, to participate through active ownership in these start-up companies, supporting further growth and scalability. Investments to date have been in companies to which Eyrir Invest believes it can add considerable value through ownership and by capitalizing on existing growth possibilities.

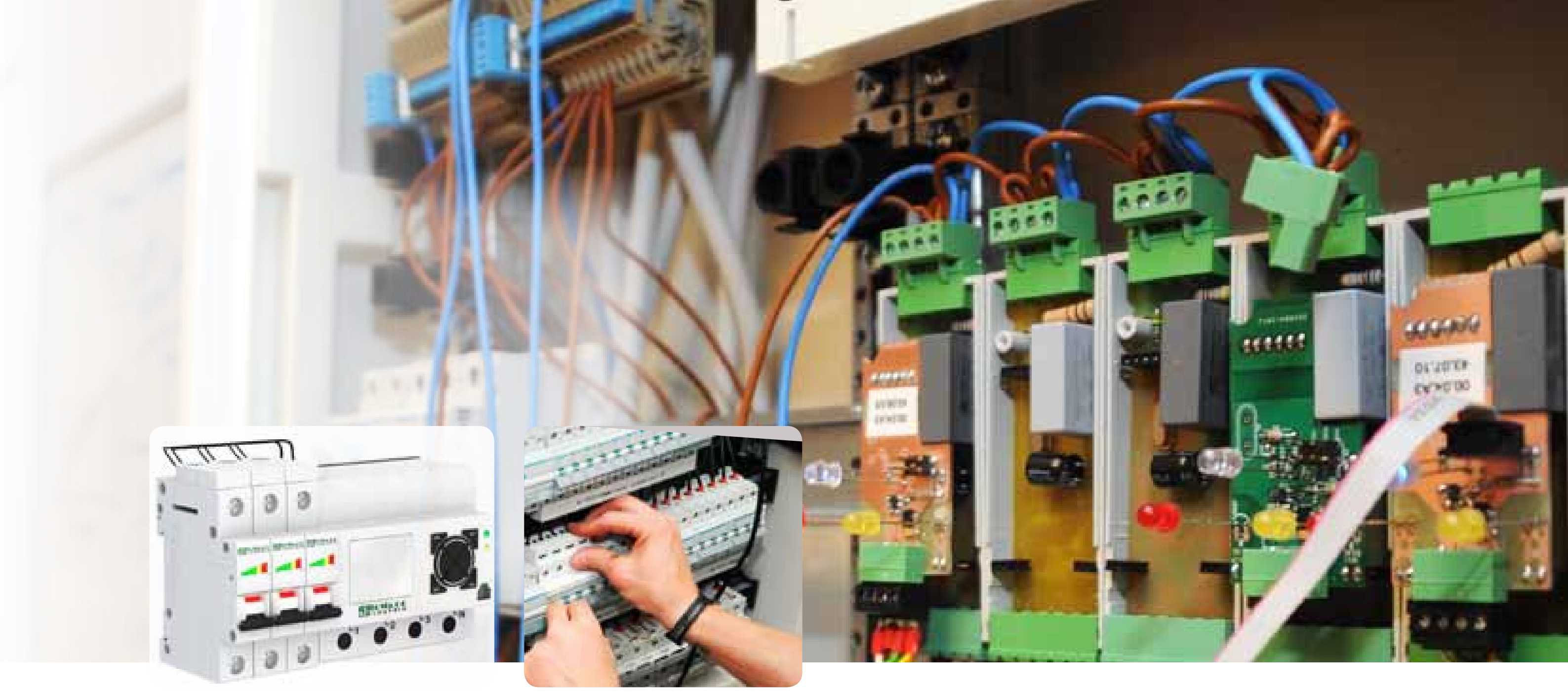


According to Eyrir Invest´s strategy, investments in venture capital may make up to 5% of total assets. However, simple capital is just one ingredient of many for a successful venture capital investment. Eyrir also provides its venture capital portfolio companies with access to its network of professionals, including board members and advisors.

Overnight success takes 11 years

Invention and innovation are among the key drivers of economic growth. In a company's life the real growth phase begins when it starts to commercialize its innovation.

Marel was incorporated in 1983, the company's roots lie in a research project conducted at the University of Iceland started in 1978. In 1992 Marel's shares were listed on the Icelandic Stork Exchange. Since then, through support of its shareholders and capital markets, the company has grown from being a technological leader into a global market leader.



ReMake Electric was added to Eyrir Invest´s venture portfolio in 2010 and at that time Thordur Magnusson became the Chairman of the Board and Örn Valdimarsson a board member.

Thordur Magnusson Chariman of ReMake Electric, and Hilmir Ingi Jonsson founder and CEO.

ReMake Electric was established to develop new techniques to manage energy operations. The company initially developed hardware solutions based on its patented metering technology and progressed into an energy management software solutions provider.

- ReMake has developed metering technologies for electro technical components called Circuit Breaker Meter (CBM) technology. The CBM adds value as a monitoring and diagnostic tool for electrical protection installations in buildings to support energy savings, along with providing added security and reliability.
- ReMake has developed an energy management software system for intranet and internet availability called eTactica EMS. The eTactica system helps homes and businesses to understand and optimize energy usage and reduce their carbon footprint.

World energy consumption is projected to rise by 30% by 2020 and has increased by 72% since 1980, while up to 50% of CO_2 emissions attributable to residential and commercial buildings are from electricity consumption. Eyrir Invest is looking forward to participating in future projects with ReMake as we consider ReMake's products and possibilities unique.

Saga Medica is an Icelandic natural products manufacturer, founded in the year 2000 after years of studies, which began in 1992 and continue to this day. The herbs in Saga Medica´s products are collected in the pristine environment of Iceland. The most prominent herb in Saga Medica´s products is Angelica, a herb which has been used for medical purposes for centuries. The company has a strong connection to Icelandic nature and the harvesting process is eco-friendly.

Saga Medica has a solid academic background and the company was founded as a result of extensive research. A clinical study on the efficacy of SagaPro is ongoing and the first steps towards international marketing have been taken.

Our Team

EYRIR INVEST EMPLOYS SEVEN DEDICATED PROFESSIONALS WITH ADVANCED QUALIFICATIONS AND WIDE-RANGING EXPERIENCE IN THE FINANCIAL MARKETS AND OTHER VARIOUS SECTORS OF THE ECONOMY.

EYRIR INVEST ENCOURAGES ITS EMPLOYEES TO INCREASE THEIR KNOWLEDGE CONTINUOUSLY, PARTICULARLY THROUGH ONGOING EDUCATION.

Thordur Magnusson – 1949
Chairman

Magnusson was the CFO at Eimskip for over 20 years, before co-founding Eyrir Invest, and held a seat on the boards of numerous Icelandic companies and organizations on behalf of Eimskip.

- Vice-Chairman of Össur hf.
- Chairman of the Board in Marorka, SagaMedica, Handpoint and ReMake Electric
- Board member in many Icelandic companies, including, Byko, Kaupas and Norvik
- Board member of the Iceland Chamber of Commerce and University of Reykjavik
- MBA degree from the University of Minnesota
- Cand.Oecon in Business Administration from the University of Iceland

Arni Oddur Thordarson – 1969
CEO

Thordarson is the co-founder of Eyrir Invest, and has been its CEO from the beginning. Thordarson has extensive international experience in various businesses. Prior to co-founding Eyrir Invest, Thordarson was Head of Corporate Finance & Capital Markets at Bunadarbanki Islands, which later merged with Kaupthing.

- Chairman of the Board in Marel
- Board member of Stork B.V. and RBG Limited
- MBA degree from IMD in Switzerland
- Cand.Oecon in Business Administration from the University of Iceland

Margret Jonsdottir – 1954
CFO

Jonsdottir has been employed at Eyrir Invest since 2004 when she was appointed CFO of the company. Prior to joining Eyrir Invest, Jonsdottir worked as Director of Accounting and Budgeting at MasterCard, Iceland.

Jonsdottir was also the Director of Finance at the Industrial Loan Fund, later FBA Investment Bank, which subsequently merged with Islandsbanki. At FBA Investment Bank, Jonsdottir headed the Accounting and Budgeting department.

- Board member of Marel
- M.Acc. degree in Accounting and Auditing from the University of Iceland
- Cand.Oecon in Business Administration from the University of Iceland

Sigfus Oddson – 1978
Senior Director Investments & Corporate Finance

Oddsson previously worked at Landsbanki Islands as a Senior Director of Corporate Banking. Prior to that, Oddsson was employed as an associate at UK based Landsbanki Securities. He has held a number of board positions on behalf of his previous employers and is an FSA Approved Person for Corporate Finance.

- M.Sc. degree in Informatics from the Technical University of Munich
- B.Sc. degree in Computer Science from University of Iceland
- B.Sc. degree in Industrial Engineering from University of Iceland

Orn Valdimarsson – 1968
Head of Equity and Industry Analysis

Valdimarsson was formerly employed at Vidskiptabladid (Business Weekly) where he worked for several years as a journalist, CEO and editor.

Valdimarsson has held a seat on the boards of various firms and been a member of the Ethics Committee of the Icelandic Federation of Journalists.

- B.Sc. degree in Economics from the University of Iceland
- Executive Certificate from Copenhagen Business School

Inga Hafdis Sigurjonsdottir – 1970
Accounting

Sigurjonsdottir previously worked in the accounting department at Navision A/S in Denmark and later at Microsoft Business Solutions.

- B.Sc. degree in Business Administration from Bifrost University

Olof Bjork Thorleifsdottir – 1953
Middle Office

Prior to joining Eyrir Invest, Thorleifsdottir worked in finance and accounting at the Fisheries Investment Fund, in back office at FBA Investment Bank and as an operational manager at the Gerduberg Cultural Centre.

Shareholders and board of directors

At year-end 2011, there were 16 shareholders in Eyrir Invest. Eyrir Invest's shareholders are successful entrepreneurs with careers in various industries such as banking, insurance, fishing, pharmaceuticals and retailing.

The co-founders and principal shareholders of Eyrir Invest are Thordur Magnusson, Chairman, and Arni Oddur Thordarson, CEO. Shares held by them and companies fully under their control and ownership are as follows:

Thordur Magnusson	18.4%
Arni Oddur Thordarson	15.7%

In mid-2000, **Arni Oddur Thordarson** co-founded Eyrir Invest and has been its CEO since then. Thordarson has extensive international business experience and has served as a board member of various businesses through the years. In autumn 2005, Thordarson became Chairman of the Board of Marel, has been board member in Stork B.V. since early 2008 and RGB since 2011. Prior to co-founding Eyrir Invest, Thordarson was Head of the Corporate Finance & Capital Markets at Bunadarbanki Islands, which later on merged with Kaupthing.

Thordur Magnusson was CFO in Eimskip for over two decades before co-founding Eyrir Invest. Today Magnusson is the Vice-Chairman of the Board in Össur, chairs the board of Marorka, ReMake and SagaMedica and holds a seat on the boards of many Icelandic companies, including Byko, Kaupas and Norvik. Magnusson holds an MBA degree from the University of Minnesota and a Business degree from the University of Iceland.

Other large shareholders' ownership is as follows:

Horn fjarfestingarfelag hf.	12.5%
Landsbankinn hf.	12.5%
The Pension Fund of Commerce	9.1%
Straumborg ehf.	7.8%
Sigurjon Jonsson	7.5%
Others	16.5%

Jon Helgi Gudmundsson, Arni Oddur Thordarson CEO, Thordur Magnusson, Chairman of the Board, Dr. Olafur Steinn Gudmundsson, Sigurjon Jonsson, Hermann Mar Thorisson.

Information on the number of Board Meetings and sub-committee meetings

The Board of Directors convened eight times in 2011. The Remuneration and Audit Committees had one meeting each in 2011. All the meetings were attended by the majority of the board members. The board is provided with a report in advance of each regular board meeting and a comprehensive report of Eyrir´s financial performance and the performance of the Company´s core assets. Board members are informed about all significant matters.

Information on Board Members

The board members of Eyrir Invest are Thordur Magnusson, Jon Helgi Gudmundsson, Sigurjon Jonsson, Olafur Steinn Gudmundsson, Hermann Mar Thorisson and Steinunn Jonsdottir, a substitute board member. The CEO of Eyrir Invest is Arni Oddur Thordarson. The business address is at Skolavordustigur 13, 101 Reykjavik, Iceland.

Jon Helgi Gudmundsson

Gudmundsson is the Chairman and principal shareholder of Straumborg ehf. In addition to Straumborg, Gudmundsson and his family run Norvik hf. and Smaragardur ehf. Smaragardur ehf. is the real estate arm of the business. Gudmundsson has a Cand. Oecon degree in Business Administration from the University of Iceland and has also studied at Penn State University.

Sigurjon Jonsson

Jonsson is the principal owner and Chairman of Skipavik shipyard and a building contractor in Stykkisholmur, Iceland. Jonsson previously owned and operated Raekjunes, a fishing and scallops processing company.

Dr. Olafur Steinn Gudmundsson

Dr. Gudmundsson is an active investor within the area of pharmaceutics and biotechnology. He has significant experience in senior management level positions within the pharmaceutical industry in the US. He is currently an adjunct faculty member of Purdue University and holds seats on the boards of several biotech and pharmaceutical companies. Dr. Gudmundsson holds a doctorate degree in Pharmaceutical Chemistry from The University of Kansas and a Pharmacy degree from The University of Iceland.

Hermann Mar Thorisson

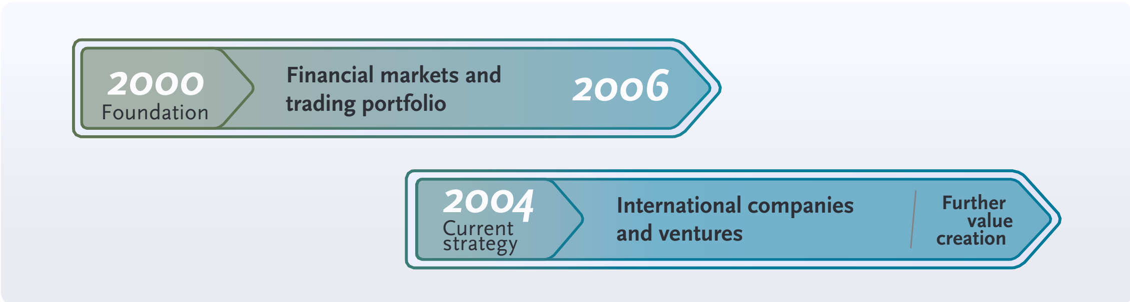
Hermann Thorisson is Managing Director at Horn Fjarfestingarfelag hf. Horn Fjarfestingarfelag hf. is an investment company fully owned by Landsbankinn hf. In 2006 Hermann joined Landsbanki Islands hf., first as Senior Equity Analyst at Landsbanki Research and later with Proprietary Trading. From 1995 to 2005 Hermann held various positions at the Icelandic Civil Aviation Administration both in Iceland and in Eastern Europe. Hermann graduated with a B.Sc. in Finance from the University of Iceland.

Steinunn Jonsdottir, Reserve Director

Jonsdottir is an active investor in Iceland, holds a seat on the board of Norvik and has held seats on the boards of various other companies in Iceland. Jonsdottir holds an MBA degree from the University of Reykjavik.

History

Eyrir Invest was founded in the middle of 2000. Since then, Eyrir Invest's "Buy and Build" strategy has consistently increased shareholders' value above market returns.



In its early years, Eyrir Invest focused on investments in financial institutions and participated in many restructuring projects in Iceland, including playing an instrumental role in the bank merger of Bunadarbanki and Kaupthing.

Eyrir´s current investment strategy was defined in 2004 when the company shifted its focus to technologically leading industrial companies and ventures.

In **2004**, Eyrir Invest acquired considerable stakes in Marel and Össur, as long-term active holdings with an emphasis on participating in operation, strategic planning and capital allocation.

In **2005** and **2006**, new financially sound investors joined Eyrir Invest. Their participation substantially strengthened the company and its capacity to pursue further growth. At the same time, Eyrir divested all stakes in the Icelandic banking sector.

The year **2007** saw the conclusion of a two-year battle over Stork, a three-division conglomerate based in the Netherlands and listed on the Amsterdam Stock Exchange. Eventually, Eyrir Invest and Landsbanki Islands joined forces with Candover to bid for the whole company, for a total value of EUR 1.7 billion, and take it private.

The Icelandic banking crisis of 2008 provided Eyrir Invest with new challenges, even though Eyrir Invest had no exposure to the Icelandic banks and had since 2006/2007 been focused on building up a strong cash position and securing long-term funding.

For Eyrir Invest, the highlight of **2008** was the successful conclusion of Marel's acquisition of its long-term partner Stork Food Systems. Following the acquisition, Marel is a global leader within its field, with a 15% worldwide market share, and is subsequently ideally placed to serve its global customers.

In November **2008**, Eyrir Invest increased its share in Stork B.V. by acquiring NBI's (Landsbanki Islands) share in the company. The acquisition was financed with a share issue in Eyrir Invest, increasing its financial strength.

In September **2009**, Össur's shares were dual-listed on the Nasdaq OMX Copenhagen Exchange in addition to its listing on the Nasdaq OMX Reykjavik Exchange. Marel made significant progress in strengthening its financials.

In **2010** Marel completed a EUR 350 million long-term financing at favourable rates which resulted in a substantial decrease in finance costs. One of Eyrir's successful venture investments, Calidris, an Iceland-based specialist software company, was acquired by Sabre Airlines Solutions, a leading provider of software for airlines and airports.

Marel´s 15% organic and profitable growth

Stork Technical Services acquires RBG

Disposal of Össur holding after seven successful years

Eyrir Sprotar backed by equity increase

2011

2011

Eyrir Invest's core investments are geographically diversified. Marel saw impressive growth in emerging markets in 2011 and the company's new sales are now well distributed between developed and developing markets. With an expanded geographical footprint through the acquisition of RBG, Stork Technical Services is in a prime position to take part in the upcoming increase in activity in the Greater Middle East.

In addition, the North Sea, an area where Stork Technical Services is a key player, saw unexpected growth due to changes in oil prices, delayed end-of-life dates for oil rigs and favourable weather conditions.

Looking forward, Eyrir Invest and its core investments are well managed and ready to capture future opportunities.

2010: *Marel completes EUR 350 million in long-term financing*

2009: *Össur successfully dual listed in Copenhagen.*

2008: *Conclusion of Stork B.V. acquisition – Eyrir Invest takes over NBI's (now Landsbankinn) share in Stork in exchange for 27.5% share in Eyrir Invest.*

2007: *LME, a joint venture between Landsbanki Íslands, Marel and Eyrir Invest, builds up a 43% share in Stork – Eyrir Invest, Landsbanki Íslands and Candover make a takeover bid in Stork.*

2006: ***New growth strategy announced in Marel.***

2005: *Eyrir Invest divests all shares in the Icelandic banking sector with the sale of its Kaupthing shares.*

2004: ***New investment strategy defined:*** *Eyrir Invest acquires shares in industrial companies with the potential to become global leaders. Eyrir Invest acquires large stakes in Marel and Össur.*

2003: *Merger of Bunadarbanki and Kaupthing – Eyrir Invest participates in many restructuring projects in Iceland.*

2002: *Actual operations begin with the exchange of shares in Bunadarbanki for Gilding shares.*

2000: *Foundation of Eyrir Invest which becomes the principal investor in Gilding.*

"The price of greatness is responsibility."

Winston Churchill

Eyrir Invest is committed to high standards of corporate governance, social responsibility, business integrity and professionalism in all its activities.

Eyrir Invest believes in open and honest communications with stakeholders and is committed to supporting the community through grants and donations.

Eyrir Invest also encourages the management of all of its core holdings to honour all stakeholders and apply the highest standards of corporate governance and social conduct.

As a major shareholder, Eyrir Invest supports and encourages its principle holdings in pursuing an ambitious strategy towards investment in R&D. It is Eyrir Invest's firm belief that healthy investment in innovation creates the fundamentals for continued value creation and is a prerequisite for a sustainable competitive advantage.

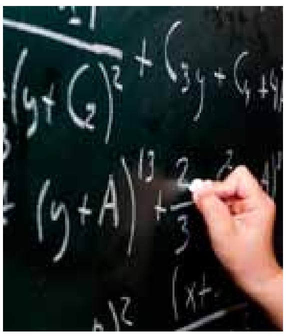
Eyrir Invest's strategy is to be a leading investor in the companies it invests in and to build strong relationships with other investors in each company. Good corporate governance is for these reasons fundamental for Eyrir Invest.

In the past years Eyrir Invest has sponsored various projects at all levels of education and donated multiple grants to charities.

Each year donations are made to numerous charities, including the Red Cross, Mothers in Need and various other organizations that assist low-income families in troubled times.

The University of Iceland and Reykjavik University have been supported with substantial grants. Eyrir Invest has also sponsored a mathematical contest at the elementary school level for some years.

Eyrir Invest is one of the originators and major sponsor of the Icelandic Ocean Cluster. The goal of the Iceland Ocean Cluster is to increase the value and understanding of maritime related research and innovation, biotechnology, technology manufacturing, logistics and finances. The cluster emphasizes sustainability in fisheries.



Corporate Governance Statement

Eyrir's values are Long-term thinking, Endurance, Courage and Integrity. These values reflect the culture of the company and how it conducts its business.

The rules on Corporate Governance

The Company follows the Icelandic Guidelines on Corporate Governance, issued June 2009 by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and NASDAQ OMX Iceland, in accordance with Clause 2.27 in the Rules for Issuers of Financial Instruments on NASDAQ OMX Iceland, effective as of 1 December 2009. The guidelines can be found on the Iceland Chamber of Commerce website, www.chamber.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.

External audit

An auditing firm is elected at the Annual General Meeting for a term of one year. The auditor shall examine the Company's annual accounts in accordance with international standards on auditing, and shall, for this purpose, inspect account records and other material relating to the operation and financial position of the Company. The auditors shall at all times have access to all of the Company's books, minutes and documents.

Internal control

Risk management and internal controls, in relation to all processes, are designed to control the risk of material misstatements. The Company designs its processes to ensure that there are no material weaknesses in internal controls that could lead to a material misstatement in its financial reporting. The auditor's evaluation of these processes is included in the Audit Memorandum.

The Board of Directors of Eyrir Invest directs the Company´s affairs between shareholders' meetings and shall safeguard its interests against any third party. The CEO, meanwhile, is in charge of day-to-day operations and represents the Company in all matters relating to its day-to-day operations. The CEO hires employees and is required to provide the Board of Directors and auditors with all necessary information on the Company's activities.

Appointment of sub-committee members

Sub-committee members are appointed by the Board of Directors for a term of one year.

Audit Committee

The Audit Committee is composed of all board members, unless the Board of Directors decides otherwise. The principal duty of the Audit Committee is to ensure the quality of the Company's financial information, and the independence of the Company's auditors. The majority of the Audit Committee shall be independent of the Company, executive management and the Company's auditor. At least one member shall be independent of major shareholders. The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one member shall have solid knowledge and experience in the field of financial statements or auditing.

Remuneration Committee

All board members except the chairman comprise the Remuneration Committee. The Board of Directors evaluates, at least once a year, the performance of the CEO, but not specifically the performance of other key personnel. The CEO evaluates, at least once a year, the performance of all personnel.

It is Eyrir's policy to attract and retain highly competitive professionals and offer competitive compensation. Eyrir Invest encourages its employees to increase their knowledge continuously, particularly by ongoing education.

Departures from the Icelandic guidelines on Corporate Governance

The Board of Directors has not issued a specific written code of ethics and social responsibility for the Company but plans to do so. The Board of Directors has not established a nomination committee as it deems it not necessary. The chairman of the board has a defined role within Eyrir that requires participation in day-to-day activities.

Independence

According to Iceland Chamber of Commerce guidelines the majority of directors must be independent of the Company and its day-to-day managers. The majority of the board is independent of the Company and major shareholders.

Thordur Magnusson, Chairman, is co-founder of Eyrir Invest and holds a major share in the company. Hermann Mar Thorisson is the Managing Director of Horn Fjarfestingarfelag hf, which is also as major shareholder.

In addition, Arni Oddur Thordarson, CEO of the Company, is co-founder of the Company and defined as a major shareholder.

Financial Statements

Eyrir Invest ehf.

Contents

Endorsement and Statement by the Board of Directors and the CEO

Eyrir Invest ehf. 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 2011

According to the statement of comprehensive income, profit for the year amounted to EUR 1.0 million and total comprehensive income amounted to EUR 0.5 million. As stated in the statement of financial position total assets amount to EUR 395 million, equity at the end of the year amounts to EUR 202 million and equity ratio is 51%.

The Company's core holdings are a 36% share in Marel hf. and a 17% holding in Stork BV through London Acquisition Luxco S.a.r.l. Stork owns and operates Fokker Technologies and Stork Technical Services (STS).

- Marel is a global provider of advanced equipment, systems and services for the poultry, fish and meat processing industries. Marel has offices and subsidiaries in over 30 countries and employs approximately 4,000 people. Marel's revenues in 2011 amounted to EUR 668 million, following a 15% organic growth. Marel is the largest company listed on Nasdaq OMX Iceland and 99% of its revenues derive outside Iceland.

- Stork Technical Services is a world class, knowledge-based service provider to the oil, gas, power and chemical industries. In May 2011 STS increased its geographical footprint by the acquisition of RBG Ltd. which has already been rebranded as Stork Technical Services. STS employs around 14,500 employees dedicated to serve the oil, gas and power business in Benelux, North Sea, Caspian region, Middle East, North and South America. Revenues in 2011 were approximately EUR 1.4 billion.

- Fokker Technologies is a tier one supplier to the aerospace industry with customers such as Boeing, Airbus, Lockheed Martin and Gulf Stream. Fokker Technologies is also a provider of service and spare parts to discontinued production fleet such as Fokker. Employees are around 4,000 and revenues are close to EUR 700 million.

In the first half of 2011, Eyrir invest ehf. sold all of its shares in Össur hf. after having been a major shareholder in the company for seven years, during which time Össur hf. grew considerably. Following the sale of the Össur hf's shares, the Company repaid some of it's borrowings. Total borrowings have decreased by EUR 45.5 million during the year.

On 1 January 2012, management of the pensions previously under the purview of the Stork Pension Fund was officially taken over by the industry-wide pension fund Metal-Electro (PME) in the Netherlands. The transfer of the pension arrangements was the result of a principle agreement announced on 19 April 2011. In addition to the Stork Pension Fund, the parties to the agreement included Stork BV and a number of companies that were formerly part of the Stork Group. The agreement, and subsequent transfer of the pension arrangements to PME, is beneficial to Marel and Stork BV as it eliminates open-ended financial exposure to pension obligations in the future. At the same time, it safeguards employee's interest by establishing a stable and more secure foundation for the pension plans for the long-term future.

In the past years the Company has accounted for the holdings in Marel using the equity method. The Board of Directors of Eyrir has decided to account for the Company's shares in Marel at fair value as the board believes that in doing so the accounts give a clearer and more transparent view of the Company's financial position, in accordance with *IAS 39 Financial Instruments. Recognition and Measurement.*

Eyrir Invest´s 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.

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

Corporate governance

The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in June 2009 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 website, www.chamber.is. The board of directors has established written rules of procedure that address the domain of the board and its role in relation to the CEO. These rules stipulate among other things the convening of board meetings, comprehensive rules on board members suitability to participate in handling matters concerning the Company's operations, rules on confidentiality, information provided to the Board by the CEO and further rules. The board as a whole comprises the Audit Committee and all Board members excluding the Chairman comprise the Remuneration Committee. Majority of the Board is independent of the Company and major shareholders. For the operation year 2011 the board of Directors held eight board meetings and one meeting of the Remuneration Committee. Audit Committee meetings coincide with Board meetings. On all occasions the majority of the board members and committee members were present.

Shareholders and appropriation of profit

Shareholders at year-end were 16 and incresed by two from the beginning of the year. At year-end 2011 the Pension Fund of Commerce subscribed to 101 million new shares in the Company. The Fund now holds 9.1% of total shares in the Company. The share subscription was fully paid in cash on 12 January 2012. Four shareholders held more than 10% of outstanding shares each at the end of the year 2011. They are:

Þórður Magnússon*	18.4%
Árni Oddur Þórðarson*	15.7%
Horn Fjárfestingarfélag hf.	12.5%
Landsbankinn hf.	12.5%

*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 proposes that no dividends will be paid for the operational year 2011, and 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 2011, its assets, liabilities and financial position as at 31 December 2011 and its cash flows for the financial year 2011.

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 2011 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.

Reykjavik, 20 February 2012.

The Board of Directors:

CEO:

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, 31 December 2011, 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, 2011, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 11 in the financial statements which describes changed accounting treatment for Eyrir Invest ehf. investments in the associated company, Marel hf., as year-end 2011.

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.

Reykjavik, 20 February 2012.

KPMG ehf.

Statement of Comprehensive Income for the year 2011

	Notes	2011	2010
Investment income			
Change in fair value of investment securities		(30,977)	64,851
Income from change in accounting treatment of associate	11	30,107	0
Share of profit of equity accounted associate	12	11,650	7,491
Net interest expenses	6	(12,920)	(15,873)
Net foreign exchange gain (loss)	18	4,763	(3,254)
Net operating revenue		2,623	53,215
Operating expenses			
Salaries and salary-related expenses	7	934	836
Other operating expenses	8	732	560
Operating expenses		1,666	1,396
Profit for the year		**957**	**51,819**
Other comprehensive income			
Foreign currency translation difference of foreign associates		0	4,649
Net profit on hedges in investment in foreign associates		0	2,763
Share of comprehensive income from associates		(488)	(264)
Translation difference and hedges transferred to profit and loss		0	(25,787)
Other comprehensive expense for the year		(488)	(18,639)
Total comprehensive income for the year		**469**	**33,180**
Earnings per share for profit			
Basic and diluted (expressed in EUR cent)	17	0,09	5,14
Earnings per share for comprehensive income			
Basic and diluted (expressed in EUR cent)	17	0,05	3,29

The notes on pages 50 to 71 are an integral part of these financial statements.

Amounts are in EUR thousand

Statement of Financial Position as at 31 December 2011

	Notes	2011	2010
Assets			
Cash and cash equivalents	9	9,419	12,311
Share subscription	16	15,377	0
Restricted cash	10	1,055	10,447
Investment securities	11	364,931	256,835
Investments in equity accounted associates	12,13	0	143,602
Trade and other receivables	14	2,282	1,201
Operating assets	15	2,082	2,050
Total assets		**395,146**	**426,446**
Equity			
Share capital	16	6,546	5,912
Share premium		112,598	97,855
Reserves		5,186	5,674
Retained earnings		78,163	77,207
Total equity		202,493	186,648
Liabilities			
Borrowings	18,19	192,414	237,890
Trade and other payables		239	1,908
Total liabilities		192,653	239,798
Total equity and liabilities		**395,146**	**426,446**

The notes on pages 50 to 71 are an integral part of these financial statements.

Amounts are in EUR thousand

Statement of Changes in Equity for the year 2011

	Notes	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
2010						
Equity 1.1.2010		5,912	97,855	24,313	25,389	153,469
Total comprehensive income for the year				(18,639)	51,819	33,180
Equity 31.12.2010	16	5,912	97,855	5,674	77,207	186,648
2011						
Equity 1.1.2011		5,912	97,855	5,674	77,207	186,648
Issue of share capital	16	634	14,743			15,377
Total comprehensive income for the year				(488)	957	469
Equity 31.12.2011	16	6,546	112,598	5,186	78,163	202,493

The notes on pages 50 to 71 are an integral part of these financial statements.

Amounts are in EUR thousand

Statement of Cash Flows for the year 2011

	Notes	2011	2010
Cash flows from operating activities			
Profit for the year		957	51,819
Adjustments for:			
Change in fair value of investment securities		30,977	(64,851)
Income from change in accounting treatment of associates	11	(30,107)	0
Share of profit of associates	12	(11,650)	(7,492)
Depreciation	15	84	80
Net interest expenses	6	12,920	15,873
Net foreign exchange (gain) loss		(4,763)	3,254
Working capital used in operations		(1,582)	(1,317)
Change in operating assets and liabilities		(904)	1,618
Cash (used in) from operations before interest		(2,486)	301
Interest paid		(11,578)	(6,683)
Interest received		503	1,866
Net foreign exchange gain received		874	0
Net cash used in operating activities		(12,687)	(4,516)
Cash flows from investing activities			
Restricted cash, decrease		9,392	17,477
Investments in shares		(21,962)	(150)
Proceeds from the sale of investment securities		73,162	26,061
Acquisition of operating assets	15	(125)	(11)
Net cash used in investing activities		60,467	43,377
Cash flows from financing activities			
New borrowings		3,143	0
Repayment of borrowings		(53,815)	(29,851)
Net cash used in financing activities		(50,672)	(29,851)
Increase in cash and cash equivalents		**(2,892)**	**9,010**
Cash and cash equivalents at 1 January		**12,311**	**3,301**
Cash and cash equivalents at 31 December	9	**9,419**	**12,311**
Investing and financing activities without cash flow effect			
Share subscription		15,377	0
Share capital		(634)	0
Share Premium		(14,743)	0
Proceeds from borrowings		24,208	4,701
Repayment of borrowings		(24,208)	(4,701)

The notes on pages 50 to 71 are an integral part of these financial statements.

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 2011 comprise the Company and its share in associates until the end of December 2011, see further note 11.

Eyrir Invest ehf. 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.

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.

The financial statements were approved by the Board of Directors of Eyrir Invest ehf. on 20 February 2012.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- investment securities, which are measured at fair value with fair value changes recognised in profit or loss.
- the investment in associate, which is accounted for using the equity method until 30 December 2011. From 31 December 2011 the Company accounts for the associate as an investment security at fair value through profit or loss. See further note 11.

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.

a. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans, trade, share subscriptions 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 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.

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.

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 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.

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 shares, changes in the fair value of the investments, 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

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.

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 until 30 December 2011 (equity accounted associates) and are recognised initially at cost. From 31 December 2011, the Company measures its share in associates at fair value through profit and loss, see further note 11.

The application of the equity method

While investments in associates are equity accounted 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 Company, from the date that significant influence commences until the date that significant influence ceases.

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.

4. Cont'd.

(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 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.

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 the statement of comprehensive income 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, 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. Cont'd.

h. New standards and interpretations not yet adopted

The Company has adopted all IFRSs, interpretations and amendments to existing standards that are effective for the year ended 31 December 2011 and relevant to the Company. The Company has not adopted early any IFRSs, interpretations or amendments effective after 31 December 2011.

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 in the statement of financial position. 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.

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 2011, 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 2011.

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 40.1% of total assets at year-end 2011 (2010: 40.8%).

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 2011.

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 11.

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 and 2011, there were no active forward exchange contract market in Iceland.

The Company's total net currency balance is monitored on a regular 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.

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. Cont'd.

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

	2011	2010
Food systems: Marel	56.7%	35.9%
Health services: Össur	0.0%	20.7%
Technical services - Oil & Gas: Stork	23.8%	23.9%
Aerospace services: Stork	19.5%	19.5%
	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 2011 the equity ratio is 51%.

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 0.5% in 2011 (2010: 33.8%).

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, except when stated in loan agreements.

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Investment income

6. Net Interest expenses is specified as follows:

	2011	2010
Interest expenses	(13,423)	(17,873)
Interest income	503	2,000
Net interest expenses	(12,920)	(15,873)

Salaries and salary-related expenses

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

Salaries and performance-based payments	753	713
Contributions to defined contribution plans	76	74
Other salary-related expenses	75	41
Salaries, Board of Directors	30	8
Total salaries and salary-related expenses	934	836

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

	Salaries	Other benefits	Defined contribution plan	Total salaries & benefits
Thordur Magnusson, Chairman	74	14	7	95
Arni Oddur Thordarson, CEO	200	20	19	239

The CEO and the Chairman of the Board do not have any share options at year-end 2011. Share options can only be issued to them if approved by a Shareholders' meeting.

Salaries paid to four other members of the board during the year 2011 amounted to EUR 30 thousand (2010: 8 thousand).

Amounts are in EUR thousand

Other operating expenses

8. Other operating expenses specify as follows:

	2011	2010
Depreciation	84	80
Grants	73	32
Other operating expenses	575	448
Total other operating expenses	732	560

Cash and cash equivalents

9. Cash and cash equivalents consists of bank deposits.

Restricted cash

10. Bank deposits amounting to EUR 1,055 thousand (2010: EUR 10,447 thousand) are restricted to use for the Company at year-end. Deposits are cash held by financial institutions as collateral for borrowings.

Investment securities

11. Investment securities are specified as follows:

Listed securities:	Ownership	Fair value 31/12/2011	Ownership	Fair value 12/31/2010
Marel hf.*	35.6%	206,409	-	-
Össur hf.**	0%	0	13.85%	82,711
Total listed securities		206,409		82,711
Unlisted securities:				
London Acquisition Luxco S.á.r.l.***	17.0%	157,620	17.0%	173,579
Other unlisted shares		902		545
Total unlisted securities		158,522		174,124
Fair value of investment securities at year-end		364,931		256,835

Amounts are in EUR thousand

11. Cont'd.

*At year end 2011 the Company changed its accounting treatment for its investment in the associate Marel hf., in which the Company held 35.6% of the share capital as at 31 December 2011. Until 30 Desember 2011 the Company accounted for this investment using the equity method but as of 31 Desember 2011 this investment is measured at fair value in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* and recognises the changes in the fair value of the investment in profit or loss in the period in which those changes occur.

The fair value of the investment in Marel hf. amounted to EUR 206.4 million as at 31 December 2011 while its carrying amount measured in accordance with the equity method amounted to EUR 176.9 million. The Company recognised EUR 30.1 million in the line item "Income from change in accounting treatment of an associate" in the statement of comprehensive income for the year 2011 representing the positive difference between the fair value of the investment and its carrying amount measured in accordance with the equity method as at year-end 2011.

Prior to the change in the accounting treatment described in this note, the Company accounted for its investments in its Marel using the equity method and for its investment in other core assets at fair value through profit or loss. Therefore, the change described in this note brings consistency in the Company's accounting treatment for these core investments whereby both investments are now measured at fair value through profit or loss. It is the view of the Company´s management that measurement of the investment in Marel hf. at fair value through profit or loss results in the financial statements of the Company providing more relevant information to the Company's management and to existing and potential investors in the Company about the effects of the core investments on the Company's financial position and performance. Measurement of the investment in Marel hf. at fair value through profit or loss in the Company's financial statements is fully in accordance with the Company's objective and strategy for holding the investment in Marel hf. with a view to profiting from the total return in the form of dividends and changes in fair value of the investment.

** In the first half of 2011, Eyrir sold all of its shares in Össur after having been a major shareholder in the company for seven years. The sale price amounted to EUR 73.2 million. Following the sale of the shares the Company repaid some of its borrowings.

*** London Acquisition Luxco S.á.r.l. is a holding company owned by Eyrir Invest ehf. and funds that are controlled by Candover Investments plc. London Acquisition 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 taken into consideration projected discounted cash flow.

Investments in equity accounted associates

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

31 December 2011	Ownership	Share in profit
Marel hf, Iceland	35.6%	11,650

Total share in profit and loss of associates amounts to 11.7 million EUR and comprises share of Marel hf.'s profit for the year of 2011.

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

13. 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

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

Receivables

14. Receivables are specified as follows:

	2011	2010
Capital gain tax	101	371
Receivable from sale of investment securities	0	578
Other receivables	2,181	252
Receivables	2,282	1,201

At 31 December 2011 and 31 December 2010 no allowance was conceded for doubtful receivables. No impairment loss was recognised during the years.

Amounts are in EUR thousand

Operating assets

15. Operating assets are specified as follows:

Gross carrying amount	Buildings	Other operating assets	Total
Balance at 1.1.2010	2,110	294	2,404
Additions during the year	0	11	11
Balance at 31.12.2010	2,110	305	2,415
Sales and disposals during the year	0	(109)	(109)
Additions during the year	0	125	125
Balance at 31.12.2011	2,110	321	2,431
Depreciation and impairment losses			
Balance at 1.1.2010	112	173	285
Depreciation	42	38	80
Balance at 31.12.2010	154	211	365
Sales and disposals during the year	0	(109)	(109)
Depreciation	42	51	93
Balance at 31.12.2011	196	153	349
Carrying amounts			
1.1.2010	1,998	121	2,119
31.12.2010	1,956	94	2,050
31.12.2011	1,914	168	2,082
Depreciation ratios	2%	20-30%	

The insurance value of the buildings amounted to EUR 1,815 thousand at year-end 2011. The tax assessment value of the buildings amounted to EUR 567 thousand at year-end. The insurance value of other operating assets amounted to EUR 376 thousand at year-end 2011.

Amounts are in EUR thousand

Equity

16. Issued capital

The Company share capital, at the beginning of the year amounted to ISK 1,008 million and is fully paid. On 30 December 2011, the share capital was increased by ISK 101 million at exercise price of ISK 24.25. The share increase was paid on 12 January 2012. 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. Share capital according to the statement of financial position amounted to EUR 6.5 million at year-end 2011, share capital is specified as follows:

	Amounts
Share capital according to the Articles of Association (issued capital)	1,007,681
Share increase on 30 December 2011	101,000
Share capital at year-end	1,108,681

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.

Translation reserve

Foreign exchange differences arising from the translation of the financial statements of equity accounted associates 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.

Earnings per share

17. Ernings per share for profit:

	2011	2010
Profit for the year	957	51,819
Weighted average number of ordinary shares (basic and diluted) in thousand shares		
Issued ordinary shares at 1 January	1,007,681	1,007,681
Effect of share increase	553	0
Weighted average number of ordinary shares at 31 December	1,008,234	1,007,681
Earnings per share:		
Basic and diluted earnings per share (EUR cent)	0,09	5,14

Earnings per share for comprehencive income:

	2011	2010
Total comprehensive income	469	33,180
Earnings per share:		
Basic and diluted earnings per share (EUR cent)	0,05	3,29

Borrowings

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

	Average interest rate	2011	2010
EUR	5.0%	87,548	120,392
ISK, unindexed	6.0%	21,053	20,672
ISK, indexed	5.5%	28,272	32,124
USD	4.7%	44,101	52,201
GBP	5.6%	6,694	4,110
JPY	4.5%	1,403	2,354
NOK	-	0	2,468
CHF	4.2%	3,343	3,569
Borrowings		192,414	237,890

Borrowings are secured as follows:

Secured bank loans	162,906	182,428
Unsecured bond issues and bank loans	29,508	55,462
Borrowings total	192,414	237,890

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.	0	82,711
Investment in London Acquisition Luxco S.á.r.l.	157,620	173,579
Investments in Marel hf.	206,409	138,440
	364,029	394,730

The Company previously netted its claim on one of the failed Icelandic banks against borrowings from the same bank. Following a ruling by The Icelandic Supreme Court the Company no longer presents the borrowing net of the claim and has expensed EUR 5.3 million in the statement of comprehensive income. See further note 25.

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 the Company's loans have been recalculated and a foreign exchange gain in the amount of EUR 4.9 million is recognised in the statement of comprehensive income in the year 2011.

In February 2012 The Icelandic Supreme Court ruled that interest calculations on unlawful loan agreements in other currencies than ISK should be based on the interest in the agreement and not interest published by the Central Bank.

These rulings may have a further positive effects on the Company´s financial position.

Amounts are in EUR thousand

19. Repayment of borrowings are specified as follows:

	2011	2010
Repayments in 2011	-	20,112
Repayments in 2012*	47,636	64,150
Repayments in 2013	31	29
Repayments in 2014	135,924	147,801
Repayments in 2015	31	29
Repayments in 2016	3,244	-
Subsequent	5,548	5,769
Borrowings	192,414	237,890

*At the end of 2011 Eyrir Invest ehf. secured a new long term loan with Arion Bank hf. equal to 12.5 m EUR. The principal of the loan is due in May 2015 and half of the principal is extendable to 2016. Glitnir hf. has also agreed to extend a bank loan in the amount of 14 million EUR with a new due date for the principal is in December 2013 instead of September 2012. These agreements will be executed in February 2012 and therefore not accounted for in these financial statements.

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

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

Reconciliation of effective tax rate:

		2011		2010
Profit before income tax		957		51,819
Income tax using the Company's tax rate	(20.0%)	191	(18.0%)	9,327
Changes in value of shares and taxable loss not expected to be utilized	0%	0	23.1%	(11,969)
Temporary difference due to unrecorded tax asset and other changes	20.0%	(191)	(5.1%)	2,642
Effective tax rate	(0.0%)	0	0.0%	0

In the year 2011, the Icelandic Parliament approved to change the tax laws regarding the gain on sale of shares in other companies. After the change the gain on sale of shares in other companies are not taxable.

Amounts are in EUR thousand

Deferred income tax liability

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

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

	2011	2010
Investment securities and investments in equity accounted associates	0	24,602
Other balance sheet items	(1,107)	(97)
Tax losses carried forward	(16,624)	(17,512)
Temporary difference due to unrecorded tax asset	17,731	(6,993)
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 2012 due to tax losses carried forward.

Amounts are in EUR thousand

Financial instruments

22. Financial risk management

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 2011	Carrying amount 2010
Share subscription	15,377	0
Loans and receivables	2,282	1,201
Cash and cash equivalents	9,419	12,311
Restricted cash	1,055	10,447
	28,133	23,959

Liquidity risk

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

31 December 2011

Financial liabilities:	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Secured bank loans	162,906	185,967	32,836	7,570	137,572	7,989
Unsecured bonds/loans	29,508	31,848	23,912	591	7,345	0
Trade and other payables	239	239	239	0	0	0
	192,653	218,054	56,987	8,161	144,917	7,989

31 December 2010

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

Currency risk

Exposure to currency risk

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

31 December 2011	ISK	USD	GBP	NOK	Other
Financial instruments at fair value through profit or loss	206,986	0	0	325	0
Receivables	133	1,906	0	0	0
Cash and equivalents	9,405	6	0	0	4
Restricted cash	1,008	0	0	0	47
Share subscription	15,377	0	0	0	0
Borrowings	(49,325)	(44,101)	(6,694)	0	(4,746)
Net balance sheet exposure	183,584	(42,189)	(6,694)	325	(4,695)

Amounts are in EUR thousand

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

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
ISK	161,87	162,34	159,28	154,23
GBP	0,87	0,86	0,84	0,86
USD	1,39	1,33	1,29	1,33

Sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2011 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 2010.

	Profit or loss	
	2011	2010
ISK	(18,358)	(5,287)
USD	4,219	5,161
GBP	669	411
Other	437	802

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	
Fixed rate instruments	2011	2010
Financial liabilities	(25,059)	(32,124)
Variable rate instruments		
Financial assets	10,474	22,758
Financial liabilities	(167,355)	(202,608)
	(156,881)	(179,850)

Amounts are in EUR thousand

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 2010.

	2011		2010	
	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(1,569)	1,569	(1,799)	1,799
Cash flow sensitivity (net)	(1,569)	1,569	(1,799)	1,799

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 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment securities	158,522	158,522	256,443	256,443
Cash and cash equivalents	9,419	9,419	12,311	12,311
Restricted cash	1,055	1,055	10,442	10,442
Share subscription	15,377	15,377	0	0
Loans and receivables	2,282	2,282	1,523	1,523
Secured bank loans	(162,906)	(162,566)	(191,115)	(191,115)
Unsecured bond issues and bank loans	(29,508)	(29,575)	(46,901)	(46,901)
Trade and other payables	(2,282)	(2,282)	(1,907)	(1,907)
	(8,041)	(7,768)	40,796	40,796

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

Interest rates used for determining fair values
The interest rates 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:

	2011	2010
Secured bank loans	4.9% - 6.9%	2.8% - 6.7%
Unsecured bond issues, indexed / non-indexed	5.5% - 8.8%	5.5% - 9.8%

Amounts are in EUR thousand

Guarantees

23. Guarantees

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

Related parties

24. Identity of related parties

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

Shareholder relationship

Landsbankinn hf. is defined as related party due to major shareholding directly and indirectly through Horn Fjárfestingarfélag hf., totalling 25% of outstanding shares at year-end 2011. Eyrir Invest finances its activities with equity and long-term financing. Landsbankinn hf. has been one of Eyrir Invest ehf's creditors since foundation.

At year-end 2011, total outstanding debts are EUR 192.4 million (2010: EUR 237.9 million). Borrowings from Landsbankinn hf. amount to EUR 102.8 million at year-end 2011 (2010: EUR 126.6 million) or 53% of total borrowings in both instances.

Eyrir holds has deposits at Landsbankinn hf., in 2011 interest income amounted to EUR 317 thousand (2010: EUR 98 thousand).

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

Other matters

25. Litigations

The Supreme Court of Iceland has confirmed the decision made by the Winding-up Committee of Kaupthing hf. to reject claims filed directly by beneficial owners under Kaupthing's US MTN Program. The Supreme Court ruled to allow DBTCA to file global claims on account of the Global Notes issued under the US MTN Program. The DBTCA global claims were filed for the benefit of owners of beneficial interest in the Global Notes issued. The Company is an undisputed owner of beneficial interest in the Global Notes (nominal value USD 10 million) and DBTCA has therefore filed a claim on behalf of the Company. It is possible that this judgement may affect the Company's ability to exercise set-off in respect of the claim against Kaupthing. As a prudent measure, following the ruling by the Supreme Court, the financial statements do not assume any set-off. However, such a set-off remains possible and would result in a decrease in borrowings if successful.

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