Eyrir Invest hf.

Consolidated Financial Statements for the year 2012

EUR

Eyrir Invest hf.
Skólavörðustígur 13
101 Reykjavík
Iceland

Reg. no. 480600-2150

Contents

Endorsement and Statement by the Board of Directors and the CEO

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 consolidated financial statements of Eyrir Invest hf. ("the Company") have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements. The financial statements for the year ended 31 December 2012, comprise the consolidated financial statements of the Company and its subsidiaries, together referred to as the "Group". The Company's functional currency is EUR.

Operations in 2012

According to the statement of comprehensive income, loss for the year amounted to EUR 14.1 million and total comprehensive loss amounted to EUR 14.5 million. As stated in the statement of financial position total assets amount to EUR 370 million, equity at the end of the year amounts to EUR 172 million and equity ratio is 47%.

The Company's core holdings are a 33% 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. From 1st January 2013, Fokker Technologies and Stork Technical Services have separate corporate governance and financing. Eyrir Invest has been the principal shareholder in Marel hf. since 2005, a period of rapid external and internal growth. Revenues in 2012 were EUR 714 million compared to EUR 129 million in 2005. New equipment sales in markets outside W-Europe and N-America are around 50% of total sales compared to a 20% share a few years ago.

- Marel is a global provider of advanced equipment, systems and services for the poultry, fish and meat processing industry. Marel has offices and subsidiaries in over 30 countries and employs approximately 4,000 people. Marel's revenues in 2012 amounted to EUR 714 million, following a 7% organic growth. Marel is the largest listed company on NASDAQ OMX Iceland and 99% of its revenues derive outside Iceland.

- Stork Technical Services (Stork TS) is a world class, knowledge-based service provider to the oil, gas, power and chemical industries. In May 2011, Stork TS increased its geographical footprint by the acquisition of RBG Ltd. which has already been rebranded as Stork Technical Services. In 2012 Stork TS secured long term financing with bond issue. Stork TS employs around 14,500 employees dedicated to serve the oil, gas and power business in Benelux, North Sea, Caspian region, Middle East and North and South America. Revenues in 2012 were around EUR 1.400 million.

- Fokker Technologies is a tier one supplier to the aerospace industry with customers such as Boeing, Airbus, Lockheed Martin and Gulf Stream counting for 80% of total revenues. Fokker Technologies is also a provider of service and spare parts to discontinued production fleet such as Fokker, that counts for 20% of total revenues. Employees are around 4,000 and revenues are EUR 769 million in 2012.

In 2012 Eyrir Invest contributed, proportionally to its ownership, EUR 23 million in new equity to support further growth of Stork Technical Services and Fokker Technologies. The equity increase was part of total refinancing package, which enabled total separation of the companies operations. Long term stable financing, reduces risk and increases operational flexibility.

In 2012, Eyrir Invest changed it's business entity type from private limited company to limited company. Simultaneously all restrictions of trading shares were removed and the Articles of Assiociation adapted to suit the needs of institutional investors with the aim of further broadening the shareholder base.

In December 2011, new shares for nominal value of 100 million was sold to a long term institutional investor for cash proceeds to increase financial strenght and operational flexibility. In March 2012 Eyrir Invest acquired 100 million nominal value, own shares in exchange for investment assets.

At the beginning of the year 2013, new B shares for the total amount of EUR 16 million were issued, the purpose of the issuance is to further strengthen the financials of the Company. Eyrir Invest furthermore reached in beginning of the year 2013, an agreement with current banking partners to extend 85% of existing long-term loans, the current repayments of these loans are 2015-2018.

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

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

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

The Board and Corporate governance

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

The Board

The Board consists of five to seven Directors which are elected annually at the Annual General Meeting. Þórður Magnússon is the Chairman of the Board and has served on the Board since the Company was founded in the year 2000. Other Directors are: Jón Helgi Guðmundsson, Dr. Ólafur Steinn Guðmundsson, Sigurjón Jónsson and Hermann Már Þórisson, in addition to those five Board Members, at the AGM in 2012 Elín Jónsdóttir was elected Board member, however Jónsdóttir resigned from the Board of Directors in December 2012 when she was elected Chairman of the Board of a financial company.

The majority of the Board is independent of the Company and its major shareholders. Þórður Magnússon, Chairman, is co-founder of Eyrir Invest and holds a major share in the Company. Hermann Már Þórisson is Head of Alternate Investments at Landsbréf hf. which is fully owned by Landsbankinn hf. which is a large shareholder in Eyrir Invest hf. Árni Oddur Þórðarson, CEO of the Company, is also a co-founder of the Company and defined as a major shareholder.

Corporate governance

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

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

For the operational year 2012, the Board of Directors held twelve Board meetings and one meeting in the Remuneration Committee. Audit Committee meetings coincide with Board meetings. On all occasions the majority of the Board members and Committee members were present.

Shareholders and appropriation of profit
Shareholders at year-end were 16 unchanged from the beginning of the year. Four shareholders held more than 10% of outstanding shares each at the end of the year 2012. They are:

Þórður Magnússon*	20.2%
Árni Oddur Þórðarson*	17.3%
Horn Fjárfestingarfélag hf.	13.7%
Lífeyrissjóður verslunarmanna	10.0%

*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 2012 and refers to the financial statements regarding appropriation of the loss 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 Consolidated Financial Statements give a true and fair view of the financial performance of the Group for the financial year 2012, its assets, liabilities and financial position as at 31 December 2012 and its cash flows for the financial year 2012.

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

The Board of Directors and the CEO have today discussed the Annual Consolidated Financial Statements of Eyrir Invest hf. for the year 2012 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements will be approved at the Annual General Meeting of Eyrir Invest hf.

Reykjavík, 26 March 2013.

The Board of Directors:

CEO:

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Eyrir Invest hf. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of Eyrir Invest hf. as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 26 March 2013.

KPMG ehf.

Consolidated Statement of Comprehensive Income for the year 2012

	Notes	2012	2011
Investment income			
Change in fair value of investment securities		(7,992)	(30,977)
Dividend income		2,489	0
Income from change in accounting treatment of an associate	9	0	30,107
Share of profit of equity accounted associate	9	0	11,650
Interest expenses		(10,923)	(13,423)
Interest income		395	503
Net foreign exchange gain		3,430	4,763
Net investment (loss) income		(12,601)	2,623
Operating expenses			
Salaries and salary related expenses	6	987	934
Other operating expenses		560	732
Operating expenses		1,547	1,666
(Loss) profit for the year		(14,148)	957
Other comprehensive income			
Realised translation difference transferred to profit or loss		(370)	0
Share of comprehensive loss of associates		0	(488)
Other comprehensive loss for the year		(370)	(488)
Total comprehensive (loss) income for the year		(14,518)	469
Earnings per share for profit			
Basic and diluted (expressed in EUR cent)	13	(1.37)	0.09
Earnings per share for comprehensive income			
Basic and diluted (expressed in EUR cent)	13	(1.41)	0.05

The notes on pages 11 to 29 are an integral part of these consolidated financial state

Financial Statements of Eyrir Invest hf. 2012 7 Amounts are in EUR thousand

Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012	2011
Assets			
Cash and cash equivalents	7	775	9,419
Share subscription		0	15,377
Investment securities	9	364,473	364,931
Receivables	10	2,820	2,282
Restricted cash	8	13	1,055
Operating assets	11	2,034	2,082
Total assets		370,115	395,146

	Notes	2012	2011
Equity			
Share capital		5,947	6,546
Share premium		97,623	112,598
Translation reserve		4,816	5,186
Retained earnings		64,015	78,163
Total equity	12	172,401	202,493
Liabilities			
Borrowings	14,15	194,504	192,414
Trade and other payables		3,210	239
Total liabilities		197,714	192,653
Total equity and liabilities		370,115	395,146

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

Financial Statements of Eyrir Invest hf. 2012 8 Amounts are in EUR thousand

Consolidated Statement of Changes in Equity for the year 2012

	Notes	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
2011						
Equity 1.1.2011		5,912	97,855	5,674	77,207	186,648
Issue of share capital		634	14,743			15,377
Total comprehensive income for the year				(488)	957	469
Equity 31.12.2011	13	6,546	112,598	5,186	78,163	202,493
2012						
Equity 1.1.2012		6,546	112,598	5,186	78,163	202,493
Treasury shares purchased	13	(599)	(14,975)			(15,574)
Total comprehensive loss for the year				(370)	(14,148)	(14,518)
Equity 31.12.2012	13	5,947	97,623	4,816	64,015	172,401

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

Financial Statements of Eyrir Invest hf. 2012 9 Amounts are in EUR thousand

Consolidated Statement of Cash Flows
for the year 2012

	Notes	2012	2011
Cash flows from operating activities			
(Loss) profit for the year		(14,148)	957
Adjustments for:			
Change in fair value of investment securities		7,992	30,977
Income from change in accounting treatment of associates	9	0	(30,107)
Share of profit of equity accounted associates	9	0	(11,650)
Depreciation	11	76	84
Interest expenses		10,923	13,423
Dividend income		(2,489)	0
Interest income		(395)	(503)
Net foreign exchange gain and other items		(3,464)	(4,763)
Working capital from (used in) operations		(1,505)	(1,582)
Change in operating assets and liabilities		(602)	(904)
Cash used in operations before interest		(2,107)	(2,486)
Interest paid		(7,326)	(11,578)
Interest received		394	503
Dividends received		2,489	0
Net foreign exchange gain received		0	1,737
Net cash used in operating activities		(6,550)	(11,824)
Cash flows from investing activities			
Restricted cash, decrease		1,042	9,392
Investments in shares		(21,762)	(21,962)
Proceeds from the sale of investment securities		16,906	73,162
Acquisition of operating assets	11	(28)	(125)
Net cash (used in) from investing activities		(3,842)	60,467
Cash flows from financing activities			
New borrowings		35,551	3,143
Share subscription		15,377	0
Investments in own shares		(15,574)	0
Repayment of borrowings		(33,161)	(53,815)
Net cash from (used in) financing activities		2,193	(50,672)
Decrease in cash and cash equivalents		(8,199)	(2,029)
Effect of exchange fluctuations on cash held		(445)	(863)
Cash and cash equivalents at 1 January		9,419	12,311
Cash and cash equivalents at 31 December	8	775	9,419
Investing and financing activities without cash flow effect:			
Share subscription		(3,000)	15,377
Investments in shares		3,000	0
Share capital		0	(634)
Share Premium		0	(14,743)
Proceeds from borrowings		0	24,208
Repayment of borrowings		0	(24,208)

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

Financial Statements of Eyrir Invest hf. 2012 10 Amounts are in EUR thousand

Notes to the Consolidated Financial Statements

1. Reporting Entity

Eyrir Invest hf. (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 consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and it's subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

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

Assets and liabilities in the consolidated statement of financial position are presented in liquidity order which is considered more appropriate for the Group 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 consolidated 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 consolidated financial statements were approved by the Board of Directors of Eyrir Invest hf. on 26 March 2013.

b. Basis of measurement

The consolidated 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 Group accounts for the associate as an investment security at fair value through profit or loss. See further note 10.

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

c. Functional and presentation currency

The consolidated 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 the consolidated 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 consolidated financial statements is described in note 4i.

e. Change in presentation

The presentation of the Statement of cash flows has been changed from previous year. Effect of exchange fluctiations on cash held is now presented separately but was previously included in the line item *Net foreign exchange gain received.* Comparable amount have been adjusted accordingly.

3. Accounting policies related to financial instruments

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

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

a. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans, share subscriptions and other receivables, restricted cash, 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 Group designates its investment securities as financial assets at fair value through profit or loss upon initial recognition since the Group 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 or 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 Group'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.

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

b. Fair value measurement principles for financial instruments, contd.:

(i) Investment securities, contd.:

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

(ii) Receivables

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

(iii) Non-derivative financial liabilities

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

c. Investment income

(i) Net income from securities

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

(ii) Interest income and expense

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

(iii) Foreign exchange gain (loss)

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

4. Other accounting policies

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

An associate is an entity over which the Group has significant influence, but not control or joint control. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.

The operating results and assets and liabilities of associates are accounted for in these consolidated 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 Group measures it's share in associates at fair value through profit and loss as described in note 3 (b) (i), see further note 10.

4. Other accounting policies, contd.:

a. Basis of consolidation, contd.:

(iii) The application of the equity method

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group'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 Group has an obligation or has made payments on behalf of the associate.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign currency

Foreign currency transactions

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

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 Group 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. Other accounting policies, contd.:

d. Impairment, contd.:

(ii) Non-financial assets

The carrying amounts of the Group'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 plan

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

4. Other accounting policies, contd.:

h. New standards and interpretations not yet adopted

The Group has adopted all IFRSs, interpretations and amendments to existing standards that are effective for the year ended 31 December 2012 and relevant to the Group. The Group has not adopted early any IFRSs, interpretations or amendments effective after 31 December 2012. Impacts of new standards and interpretations have not been estimated.

i. Accounting estimates and judgements

Key sources of estimation uncertainty

Determination of fair values of financial instruments

As stated in note 3b the Group'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. The Group holds no derivative financial intruments at year end 2012.

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.

Critical accounting judgements in applying the Group's accounting policies

Classification of securities

The Group'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 Group maintains, when available, positions in both derivative and non-derivative financial instruments in accordance with its investment strategy. The Group's investment portfolio comprises quoted and non-quoted equity and debt investments. At year-end 2012, the Group holds no positions in derivative financial instruments.

The Group’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 Group is exposed from its use of financial instruments are:

* credit risk
* liquidity risk
* market risk

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

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

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, 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 Group’s activities. The Group, 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 Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group 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 Group has signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk.

Exposure to credit risk

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

	Carrying amount	
	2012	**2011**
Share subscription	0	15,377
Receivables	2,820	2,282
Cash and cash equivalents	775	9,419
Restricted cash	13	1,055
	3,608	28,133

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired either at 31 December 2012 or 31 December 2011.

Financial Statements of Eyrir Invest hf. 2012 17 Amounts are in EUR thousand

5. Financial risk management, contd.:

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 Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due and thus secure sustainability.

The Group'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 Group 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 44.2% of total assets at year-end 2012 (2011: 40.1%).

To mitigate this risk the Group 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 Group maintains no lines of credit with financial institutions at year-end 2012.

Maturity analysis for financial liabilities

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

31 December 2012

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

31 December 2011

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
Financial liabilities:						
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

* In February, 2013 Eyrir Invest renegotiated the repayment terms of 85% of secured bank loans, see note 21.

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 Group'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 Group's market risk is managed by the employees in accordance with policies and procedures in place.

Details of the Group's investment portfolio at the reporting date are disclosed in the schedule of investments included in note 10.

Financial Statements of Eyrir Invest hf. 2012 18 Amounts are in EUR thousand

5. Financial risk management, contd.:

Market risk, contd.:

(i) Currency risk

The Group 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 Group companies.

The Group uses, when efficient, forward exchange contracts to hedge its currency risk. When necessary, forward exchange contracts are rolled over at maturity. At year-end 2011 and 2012, there were no active forward exchange contract market in Iceland.

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

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

31 December 2012	ISK	USD	GBP	Other
Financial instruments at fair value through profit or loss	202,133	0	0	343
Receivables	941	1,870	0	0
Cash and equivalents	751	0	0	1
Restricted cash	13	0	0	0
Borrowings	(50,751)	(44,628)	(7,274)	(4,744)
Net balance sheet exposure	153,087	(42,758)	(7,274)	(4,400)

31 December 2011	ISK	USD	GBP	Other
Financial instruments at fair value through profit or loss	206,986	0	0	325
Share subscription	15,377	0	0	0
Cash and equivalents	9,405	6	0	4
Restricted cash	1,008	0	0	47
Receivables	133	1,906	0	0
Borrowings	(49,325)	(44,101)	(6,694)	(4,746)
Net balance sheet exposure	183,584	(42,189)	(6,694)	(4,370)

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
ISK	161.18	161.87	170.27	159.28
USD	1.29	1.39	1.32	1.29
GBP	0.81	0.87	0.82	0.84

Sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2012 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 2011.

	Profit or loss	
	2012	2011
ISK	(15,309)	(18,358)
USD	4,276	4,219
GBP	727	669
Other	440	437

Financial Statements of Eyrir Invest hf. 2012 19 Amounts are in EUR thousand

5. Financial risk management, contd.:
Market risk, contd.:
(i) Currency risk, contd.:

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

(ii) Interest rate risk

The majority of the Group’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 Group is exposed to interest risk from interest bearing liabilities and that risk is mitigated by active risk management.

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

	Carrying amount	
	2012	**2011**
Fixed rate instruments		
Financial liabilities	(5,239)	(25,059)
Variable rate instruments		
Financial assets	789	10,474
Financial liabilities	(189,265)	(167,355)
	(188,476)	(156,881)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group 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 2011.

	2012		**2011**	
	Profit or loss		**Profit or loss**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(1,885)	1,885	(1,569)	1,569
Cash flow sensitivity (net)	(1,885)	1,885	(1,569)	1,569

Financial Statements of Eyrir Invest hf. 2012 20 Amounts are in EUR thousand

5. Financial risk management, contd.:

Market risk, contd.:

(ii) Interest rate risk, contd.:

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

	31 December 2012 Carrying amount	31 December 2012 Fair value	31 December 2011 Carrying amount	31 December 2011 Fair value
Investment securities	364,473	364,473	364,931	364,931
Cash and cash equivalents	775	775	9,419	9,419
Restricted cash	13	13	1,055	1,055
Share subscription	(3,000)	(3,000)	15,377	15,377
Loans and receivables	2,820	2,820	2,282	2,282
Secured bank loans	(188,173)	(188,011)	(162,906)	(162,566)
Unsecured bond issues and bank loans	(6,331)	(6,766)	(29,508)	(29,575)
Trade and other payables	(209)	(209)	(239)	(239)
	170,368	170,095	200,411	200,684

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

Interest rates used for determining fair values

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

	2012	2011
Secured bank loans	4,0% - 9,5%	4,9% - 6,9%
Unsecured bond issues, indexed / non-indexed	10.50%	5,5% - 8,8%

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 Group'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 Group's Management by constructing a diversified portfolio of investments and instruments traded on various markets. In addition market fluctuations are monitored regularly which enables the Group to react quickly to any changes in the market.

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

	2012	2011
Food Systems; Marel	55.3%	56.7%
Technical services - Oil & gas; Stork	24.6%	23.8%
Aerospace services; Stork	20.1%	19.5%
	100.0%	100.0%

Financial Statements of Eyrir Invest hf. 2012 21 Amounts are in EUR thousand

5. **Financial risk management, contd.:**

Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business. It is the strategy of the Group to pay as dividend 10 - 25% of each year profit. However, in recent years no dividends have been paid to maintain a strong capital base and to support further value creation in the Group's core holdings. At the end of 2012 the equity ratio is 47% (2011: 51.2%).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Return on equity from foundation of the Company is well above market return. However Company's return on capital was -7.0% in 2012 (2011: 0.5%), mainly due to adjustment in fair value of the holdings in London Acquistion Luxco S.a.r.l.

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

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

Salaries and salary-related expenses

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

	2012	2011
Salaries and performance-based payments	755	753
Contributions to defined contribution plans	79	76
Other salary-related expenses	103	75
Salaries, Board of Directors	50	30
Total salaries and salary-related expenses	987	934
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:

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

2011	Salaries	Other benefits	Defined contribution plan	Total salaries & benefits
Þórður Magnússon, Chairman of the Board	74	14	7	95
Árni Oddur Þórðarson, CEO	200	20	19	239

The CEO and the Chairman of the Board do not have any share options at year-end 2011 and 2012. Share options can only be issued to them if approved by a Shareholders' meeting.

Salaries paid to other members of the board during the year 2012 amounted to EUR 50 thousand (2011: 30 thousand).

Cash and cash equivalents

7. Cash and cash equivalents consists of bank deposits.

Restricted cash

8. Bank deposits amounting to EUR 13 thousand (2011: EUR 1,055 thousand) are restricted to use for the Group at year-end. Deposits are cash held by financial institutions as collateral for borrowings.

Financial Statements of Eyrir Invest hf. 2012 23 Amounts are in EUR thousand

Investment securities

9. Investment securities are specified as follows:

	Ownership	Fair value 31.12.2012	Ownership	Fair value 31.12.2011
Listed securities:				
Marel hf.*	33.1%	200,817	35.6%	206,409
Unlisted securities:				
London Acquisition Luxco S.â.r.l.**	17.0%	162,000	17.0%	157,620
Other unlisted shares		1,656		902
Total unlisted securities		163,656		158,522
Fair value of investment securities at year-end		364,473		364,931

*At year-end 2011 the Company changed its accounting treatment for its investment in the associate Marel hf. Until 30 December 2011 the Company accounted for this investment using the equity method but as of 31 December 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.

** 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 year end Eyrir held 17% stake in Stork BV through London Acquisition Luxco S.à r.l. As Stork BV is not listed on any stock exchange, a quoted market price was not available. The fair value of the investment in London Acquisition S.à r.l. was calculated by using market multiples based on analysis of market multiples for comparable companies and comparable transactions. Key inputs and assumptions used in the model at 31 December 2012 include the following.

Market multiples

Market multiples applied to the valuation were EV/EBITDA multiples based on analysis of market mulitples for traded peer group companies at 31 December 2012 and EV/EBITDA multiples from recent transactions.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Financial assets at fair value through profit or loss	Level 1	Level3	Total
31 December 2012			
Equity instruments	200,817	163,656	364,473
31 December 2011			
Equity instruments	206,409	158,522	364,931

Receivables

10. Receivables are specified as follows:

	2012	2011
Capital gain tax	564	101
Other receivables	2,256	2,181
Receivables	2,820	2,282

At 31 December 2012 and 31 December 2011 no allowance was conceded for doubtful receivables. No impairment loss was recognised during the years.

Financial Statements of Eyrir Invest hf. 2012 24 Amounts are in EUR thousand

Operating assets

11. Operating assets are specified as follows:

	Buildings	Other operating assets	Total
Gross carrying amount			
Balance at 1.1.2011	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
Additions during the year	19	9	28
Balance at 31.12.2012	2,129	330	2,459
Depreciation and impairment losses			
Balance at 1.1.2011	154	211	365
Sales and disposals during the year	0	(109)	(109)
Depreciation	42	51	93
Balance at 31.12.2011	196	153	349
Depreciation	42	34	76
Balance at 31.12.2012	238	187	425
Carrying amounts			
1.1.2011	1,956	94	2,050
31.12.2011	1,914	168	2,082
31.12.2012	1,891	143	2,034
Depreciation ratios	2%	20-30%	

The insurance value of the real estate amounted to EUR 1,227 thousand at year-end 2012 (2011: 1,815 thousand). The tax assessment value of the buildings amounted to EUR 551 thousand at year-end (2011: 567 thousand). The insurance value of other operating assets amounted to EUR 359 thousand at year-end 2012 (2011: 376 thousand).

Equity

12. Issued capital

The Company's share capital at the beginning of the year amounted to ISK 1,009 million and was fully paid. On 15 March 2012, the Company acquired 100 million own shares at an exercise price of ISK 26 per share. Share capital according to the statement of financial position amounted to EUR 5.9 million at year-end 2012.

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

Share capital is specified as follows:

	Number of shares
Share capital according to the Articles of Association (issued capital)	1,108,681
Treasury shares	(100,000)
Share capital at year-end	1,008,681

Share premium

Share premium represents excess of payment above nominal value 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.

Financial Statements of Eyrir Invest hf. 2012 25 Amounts are in EUR thousand

12. Issued capital, contd.:

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.

Authorisation of preference shares

On 21 December 2012, it was authorised on a Shareholders' meeting to increase share capital up to 231 million by issuing shares in a new class of shares, B shares. The B shares are preference shares that have priority right to dividends and are convertible into A shares at any time. Holders of B shares have limited voting rights at the meetings of the Company. On 31 December 2012 no B shares have been issued. See further, note 21.

Earnings per share

13. Earning per share for profit:

	2012	2011
(Loss) profit for the year	(14,148)	957
Weighted average number of share capital (basic and diluted)		
In thousand shares		
Share capital at 1 January	1,108,681	1,007,681
Effect of own shares held	(79,726)	0
Effect of share increase	0	553
Weighted average number of share capital	1,028,955	1,008,234
Earnings per share:		
Basic and diluted earnings per share (EUR cent)	(1.37)	0.09

Earnings per share for comprehensive income:

	2012	2011
Total comprehensive income	(14,518)	469
Earnings per share:		
Basic and diluted earnings per share (EUR cent)	(1.41)	0.05

Borrowings

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

	Average interest rate	2012	2011
EUR	5.0%	87,106	87,548
ISK, indexed	5.4%	9,258	28,272
ISK, non-indexed	8.3%	41,493	21,053
USD	5.1%	44,628	44,101
GBP	5.6%	7,274	6,694
CHF	4.3%	3,462	3,343
JPY	4.5%	1,283	1,403
Borrowings		194,504	192,414

Borrowings are secured as follows:

	2012	2011
Secured bank loans	188,173	162,906
Unsecured bond issues and bank loans	6,331	29,508
Borrowings total	194,504	192,414

14. Borrowings, contd.:

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

	2012	2011
Investment in Marel hf.	200,817	206,409
Investment in London Acquisition Luxco S.â.r.l.	162,000	157,620
	362,817	364,029

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 an 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.

Eyrir Invest holds a Global Note for the nominal value of USD 10 million issued by Kaupthing bank, one of the fallen Icelandic banks. The book value of Global Note is in accordance with fair value of these claims in the market but the Company position is that it has the right to set-off the claim against bank borrowings for the full nominal value of the Global Note.

15. Repayment of borrowings are specified as follows:

	2012	2011
Repayments in 2012	-	47,636
Repayments in 2013	24,859	31
Repayments in 2014	137,880	135,924
Repayments in 2015	24,409	31
Repayments in 2016	4,056	3,244
Repayments in 2017	1,232	635
Subsequent	2,068	4,913
Borrowings	194,504	192,414

Extension borrowings

In February 2013, the Company entered into an agreement to extend the Company's debt with financial institutions. The maturity profile of borrowings according to the agreement is as follows:

Repayments in 2013	16,185
Repayments in 2014	6,759
Repayments in 2015	33,348
Repayments in 2016	44,950
Repayments in 2017	42,126
Subsequent	51,136
Borrowings	194,504

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

Income tax

16. Income tax recognised in profit or loss is specified as follows:

Reconciliation of effective tax rate:

		2012		2011
Profit before income tax		(14,148)		957
Income tax according to current tax rate	(20.0%)	(2,830)	(20.0%)	191
Temporary difference due to unrecorded tax asset and other changes	20.0%	2,830	20.0%	(191)
Effective tax rate	0.0%	0	0.0%	0

Financial Statements of Eyrir Invest hf. 2012 27 Amounts are in EUR thousand

Deferred income tax liability

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

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

	2012	2011
Tax losses carried forward	(17,189)	(16,624)
Balance sheet items	(717)	(1,107)
Temporary difference due to unrecorded tax asset (liability)	17,906	17,731
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 Group will pay no income tax in the year 2013 due to tax losses carried forward.

18. Guarantees

The Group has not issued any guarantees or entered into any obligations for other companies.

19. Related parties

Identity of related parties

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

Shareholders with significant influence

Landsbankinn hf. is defined as related party due to major shareholding directly and indirectly through Horn Fjárfestingarfélag hf., totalling 23,33% of outstanding shares at year-end 2012. Eyrir Invest finances its activities with equity and long-term financing. Landsbankinn hf. has been one of Eyrir Invest hf's creditors since foundation.

Transactions with related parties

In March 2012, the Company sold 18.6 million shares in Marel hf. to Landsbankinn hf. at an exercise price of ISK 140 per share. The total sale price amounted to 15,552 thousand EUR. Simultaneously the Company acquired 100 million own shares from Landsbankinn hf. at an exercise price of ISK 26 per share. The total purchase price amounted to 15,574 thousand EUR.

At year-end 2012, total outstanding debts are EUR 194.5 million (2011: EUR 192.4 million). Borrowings from Landsbankinn hf. amount to EUR 112.8 million at year-end 2012 (2011: EUR 102.8 million) or 58% of total borrowings (2011: 53%). Interest expences recognised through profit or loss on borrowings from Landsbankinn hf. amounted to EUR 5.6 milion (2011: EUR 5.9 million).

Eyrir Invest hf. has deposits at Landsbankinn hf., in 2012 interest income amounted to EUR 112 thousand (2011: EUR 317 thousand).

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

20. Group entities

At 31 December 2012 the Company’s subsidiaries were two. The subsidiaries included in the consolidated financial statements are the following:

	Place of registration and operation	Ownership interest 31.12.2012	Ownership interest 31.12.2011
Eyrir sprotar slhf.	Iceland	100%	100%
Eyrir sprotar GP ehf.	Iceland	100%	100%

Both subsidiaries were established at year-end 2011 and commenced operation in the year 2012.

Financial Statements of Eyrir Invest hf. 2012 28 Amounts are in EUR thousand

21. Subsequent events

Issuance of preference shares

On 31 January 2013, the Company received subscription for B shares for the nominal amount of ISK 107.630.769. Total subscription price amounted to EUR 16 million after transaction cost. On 15 February the consideration was paid to the Company and the shares are now on issue.

Extension borrowings

In February 2013, the Company entered into an agreement to extend the Company's debt with financial institutions. The maturity profile of borrowings according to the agreement is as follows:

Repayments in 2013	16,185
Repayments in 2014	6,759
Repayments in 2015	33,348
Repayments in 2016	44,950
Repayments in 2017	42,126
Subsequent	51,136
Borrowings	194,504

Financial Statements of Eyrir Invest hf. 2012 29 Amounts are in EUR thousand