

Eyrir Invest hf.
Condensed Consolidated Interim
Financial Statements
1 January - 30 June 2013
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	3
Independent Auditor's Review Report	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9

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 consolidated interim financial statements of Eyrir Invest hf. for the period from 1 January to 30 June 2013 have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. The interim financial statements comprise the consolidated interim financial statements of Eyrir Invest hf. and its subsidiaries, together referred to as the "Group".

Operations in 2013

Loss for the period from 1 January to 30 June 2013 amounted to EUR 25.4 million and total comprehensive loss amounted to EUR 25.9 million. According to the statement of financial position, equity at end of June 2013 amounted to EUR 162.2 million.

Statement by the Board of Directors and the CEO

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the financial performance of the Company for the six-month period ended 30 June 2013, its assets, liabilities and financial position as at 30 June 2013 and its cash flows for the period then ended.

Further, in our opinion the condensed consolidated interim 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 consolidated interim financial statements of Eyrir Invest hf. for the period from 1 January to 30 June 2013 and confirm them by means of their signatures.

Reykjavík, 30 August 2013.

The Board of Directors:

CEO:

Independent Auditor's Review Report

To the Board of Directors of Eyrir Invest hf.

We have reviewed the accompanying condensed consolidated statement of financial position of Eyrir Invest hf. as of 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated 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 consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 30 August 2013.

KPMG ehf.

Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2013

	Notes	1 January - 30 June	
		2013	2012
Investment income			
Change in fair value of investment securities .....	(	19.204)	24.513
Dividend income		2.361	2.489
Interest expenses .....	(	6.350)	(5.394)
Interest income		300	279
Foreign exchange loss .....	(	1.642)	(2.727)
Net operating (expenses) revenue		(24.535)	19.160
Operating expenses			
Salaries and salary related expenses		557	527
Other operating expenses		272	303
Operating expenses		829	830
(Loss) profit for the period .....	(	25.364)	18.330
Other comprehensive income			
Realised translation difference transferred to profit and loss .....	(	554)	(368)
Total comprehensive income for the period .....	(	25.918)	17.962
Earnings per share for profit			
Basic and diluted (expressed in EUR cent per share) .....	(	2,59)	1,75
Earnings per share for comprehensive income			
Basic and diluted (expressed in EUR cent per share) .....	(	2,59)	1,71

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

Consolidated Statement of Financial Position as at 30 June 2013

	Notes	30.6.2013	31.12.2012
Assets			
Cash and cash equivalents		3.577	775
Investment securities	4	320.181	364.473
Receivables		3.199	2.820
Restricted cash		25.560	13
Operating assets		2.013	2.034
Total assets		<u>354.530</u>	<u>370.115</u>
Equity			
Share capital	5	6.571	5.947
Share premium		112.705	97.623
Translation reserve		4.262	4.816
Retained earnings		38.651	64.015
Total equity		<u>162.189</u>	<u>172.401</u>
Liabilities			
Borrowings	6,7,8	192.079	194.504
Trade and other payables		262	3.210
Total liabilities		<u>192.341</u>	<u>197.714</u>
Total equity and liabilities		<u>354.530</u>	<u>370.115</u>

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

Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2013

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
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
1 January to 30 June 2013					
Equity 1.1.2013	5.947	97.623	4.816	64.015	172.401
Issue of B shares	623	15.083			15.706
Total comprehensive income for the period ..			(554)	(25.364)	(25.918)
Equity 30.6.2013	6.571	112.705	4.262	38.651	162.189

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

Consolidated Statement of Cash Flows

for the Six Months Ended 30 June 2013

	Notes	1 January - 30 June	
		2013	2012
Cash flows from operating activities			
(Loss) profit for the period .....	(	25.364)	18.330
Adjustments for:			
Change in fair value of securities		19.204	(24.513)
Net interest expenses		6.050	5.115
Dividend income .....	(	2.361)	(2.489)
Net foreign exchange loss (gain)		1.642	2.727
Depreciation and other changes		36	38
Working capital used in operations	(	793)	(792)
Change in operating assets and liabilities .....	(	866)	(590)
Cash used in operations before interest	(	1.659)	(1.382)
Interest expenses paid .....	(	9.947)	(4.699)
Interest income received		284	178
Dividends received		2.361	2.489
Net cash used in operating activities	(	8.961)	(3.414)
Cash flows from investing activities			
Restricted cash, decrease (increase) .....	(	25.547)	1.031
Investments in shares in other companies .....	(	380)	(469)
Paid investment in shares in other companies .....	(	3.000)	0
Proceeds from sale of shares		25.470	15.661
Acquisition of operating assets .....	(	15)	(1)
Net cash from investing activities	(	3.472)	16.222
Cash flows from financing activities			
Share subscription		15.706	15.377
Investments in own shares		0	(15.574)
Proceeds from borrowings		0	12.479
Repayment of borrowings .....	(	1.260)	(33.010)
Net cash used in financing activities	(	14.446)	(20.728)
Increase (decrease) in cash and cash equivalents		2.013	(7.920)
Effect of exchange fluctuations on cash held		789	(751)
Cash and cash equivalents at 1 January		775	9.419
Cash and cash equivalents at 30 June		3.577	748

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

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 condensed consolidated interim financial statements of Eyrir Invest hf. as at and for the six-month period ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

2. Basis of preparation

a. Functional and presentation currency

These Condensed Consolidated 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 consolidated interim financial statements for the six months ended 30 June 2013 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 2012, which are available on the Company's website www.eyrir.is.

The condensed consolidated interim financial statements were approved by the Board of Directors of Eyrir Invest hf. on 30 August 2013.

c. Judgement and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

Changes in accounting policies

The Group has adopted all new standards and amendments to standards, including any consequential amendments to other standards as they have been endorsed by the EU, with a date of initial application of 1 January 2013. Only the adoption of *IFRS 13 Fair Value Measurement* is expected to have any effect on the Group's financial statements.

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurement. The implementation of IFRS 13 does not have any effect on the fair value of the Group's assets but has effect of the disclosures of investment securities.

Notes, contd.:

4. Investment securities

Investment securities are specified as follows:

	Ownership	Fair value 30.6.2013	Ownership	Fair value 31.12.2012
Listed securities:				
Marel hf.	29,3%	174.640	33,1%	200.817
Unlisted securities:				
London Acquisition Luxco S.á.r.l.*	17,0%	142.900	17,0%	162.000
Other unlisted shares		2.641		1.656
Total unlisted securities		145.541		163.656
Fair value of investment securities at period-end		320.181		364.473

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

At period end Eyrir held 17% 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.

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly. The group has no level 2 financial assets or liabilities.
- Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 3	Total
30 June 2013			
Investment securities	174.640	145.541	320.181
31 December 2012			
Investment securities	200.817	163.656	364.473

There were no transfers between levels during the period.

Investment securities carried at fair values

	Level 1	Level 3
Balance at 1 January 2013	200.817	163.656
Total gains and losses for the period included in profit or loss	(789)	(18.495)
Total gains and losses for the period included in other comprehensive income	(554)	0
Investments in investment securities	0	380
Proceeds from sale of investment securities	(24.834)	0
Balance at 30 June 2013	174.640	145.541

Level 3 fair values

Fair values are based on last 12 month EBITDA and on an analysis of market multiples for comparable companies and comparable transactions. The market multiples range from 8 to 10 at 30 June 2013 (2012: forecast EBITDA from 8 to 10).

Notes, contd.:

5. Share capital and share premium

a. Issue of B 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.

B shares have priority to dividend over A shares until B shares have received dividend amounting to ISK 2.60 per share on a yearly basis starting on 1 February 2013 and ISK 3.90 per share starting on 1 February 2018. B shares carry limited voting rights and shareholders holding B shares can at any time demand that the Company convert all of the holdings of individual B shareholders into class A shares.

b. Share capital

	Ordinary shares		B shares	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012
In issue at 1 January	1.008.681	1.108.681	0	0
Issued for cash	0	0	107.631	0
Own shares purchased	0	(100.000)	0	0
In issue at period end	<u>1.008.681</u>	<u>1.008.681</u>	<u>107.631</u>	<u>0</u>
Authorised for issue	1.108.681	1.218.681	231.000	0

c. Share premium

Share premium represents excess of payment above nominal value that shareholders of ordinary and B shares have paid for shares issued 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.

6. Borrowings

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

	Average interest rate	30.6.2013	31.12.2012
EUR	5,0%	84.227	87.106
ISK, non-indexed	9,4%	42.214	41.493
ISK, indexed	5,4%	9.793	9.258
USD	5,5%	44.312	44.628
GBP	6,0%	7.052	7.274
CHF	4,8%	3.353	3.462
JPY	5,0%	1.128	1.283
Total borrowings		<u>192.079</u>	<u>194.504</u>

7. Borrowings are secured as follows:

Secured bank loans	185.724	188.173
Unsecured bond issues	6.355	6.331
Total borrowings	<u>192.079</u>	<u>194.504</u>

8. Repayment of borrowings are specified as follows:

	30.6.2013	31.12.2012
Repayments in 1 year or less	21.070	16.185
Repayments in 1 - 2 years	27.827	6.759
Repayments in 2 - 3 years	39.844	33.348
Repayments in 3 - 4 years	44.819	44.950
Repayments in 4 - 5 years	48.605	42.126
Subsequent	9.914	51.136
Total borrowings	<u>192.079</u>	<u>194.504</u>

Notes, contd.:

9. Currency risk

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

30 June 2013	ISK	USD	GBP	Other
Financial instruments at fair value through profit or loss	176.023	0	0	321
Receivables	2.194	1.888	0	0
Cash and equivalents	2.901	629	0	4
Restricted cash	25.560	0	0	0
Borrowings	(52.007)	(44.312)	(7.052)	(4.481)
Net balance sheet exposure	<u>154.671</u>	<u>(41.795)</u>	<u>(7.052)</u>	<u>(4.156)</u>
31 December 2012				
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	<u>153.087</u>	<u>(42.758)</u>	<u>(7.274)</u>	<u>(4.400)</u>

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