

Eyrir Invest ehf.

Condensed Interim Financial Statements

1 January - 30 June 2008

ISK

Eyrir Invest ehf.
Skólavörðustígur 13
101 Reykjavík
Iceland

Reg. no. 480600-2150

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Endorsement and Signatures of the Board of Directors and the CEO

Eyrir Invest ehf.'s aim is to own, buy and sell shares, other securities and all other financial assets. The Company started its operation in the year 2000.

According to the income statement, profit for the period from 1 January to 30 June 2008 amounted to ISK 298 million. According to the balance sheet, equity at the end of June 2008 amounted to ISK 18,243 million.

Statement by the Board of Directors and the CEO

The condensed interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies.

According to 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 2008, its assets, liabilities and financial position as at 30 June 2008 and its cash flows for the period then ended.

Further, in our opinion the financial statements and the 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 condensed interim financial Statements of Eyrir Invest ehf. for the period from 1 January to 30 June 2008 and confirm them by means of their signatures.

Reykjavík, 27 August 2008.

The Board of Directors:

Thórdur Magnússon, Chairman

Sigurjón Jónsson

Jón Helgi Guðmundsson

CEO:

Árni Oddur Thórdarson

Independent Auditors' Review Report

To the Board of Directors of Eyrir Invest ehf.

We have reviewed the accompanying condensed interim financial statements of Eyrir Invest ehf., which comprise the balance sheet as at 30 June 2008 and the interim income statements, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to express a conclusion on this 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 interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 27 August 2008.

KPMG hf.

Sæmundur Valdimarsson

Income Statement

for the Six Months Ended 30 June 2008

	Notes	1 January - 30 June	
		2008	2007
Investment income:			
Net income from securities and derivatives	3	2,868,189	1,767,716
Interest income		811,659	153,808
Interest expenses		(1,780,392)	(577,801)
Net foreign exchange (loss) gain		(3,229,057)	1,480,233
		<u>(1,329,601)</u>	<u>2,823,956</u>
Operating expenses:			
Salaries and salary related expenses		83,639	146,841
Other operating expenses		33,000	26,478
		<u>116,639</u>	<u>173,319</u>
(Loss) profit before income tax		(1,446,240)	2,650,637
Income tax	4	1,744,472	(431,839)
Profit for the period		<u>298,232</u>	<u>2,218,798</u>
Earnings per share:			
Basic earnings per share (ISK)		0.41	3.94
Diluted earnings per share (ISK)		0.41	3.90

Balance Sheet as at 30 June 2008

	Notes	30.6.2008	31.12.2007
Assets:			
Cash and cash equivalents		9,162,727	6,958,889
Restricted cash		3,026,755	0
Investment securities	5,6	45,193,477	40,508,576
Derivatives		370,265	484,873
Trade and other receivables		252,330	33,210
Operating assets		300,338	218,073
Total assets		58,305,892	48,203,621
 Equity:			
Share capital		730,305	730,305
Share premium		9,280,785	9,280,785
Reserves		31,950	21,526
Retained earnings		8,199,623	8,100,561
Total equity		18,242,663	18,133,177
 Liabilities:			
Derivatives		2,864,253	298,498
Trade and other payables		61,941	2,358,992
Borrowings	7,8	37,137,035	25,668,482
Deferred tax liability		0	1,744,472
Total liabilities		40,063,229	30,070,444
Total equity and liabilities		58,305,892	48,203,621

Statement of Changes in Equity for the Six Months Ended 30 June 2008

	Share capital	Share premium	Reserves Share option reserve	Retained earnings	Total equity
1 January to 30 June 2007					
Equity 1.1.2007	530,005	3,892,423	102,248	7,470,306	11,994,982
Profit for the period				2,218,798	2,218,798
Dividends (ISK 0.30 per share)				(166,426)	(166,426)
Issued share capital	20,000	467,000			487,000
Exercise of share options	36,300	653,400			689,700
Share option reserve			87,937		87,937
Share option reserve transferred		179,198	(179,198)		0
Equity 30.6.2007	586,305	5,192,021	10,987	9,522,678	15,311,991
1 January to 30 June 2008					
Equity 1.1.2008	730,305	9,280,785	21,526	8,100,561	18,133,177
Profit for the period				298,232	298,232
Dividends (ISK 0.27 per share)				(199,170)	(199,170)
Share option reserve			10,424		10,424
Equity 30.6.2008	730,305	9,280,785	31,950	8,199,623	18,242,663

Statement of Cash Flows

for the Six Months Ended 30 June 2008

	Notes	1 January - 30 June	
		2008	2007
Cash flows from operating activities:			
Profit for the period		298,232	2,218,798
Adjustments for:			
Net gain on the sale of shares in other companies		(860,764)	(2,293,648)
Unrealised loss on securities		(1,259,520)	732,797
Share option expensed		10,424	87,937
Depreciation		4,616	4,131
Income tax		(1,744,472)	431,839
Working capital (used in) from operations		(3,551,484)	1,181,854
Change in operating assets and liabilities		(101,818)	(118,928)
Net cash (used in) from operating activities		(3,653,302)	1,062,926
Cash flows from investing activities:			
Investments in shares		(69,290,655)	(19,661,520)
Proceeds from the sale of shares		70,981,779	17,275,880
Derivatives, change		2,680,363	(605,129)
Investments in bonds		(4,255,742)	(1,415,515)
Restricted cash, increase		(3,026,755)	0
Acquisition of operating assets		(86,881)	(4,852)
Net cash used in investing activities		(2,997,891)	(4,411,136)
Cash flows from financing activities:			
Proceeds from the issue of share capital		0	487,000
Dividend paid		(199,170)	(166,426)
Proceeds from borrowings		9,222,262	12,882,698
Repayment of borrowings		(168,061)	(8,746,885)
Net cash provided by financing activities		8,855,031	4,456,387
Increase in cash and cash equivalents		2,203,838	1,108,177
Cash and cash equivalents at 1 January		6,958,889	261,052
Cash and cash equivalents at 30 June		9,162,727	1,369,229
Investing and financing transactions without cash flow effect:			
Issued share capital		0	689,700
Other information:			
Interest income received		216,647	13,392
Interest expenses paid		1,283,719	538,551
Dividends received		71,167	251,531

Notes

1. Reporting Entity

Eyrir Invest ehf. (the "Company") is a 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 six-month period ended 30 June 2008 comprise the Company.

Eyrir Invest ehf. is an investment company, aiming to own, buy and sell shares, bonds and other financial instruments assets. The Company has listed bonds on the Iceland Stock Exchange.

2. Basis of preparation

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

a. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for interim financial statements as adopted by the EU. They do not include all of the information required for a complete set of annual financial statements, and should be read in conjunction with financial statements of the Company as at and for the year ended 31 December 2007.

The interim financial statements were approved by the Board of Directors of Eyrir Invest ehf. on 27 August 2008.

b. Basis of measurement

The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2007. The financial statements for the Company as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Skólavörðustígur 13, Reykjavík or at www.eyrir.is or at The OMX Nordic Exchange website, www.omxnordicexchange.com.

The condensed interim financial statements are prepared in Icelandic Krona, which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

Investment income

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

	2008	2007
Gain on the sale of shares	1,196,982	2,293,648
Dividends earned	71,167	251,531
Change in fair value of securities	1,113,739	(732,797)
Change in fair value of derivatives	486,301	(44,666)
Net income from securities and derivatives	<u>2,868,189</u>	<u>1,767,716</u>

Notes, contd.:

Income tax expense

4. Reconciliation of effective tax rate:	2008	2007
(Loss) profit before income tax	(1,446,240)	2,650,637
Income tax using the Company's tax rate	15.0% 216,936	18.0% (477,115)
Tax exempt dividend	0.7% 10,675	(1.7%) 45,276
Changes in value of shares and taxable loss not expected to be utilized	(15.7%) (227,611)	0
Deferred tax liability decrease due to changes in tax law	120.6% 1,744,472	0
Effective tax rate	120.6% 1,744,472	16.3% (431,839)

In May 2008 the Icelandic Parliament approved a decrease in the income tax rate from 18% to 15% as of 1 January 2008.

In May 2008 the Icelandic Parliament approved to authorise companies, with certain conditions fulfilled, to deduct from taxable income profit from the sale of shares. The deduction is only authorised if tax loss carry-forward, including loss for the current year, has been utilised. The authorisation is effective for profit arising in the year 2008 or later. As a result a deferred tax liability relating to shares in companies is no longer recognised in the balance sheet. In addition a deferred tax asset is not recognised due to tax loss carry-forward when it is likely that it will be utilised against profit from the sale of shares. Due to this, the deferred tax liability, which has been expensed in the income statement, is decreased by ISK 1,744 million in the first six months of 2008 and the decrease is recognised as income tax in the income statement. The decrease is comprised of ISK 2,171 million due to shares in companies, less ISK 422 million of tax loss carry-forward and ISK 5 million of other items.

Notes, contd.:

Securities

5. Securities are specified as follows:

	Ownership	Fair value 30/06/2008	Ownership	Fair value 31/12/2007
Listed securities:				
<i>Listed on the Icelandic Stock Exchange:</i>				
Marel Food Systems hf.	39.2%	19,856,034	31.2%	12,869,385
Össur hf.	19.9%	7,849,356	19.9%	8,277,961
Other companies		67,852		2,905,553
Total listed on the Iceland Stock Exchange		<u>27,773,242</u>		<u>24,052,899</u>
<i>Listed on foreign stock exchanges:</i>				
Listed on stock exchange in Stockholm		1,938,028		4,758,873
Listed on stock exchange in Oslo		531,740		507,541
Listed on stock exchange in Frankfurt		674,518		1,184,512
Total listed on foreign stock exchanges		<u>3,144,286</u>		<u>6,450,926</u>
Total listed securities		<u>30,917,528</u>		<u>30,503,825</u>
Unlisted securities:				
London Acquisition B.V. *		13,069,344		0
LME ehf.		0	40.0%	9,635,471
Unlisted shares		235,226		204,670
Unlisted bonds		971,379		164,610
Total unlisted securities		<u>14,275,949</u>		<u>10,004,751</u>
Fair value of securities end of period		<u>45,193,477</u>		<u>40,508,576</u>

* London Acquisition B.V. is a holding company owned by funds that are controlled by Candover Investments plc., Eyrir Invest ehf. and Landsbanki Íslands hf. London Acquisition sole asset is the Dutch company Stork N.V.

6. As presented in note 5, investments in associates are accounted for at fair value through profit or loss and presented within securities in the balance sheet. At end of June 2008, based on both direct and indirect ownership, the following investments are defined as associates:

	Ownership
Marel Food Systems hf., Iceland	39.2%
Össur hf., Iceland	19.9%

Notes, contd.:

Borrowings

7. Borrowings are specified as follows:

	30/06/2008	31/12/2007
EUR	18,580,237	9,727,661
ISK	9,055,842	8,710,092
SEK	5,756,221	4,304,685
USD	1,657,095	1,319,641
GBP	1,206,383	968,403
CHF	344,944	244,712
NOK	291,082	212,588
JPY	245,231	180,700
Borrowings	<u>37,137,035</u>	<u>25,668,482</u>

8. Repayment of borrowings are specified as follows:

Repayments in 2008	790,413	692,344
Repayments in 2009	13,392,203	10,364,271
Repayments in 2010	2,038,120	1,417,909
Repayments in 2011	2,666,152	2,014,090
Repayments in 2012	13,222,947	11,179,868
Repayments in 2013	<u>5,027,200</u>	<u>0</u>
Borrowings	<u>37,137,035</u>	<u>25,668,482</u>

Currency risk

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

30 June 2008	EUR	SEK	USD	GBP	NOK	Other
Assets	22,434,265	4,869,448	3,114,722		1,244,433	293,062
Liabilities	<u>(27,781,222)</u>	<u>(5,738,419)</u>	<u>(1,551,154)</u>	<u>(1,150,721)</u>	<u>(263,297)</u>	<u>(526,603)</u>
Net balance sheet exposure	<u>(5,346,957)</u>	<u>(868,971)</u>	<u>1,563,568</u>	<u>(1,150,721)</u>	<u>981,136</u>	<u>(233,541)</u>