

Eyrir Invest hf.
Condensed Interim Financial Statements
1 January - 30 June 2012
EUR

Eyrir Invest hf.
Skólavörðustígur 13
101 Reykjavík
Iceland

Reg. no. 480600-2150

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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 condensed interim financial statements of Eyrir Invest hf. for the period from 1 January to 30 June 2012 have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Operations in 2012

Profit for the period from 1 January to 30 June 2012 amounted to EUR 18.3 million and total comprehensive profit amounted to EUR 18.0 million. According to the statement of financial position, equity at end of June 2012 amounted to EUR 204.9 million.

Statement by the Board of Directors and the CEO

The condensed interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

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 2012, its assets, liabilities and financial position as at 30 June 2012 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 hf. for the period from 1 January to 30 June 2012 and confirm them by means of their signatures.

Reykjavík, 13 August 2012.

The Board of Directors:

Þórður Magnússon, Chairman
Jón Helgi Guðmundsson
Ólafur S. Guðmundsson
Hermann Már Þórisson
Sigurjón Jónsson
Elín Jónsdóttir

CEO:

Árni Oddur Þórðarson

Independent Auditor's Review Report

To the Board of Directors of Eyrir Invest hf.

We have reviewed the accompanying condensed statement of financial position of Eyrir Invest hf. as of 30 June 2012 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. 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, 13 August 2012.

KPMG ehf.

Matthías Þór Óskarsson

Statement of Comprehensive Income

for the Six Months Ended 30 June 2012

	Notes	1 January - 30 June	
		2012	2011
Investment income			
Change in fair value of investment securities		24,513	(15,165)
Dividend income		2,489	0
Share of profit of equity accounted associate	5	0	2,583
Interest expenses		(5,394)	(5,797)
Interest income		279	310
Foreign exchange (loss) gain		(2,727)	5,531
Net operating revenue (expenses)		19,160	(12,538)
Operating expenses			
Salaries and salary related expenses		527	451
Other operating expenses		303	370
Operating expenses		830	821
Profit (loss) for the period		18,330	(13,359)
Other comprehensive income			
Realised translation difference transferred to profit and loss		(368)	0
Share of comprehensive income of associates		0	(190)
Other comprehensive income for the period		(368)	(190)
Total comprehensive income for the period		17,962	(13,549)
Earnings per share for profit			
Basic and diluted (expressed in EUR cent per share)		1.75	(1.33)
Earnings per share for comprehensive income			
Basic and diluted (expressed in EUR cent per share)		1.71	(1.34)

The notes on pages 9 - 11 are an integral part of the condensed financial statements

Statement of Financial Position as at 30 June 2012

	Notes	30.6.2012	31.12.2011
Assets			
Cash and cash equivalents		748	9,419
Share subscription		0	15,377
Restricted cash		24	1,055
Investment securities	4	373,837	364,931
Receivables		2,992	2,282
Operating assets		2,045	2,082
Total assets		379,646	395,146
 Equity			
Share capital		5,947	6,546
Share premium		97,623	112,598
Translation reserve		4,818	5,186
Retained earnings		96,492	78,163
Total equity		204,880	202,493
 Liabilities			
Borrowings	6,7,8	174,563	192,414
Trade and other payables		203	239
Total liabilities		174,766	192,653
Total equity and liabilities		379,646	395,146

The notes on pages 9 - 11 are an integral part of the condensed financial statements

Statement of Changes in Equity for the Six Months Ended 30 June 2012

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
1 January to 30 June 2011					
Equity 1.1.2011	5,912	97,855	5,674	77,207	186,648
Total comprehensive income for the period ..			(190)	(13,359)	(13,549)
Equity 30.6.2011	5,912	97,855	5,484	63,847	173,098
1 January to 30 June 2012					
Equity 1.1.2012	6,546	112,598	5,186	78,163	202,493
Treasury shares	(599)	(14,975)			(15,574)
Total comprehensive income for the period ..			(368)	18,330	17,962
Equity 30.6.2012	5,947	97,623	4,818	96,492	204,880

The notes on pages 9 - 11 are an integral part of the condensed financial statements

Statement of Cash Flows

for the Six Months Ended 30 June 2012

	Notes	1 January - 30 June	
		2012	2011
Cash flows from operating activities			
Profit (loss) for the period		18,330	(13,359)
Adjustments for:			
Change in fair value of securities .....	(	24,513)	15,165
Share of profit of associates	5	0	(2,583)
Net interest expenses		5,115	5,487
Dividend income .....	(	2,489)	0
Net foreign exchange loss (gain)		2,727	(5,531)
Depreciation and other changes		38	48
Working capital used in operations		(792)	(773)
Change in operating assets and liabilities .....	(	590)	(1,369)
Cash used in operations before interest		(1,382)	(2,142)
Interest expenses paid .....	(	5,450)	(8,092)
Interest income received		178	141
Dividends received		2,489	0
Net cash used in operating activities		(4,165)	(10,093)
Cash flows from investing activities			
Restricted cash, decrease (increase)		1,031	9,389
Share subscription		15,377	0
Investments in own shares .....	(	15,574)	0
Investments in shares in associates		0	(21,595)
Investments in shares in other companies .....	(	469)	(216)
Proceeds from sale of shares		15,661	73,171
Acquisition of operating assets .....	(	1)	(124)
Net cash from investing activities		16,025	60,625
Cash flows from financing activities			
Proceeds from borrowings		12,479	6,189
Repayment of borrowings .....	(	33,010)	(57,816)
Net cash used in financing activities		(20,531)	(51,627)
Decrease in cash and cash equivalents .....	(	8,671)	(1,095)
Cash and cash equivalents at 1 January		9,419	12,311
Cash and cash equivalents at 30 June		748	11,216

The notes on pages 9 - 11 are an integral part of the condensed financial statements

Notes

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 financial statements of Eyrir Invest hf. as at and for the six-month period ended 30 June 2012 comprise the Company and its share in associates until the end of December 2011, see further note 5.

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

The 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 2012 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 2011, which are available on the Company's website www.eyrir.is

The interim financial statements were approved by the Board of Directors of Eyrir Invest hf. on 13 August 2012.

c. 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 and 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 2011.

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 2011.

Notes, contd.:

4. Investment securities

Investment securities are specified as follows:

	Ownership	Fair value 30.6.2012	Ownership	Fair value 31.12.2011
Listed securities:				
Marel hf.	33.1%	233,136	35.6%	206,409
Unlisted securities:				
London Acquisition Luxco S.á.r.l.*	17.0%	139,000	17.0%	157,620
Other unlisted shares		1,701		902
Total unlisted securities		140,701		158,522
Fair value of investment securities at period-end		373,837		364,931

* 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.

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

5. Investments in equity accounted associates

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.

6. Borrowings

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

	30.6.2012	31.12.2011
EUR	76,842	87,548
ISK, unindexed	30,141	21,053
ISK, indexed	10,020	28,272
USD	45,583	44,101
GBP	7,149	6,694
CHF	3,405	3,343
JPY	1,423	1,403
Total borrowings	174,563	192,414

7. Borrowings are secured as follows:

Secured bank loans	168,100	162,906
Unsecured bond issues	6,463	29,508
Total borrowings	174,563	192,414

Notes, contd.:

8.	Repayment of borrowings are specified as follows:	30.6.2012	31.12.2011
	Repayments in 1 year or less	681	47,636
	Repayments in 1 - 2 years*	152,494	31
	Repayments in 2 - 3 years	13,412	135,924
	Repayments in 3 - 4 years	681	31
	Repayments in 4 - 5 years	4,952	3,244
	Subsequent	2,343	5,548
	Total borrowings	<u>174,563</u>	<u>192,414</u>

* The vast majority of repayments in 1 - 2 years are due in May 2014.

9. Currency risk

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

30 June 2012	ISK	USD	GBP	NOK	Other
Financial instruments at fair value					
through profit or loss	234,496	0	0	335	0
Receivables	792	1,961	0	0	0
Cash and equivalents	686	5	1	0	1
Restricted cash	24	0	0	0	0
Borrowings	(40,161)	(45,583)	(7,149)	0	(4,828)
Net balance sheet exposure	<u>195,837</u>	<u>(43,617)</u>	<u>(7,148)</u>	<u>335</u>	<u>(4,827)</u>

31 December 2011

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

The functional currency of the Company is EUR. Majority of the Company's revenue and expenses are in EUR.

10. Subsequent events

In July 2012, the Company secured new borrowings in the amount of EUR 13 million (ISK 2,000 million). Interest on the loan is payable every six months and the principal is due on 15 May 2015, but can be extended until 2016 if certain conditions are met. In August 2012, Eyrir further secured a EUR 8.5 million loan. The loan is to be repaid in August 2013. The loans are secured by a pledge of listed and unlisted shares.

In August 2012, Stork which is wholly owned by London Acquisition S.a.r.l., announced the refinancing of its two businesses, Stork Technical Services and Fokker. The refinancing enables the full separation of the businesses. The refinancing includes a significant equity contribution from current investors out of which Eyrir Invest's share will be up to EUR 23 million in new equity.