

Eyrir Invest hf.
Condensed Interim Financial Statements
1 January - 30 June 2014
EUR

Eyrir Invest hf.
Skólavörðustígur 13
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Iceland

Reg. no. 480600-2150

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

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

The condensed interim financial statements of Eyrir Invest hf. for the period from 1 January to 30 June 2014 have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Operations in 2014

Total comprehensive loss for the period from 1 January to 30 June 2014 amounted to EUR 42.9 million. The majority of the loss is due to change in fair value of investment securities. That change is attributable to changes in market value of the Company's shares in Marel as market conditions and pending re-focusing program have temporarily decreased the profitability of Marel. However, the order book is already strengthening and there are strong indications of improved results and value creation going forward as guided by Marel management. According to the statement of financial position, equity at end of June 2014 amounted to EUR 126.0 million and equity ratio is 42%.

Statement by the Board of Directors and the Managing Directors

According to our best knowledge it is our opinion that the condensed interim financial statements give a true and fair view of the financial performance of the Company for the six-month period ended 30 June 2014, its assets, liabilities and financial position as at 30 June 2014 and its cash flows for the period then ended.

Further, in our opinion the condensed interim financial statements and the endorsement of the Board of Directors and the Managing Directors give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Company.

The Board of Directors and the Managing Directors have today discussed the condensed interim financial statements of Eyrir Invest hf. for the period from 1 January to 30 June 2014 and confirm them by means of their signatures.

Reykjavík, 25 August 2014.

The Board of Directors:

Managing Directors:

Independent Auditor's Review Report

To the Board of Directors of Eyrir Invest hf.

We have reviewed the accompanying statement of financial position of Eyrir Invest hf. as of 30 June 2014 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 25 August 2014.

KPMG ehf.

Statement of Comprehensive Income for the Six Months Ended 30 June 2014

	Notes	1 January - 30 June		
		2014	2013	
Investment income				
Change in fair value of investment securities .....	(	34,588)	(	19,204)
Dividend income		0		2,361
Interest expenses .....	(	5,640)	(	6,350)
Interest income		84		300
Foreign exchange loss .....	(	2,025)	(	1,642)
Net investment loss		<u>(42,169)</u>	(	<u>24,535)</u>
Operating expenses				
Salaries and salary related expenses		478		557
Other operating expenses		214		272
Operating expenses		<u>692</u>	(	<u>829)</u>
Loss for the period .....	(	<u>42,861)</u>	(	<u>25,364)</u>
Other comprehensive income				
Realised translation difference transferred to profit and loss		<u>0</u>	(	<u>554)</u>
Total comprehensive income for the period .....	(	<u><u>42,861)</u></u>	(	<u><u>25,918)</u></u>
Earnings per share				
Basic and diluted earnings per share (expressed in EUR cent) .....	(	4.43)	(	2.59)

The notes on pages 9 - 12 are an integral part of the condensed financial statements

Statement of Financial Position as at 30 June 2014

	Notes	30.6.2014	31.12.2013
Assets			
Cash and cash equivalents		3,881	2,637
Investment securities	4	292,528	326,691
Receivables		2,670	2,580
Restricted cash		244	13
Operating assets		1,913	1,934
Total assets		301,236	333,855
 Equity			
Share capital		6,570	6,570
Share premium		112,706	112,706
Translation reserve		4,262	4,262
Retained earnings		2,499	45,360
Total equity		126,037	168,898
 Liabilities			
Borrowings	5,6,7	175,027	164,806
Trade and other payables		172	151
Total liabilities		175,199	164,957
Total equity and liabilities		301,236	333,855

The notes on pages 9 - 12 are an integral part of the condensed financial statements

Statement of Changes in Equity for the Six Months Ended 30 June 2014

	Share capital*	Share premium	Translation reserve	Retained earnings	Total equity
1 January to 30 June 2013					
Equity 1.1.2013	5,947	97,623	4,816	64,015	172,401
Issue of B shares	623	15,083			15,706
Total comprehensive income for the period ..			(554)	(25,364)	(25,918)
Equity 30.6.2013	6,570	112,705	4,262	38,651	162,189
1 January to 30 June 2014					
Equity 1.1.2014	6,570	112,706	4,262	45,360	168,898
Total comprehensive income for the period ..				(42,861)	(42,861)
Equity 30.6.2014	6,570	112,706	4,262	2,499	126,037
*Share capital					
	30.6.2014	31.12.2013			
A shares	5,947	5,947			
B shares	623	623			
Total share capital	6,570	6,570			

The notes on pages 9 - 12 are an integral part of the condensed financial statements

Statement of Cash Flows

for the Six Months Ended 30 June 2014

	Notes	1 January - 30 June	
		2014	2013
Cash flows from operating activities			
Loss for the period .....	(	42,861)	(25,364)
Adjustments for:			
Change in fair value of investment securities		34,588	19,204
Depreciation		24	36
Interest expenses		5,640	6,350
Interest income .....	(	84)	(300)
Net foreign exchange loss		2,025	1,642
Working capital (used in) provided by operations	(	668)	1,568
Change in operating assets and liabilities .....	(	202)	(866)
Cash used in operations before interest	(	870)	702
Interest expenses paid .....	(	2,146)	(9,947)
Interest income received		26	284
Net cash used in operating activities	(	2,990)	(8,961)
Cash flows from investing activities			
Restricted cash, increase .....	(	231)	(25,547)
Investments in shares in other companies .....	(	291)	(3,380)
Proceeds from sale of shares		0	25,470
Acquisition of operating assets .....	(	3)	(15)
Net cash used in investing activities	(	525)	(3,472)
Cash flows from financing activities			
Share capital sold		0	15,706
Proceeds from borrowings		4,810	0
Repayment of borrowings .....	(	164)	(1,260)
Net cash from financing activities	(	4,646)	14,446
Increase in cash and cash equivalents		1,131	2,013
Effect of exchange fluctuations on cash held		113	789
Cash and cash equivalents at 1 January		2,637	775
Cash and cash equivalents at 30 June		3,881	3,577

The notes on pages 9 - 12 are an integral part of the condensed financial statements

Notes to the Financial Statements

1. Reporting Entity

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

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

2. Basis of preparation

a. Functional and presentation currency

These Condensed Interim 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.

b. Statement of compliance

These condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the company as at and for the year ended 31 December 2013, which are available on the Company's website www.eyrir.is.

The condensed interim financial statements were approved by the Board of Directors and the Managing Directors of Eyrir Invest hf. on 25 August 2014.

c. Use of judgement and estimates

The preparation of interim financial statements 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statement as at and for the year ended 31 December 2013.

Changes in accounting policies

The Company has adopted all new standards and amendments to standards, including any consequential amendments to other standards as they have been endorsed by the EU, with a date of initial application of 1 January 2014. The adoption does not have any effect on the Company's financial statements.

Notes, contd.:

4. Investment securities

Investment securities are specified as follows:

	Ownership	Fair value 30.6.2014	Ownership	Fair value 31.12.2013
Listed securities:				
Marel hf.	29.3%	145,669	29.3%	180,218
Unlisted securities:				
London Acquisition Luxco S.á.r.l.*	17.0%	142,900	17.0%	142,900
Eyrir Sprotar slhf. (Reykjavík)	100.0%	3,509	100.0%	3,223
Eyrir Sprotar GP ehf. (Reykjavík)	100.0%	1	100.0%	1
Other unlisted shares		449		349
Total unlisted securities		146,859		146,473
Fair value of investment securities at period-end		292,528		326,691

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

At period end Eyrir held 17,0% stake in Stork BV through London Acquisition Luxco S.à r.l. As Stork BV is not listed on a stock exchange, a quoted market price was not available. The fair value of the investment in London Acquisition S.à r.l. was calculated by using market multiples based on analysis of market multiples for comparable companies and comparable transactions.

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly. The Company has no level 2 financial assets or liabilities.

Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 3	Total
30 June 2014			
Investment securities	145,669	146,859	292,528
31 December 2013			
Investment securities	180,218	146,473	326,691

There were no transfers between levels during the period.

Notes, contd.:

4. Investment securities, contd.:

Investment securities carried at fair values

1 January to 30 June 2014

	Level 1	Level 3
Balance at 1 January	180,218	146,473
Total gains and losses for the period included in profit or loss	(34,549)	95
Investments in investment securities	0	291
Balance at 30 June	<u>145,669</u>	<u>146,859</u>

1 January to 30 June 2013

Balance at 1 January	200,817	163,656
Total gains and losses for the period included in profit or loss	(789)	(18,495)
Total gains and losses for the period included in other comprehensive income	(554)	0
Investments in investment securities	0	380
Proceeds from sale of investment securities	(24,834)	0
Balance at 30 June	<u>174,640</u>	<u>145,541</u>

Level 3 fair values

Fair values are based on forecast and last 12 month EBITDA and on an analysis of market multiples for comparable companies and comparable transactions. The market multiples range from 8 to 10 at 30 June 2014 (2013: forecast and last 12 month EBITDA from 8 to 10).

5. Borrowings

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

	Average interest rate		30.6.2014	31.12.2013
	30.6.2014	31.12.2013		
EUR	5.2%	5.2%	68,931	66,398
ISK, unindexed	9.1%	9.3%	46,947	40,690
ISK, indexed	5.5%	5.5%	10,092	9,885
USD	5.1%	5.1%	40,848	39,860
GBP	4.4%	4.3%	6,687	6,476
CHF	3.8%	3.8%	938	935
JPY	3.9%	4.0%	584	562
Total borrowings			<u>175,027</u>	<u>164,806</u>

6. Borrowings are secured as follows:

Secured bank loans	175,027	164,806
Total borrowings	<u>175,027</u>	<u>164,806</u>

7. Repayment of borrowings are specified as follows:

	30.6.2014	31.12.2013
Repayments in 1 year or less	26,470	1,665
Repayments in 1 - 2 years	37,912	31,379
Repayments in 2 - 3 years	40,719	42,880
Repayments in 3 - 4 years	66,701	39,805
Repayments in 4 - 5 years	1,426	47,053
Subsequent	1,799	2,024
Total borrowings	<u>175,027</u>	<u>164,806</u>

Notes, contd.:

8. Currency risk

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

30 June 2014	ISK	USD	GBP	Other
Investment securities	149,328	0	0	301
Receivables	724	1,657	0	0
Cash and equivalents	3,859	16	0	1
Restricted cash	244	0	0	0
Borrowings	(57,039)	(40,848)	(6,687)	(1,523)
Trade and other payables	(172)	0	0	0
Net balance sheet exposure	<u>96,944</u>	<u>(39,175)</u>	<u>(6,687)</u>	<u>(1,221)</u>
31 December 2013				
Investment securities	183,489	0	0	302
Receivables	779	1,790	0	0
Cash and equivalents	2,598	25	0	1
Restricted cash	13	0	0	0
Borrowings	(50,575)	(39,860)	(6,476)	(1,497)
Trade and other payables	(210)	0	0	0
Net balance sheet exposure	<u>136,094</u>	<u>(38,045)</u>	<u>(6,476)</u>	<u>(1,194)</u>