EYRIR INVEST

12

ANNUAL REPORT

EYRIR INVEST

Core Investments		Industry	% of Eyrir Invest's total assets	Eyrir Invest's ownership in company, %
Marel	Leading global provider of advanced equipment and systems for the food processing industry.	**Food Processing Industry:** "The only reliable way to produce more food is to use more technology." – The Economist	54%	33%
Stork Technical Services	Stork TS is a world class, knowledge-based asset integrity management company dedicated to providing seamless performance to corporations in the oil & gas, power, chemical and other major industries with operations in the North Sea, Europe, Americas, Caspian Sea, Middle East and Asia.	**Oil & Gas:** "Oil is the world's vital source of energy and will remain so for many years to come, even under the most optimistic of assumptions about the pace of development and deployment of alternative technology". – International Energy Agency	24%	17%
Fokker Technologies	With 100 years of aircrafting experience, Fokker designs, manufactures, maintains and overhauls aircraft parts, aerospace structures, landing gears and aircraft wiring systems.	**Aerospace:** "Over the past 20 years, air travel grew by an average of 5% each year, despite two major world recessions, terrorist acts, the Asian financial crisis of 1997, the severe acute respiratory syndrome (SARS) outbreak in 2003, and two Gulf wars. The resilience of air transport growth comes from its intrinsic importance to the livelihood of people around the world." – Airbus global market forecast	20%	17%
Eyrir Sprotar	A leading venture capital investor with focus on supporting companies which show potential for becoming global leaders within their respective fields.	**Innovation:** "Overnight success takes 11 years."	1%	100%

2012

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ANNUAL REPORT

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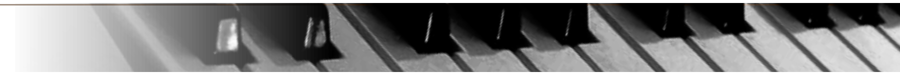
“You can't build a reputation on what you are going to do.”

Henry Ford



Mission

Eyrir Invest is an international investment company. Our main focus is 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.

Strategy

We follow a “Buy and Build” strategy. We are an investor that invests in relatively few companies at any given time. Our investment strategy does not follow a preconceived time frame. We aim to become the leading investor in our holdings and build a strong and good relationship with our co-investors.

Vision

Eyrir Invest provides its holdings with stable ownership, experience and long-term thinking. We ensure that execution is aligned with strategy. That is how we provide value to our investments. That is how we do business.

Our Values

Long-term thinking

We consider scenarios that might occur in the future and are constantly watching out for new opportunities

Courage

We are proactive and exercise leadership when necessary

Endurance

We possess stamina and patience to support as needed the projects we believe in

Integrity

We act responsibly and are trustworthy in all our interactions

Financial objectives

Eyrir Invest aims to achieve a healthy return on equity while maintaining a strong balance sheet.

- The aim is to generate long-term attractive returns for our shareholders; returns that are above global market returns
- Equity ratio will be maintained above 40%

Eyrir's long-term "Buy and Build" strategy has a proven track record. Our investment philosophy is to invest in companies with a clear competitive advantage and the potential to become market leaders within their fields.

Eyrir Invest takes an active role as an owner, supporting core investments and ventures with stable ownership, experience and long-term thinking.

Eyrir Invest was founded in mid-year 2000. Since then, Net Asset Value per share has increased from 1.4 Eurocents per share to 17.1 Eurocents per share, equalling more than 20% annual return. During the same period, the MSCI World Index nominated in EUR has declined 3% annually on average.

Our core values are long-term thinking, courage, endurance and integrity. We honour our values every day in Eyrir and through board participation in our operating companies. In recent years, during a challenging economic period, we have taken several decisive steps in order to unlock superior long-term value and cash proceeds for our shareholders.

Last year, major reorganization took place at Stork TS and Fokker, which operate today as two strongly financed and independent companies. Those holdings are registered at fair value with increased focus on market multiples. Reorganizing, refinancing and strengthening balance sheets led to downward adjustments of valuation, consequently Net Asset Value in Eyrir decreased by 7% in 2012.

Eyrir performed a strategic review in 2012. The conclusion is that we continue to define Marel as long-term holding while our aim is to create significant values with great cash proceeds through exits of Fokker and Stork TS the coming 2-4 years.

Building strong companies; Stork Technical Services and Fokker Technologies

Eyrir Invest and Arle have been in good co-operation, building values in Fokker and Stork TS in the past 5-6 years, where the highlight was the successful acquisition of RBG by Stork TS in spring 2011, where geographical footprint was increased significantly. The landmark acquisition transforms Stork TS into a "tier-one" oil, gas and energy services provider with around 14,400 employees serving clients such as Shell, BP and Exxon. More than 60% of its revenues are now generated outside Benelux with high growth potential in the North Sea and S-America.

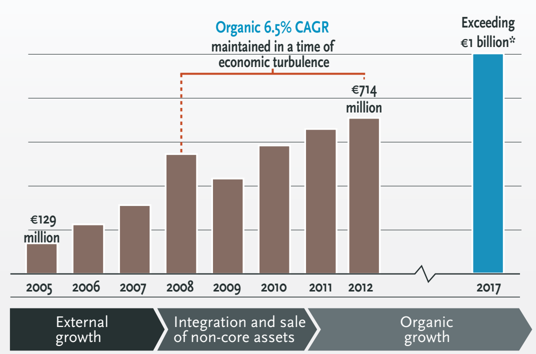
Another major milestone was reached in 2012, with long-term financial agreements for Fokker and Stork TS. The refinancing consisted of a full, separate financing for those companies and full integration of RBG into

Stork TS. As a result of the refinancing the two companies now have their own governance structure with separate Supervisory Boards. This is a logical step to establish and grow the two distinct international businesses. In conjunction with the refinancing Eyrir Invest provided EUR 23 million of new equity to those companies and maintained its 17% shareholding.

Marel has grown organically by 29% in the past 4 years

Marel has grown revenues organically by 29% in the past four years. At the same time Marel has introduced a steady pipeline of new products and strengthened its global sales and service network.

Marel is a truly global company with around 50% of new equipment sales originating from markets outside the more established markets in North America and Western Europe, compared with around 20% of sales a few years back. This differentiates Marel from its peers that have not in many cases enjoyed growth the past four years, a period that has been economically challenging.



*Target

Sales of Greenfield projects today will increase the instalment base in new markets, leading to additional sales of standard equipment and maintenance services down the road. Marel´s underlying quality of earnings remains high with service revenues counting for 35% of total sales.

A proven "buy and build" strategy

It is important to realise that Eyrir is not a speculative investor, focusing on short-term results, but a long-term strategic business partner with strong focus on solid and sustainable future cash flows and real value creation.

This is also reflected in our participation in venture investments. During 2012 we have supported our venture investments well with additional capital, and we have seen those companies develop according to plan. We remain confident that some of our venture investments will prove their merit within a few years. We have a track record of creating value in ventures through buy, build and strategic exits in the past.

Eyrir´s financials remain strong with total assets around 400 million EUR with long-term financing and equity ratio around 50%.

At the beginning of 2013, Eyrir Invest issued preference shares within a new class of equity. Parallel to issuing EUR 16 m of new shares, Eyrir extended maturity of borrowings through an agreement with current banking partners. As a result Eyrir´s balance sheet today harmonizes well with our strategy of remaining the principal shareholder of Marel for the long run and preparing the exit of other core holdings near term.

Finally, we would like to take the opportunity to thank our team and business partners for their work and co-operation during 2012. We provide our companies with stable ownership, experience and long-term thinking. We ensure that execution is aligned with clear and focused strategy.

June 2000

Initial share price at foundation was 1.4 Euro cents

Buy and build and strategic exits result in good value creation

December 2012

Intrinsic share price at year end was 17.1 Euro cents

2000 – Foundation of Eyrir Invest
Primary goal was investments in financial services companies.

2002–2005
Eyrir's focus shifts away from financial services with exit of Kaupthing shares in December 2005.

2004 – New Investment Strategy in 2004
Focus on international technical companies with the potential to become global market leaders.

2004–2006
Strategic shift from trading book into long-term investments.

2005–2006
Strategic purchase of controlling stakes in Marel and Össur.

2007
Acquisition and delisting of Stork.

2008–2009
Full sale of Calidris to Sabre Holding. Eyrir was a co-leading shareholder with management.

2010–2011
Final sale of Eyrir's holding in Össur at DKK 8.75 per share after 7 successful years.

Marel
Leader with 20% market share in a fast growing market. Best-in-class EBITDA and cash flow.

Fokker
Growing EBITDA. Fokker becomes a part of foreseeable market consolidation.

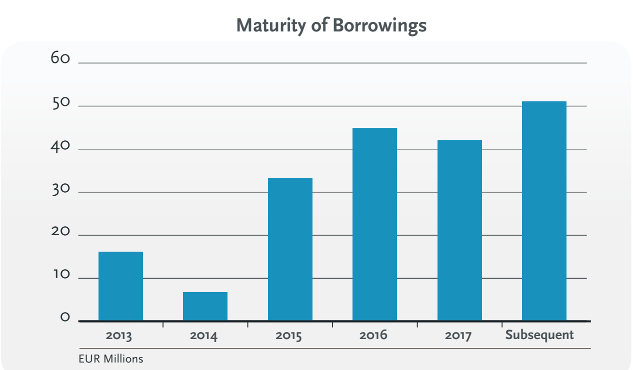
Stork Technical Services
Organic growth and bolt-on acquisitions. Serves as first-class tier one contractor.

Eyrir invest is financed through equity and long-term financing. In the first weeks of 2013 eyrir extends average maturity of debt and issues new shares.

At year-end 2012 Eyrir's total assets amount to EUR 370 million and the equity ratio is 47%. At an extraordinary shareholders meeting in Eyrir Invest, held on 21 December, 2012 it was resolved to grant permission to the Board of Directors to issue up to 231 million of a new B class of Eyrir shares. The Board of Directors decided in February 2013 to issue 108 million new B shares for EUR 16 million. The proceeds of the new shares are fully paid to the Company and the new shareholders are pension funds and institutional investors. The purpose of the equity increase is to strengthen the Company's financials and enhance operational flexibility. The new equity raises Eyrir's equity ratio to over 50%.

Simultaneously to the share increase Eyrir Invest extended the repayment terms of 85% of its total borrowings and the average maturity of debt is four years.

Total issued A shares amount to 1,108 million shares, whereof the Company holds own shares amounting to 100 million nominal value.



Core Holdings With Sound Financials

Eyrir's core holdings are 33% holding in Marel and 17% holding in Stork B.V., which owns and operates Stork TS and Fokker Technologies.

The long-term outlook for Eyrir Invest and its core holdings is good. The financials of the core holdings are in line with strategy and international benchmarks with net debt levels at 2-4x EBITDA.

Marel's AGM 2013 decided to pay a dividend for the operating year 2012 equal to 20% of operating profit, resulting in an approximately EUR 2.4 million dividend payment to Eyrir. Market value of shares in Marel has risen from EUR 0.79 per share at the beginning of 2012 to EUR 0.83 at the year-end.

Highlights

In 2012 Stork BV refinanced Fokker Technologies and Stork TS. The refinancing into two separate capital structures was a logical next step to establish and grow its two distinct, international businesses. The refinancing also includes the full integration of the RBG Group into Stork TS. The refinancing included a significant equity contribution from current investors; funds managed by Arle Capital Partners, Eyrir Invest and other prominent international investors. Eyrir Invest´s equity contribution amounted to EUR 23 million.

As of 1 January 2013, both companies have their own two-tier Board. This step enables Fokker Technologies and Stork TS to establish and grow two distinct, international businesses. Stork B.V. will consequently limit its role to that of shareholder of both companies.

Under the new governance structure, both entities will have their own Supervisory Boards. Mr. Arni Oddur Thordarson, CEO of Eyrir Invest, is a member of both Supervisory Boards.

Eyrir Invest's core holdings, representing over 90% of assets, are in the leading industrial companies: Marel, Stork Technical Services and Fokker Technologies.

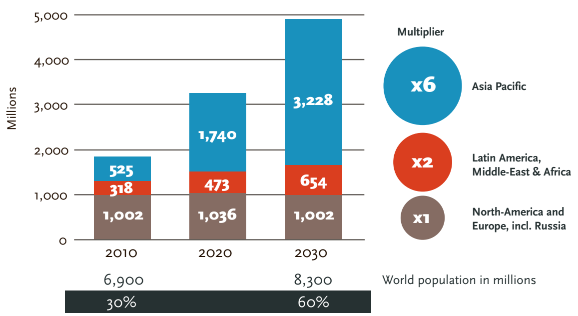
The vast majority of Eyrir Invest's assets are in three leading industrial companies: Marel, Stork TS and Fokker Technologies. Today these three companies are market leaders within their respective industries.

Eyrir Invest is the principal investor in Marel, holding 33% of total shares. Eyrir Invest also holds 17% in Stork TS and Fokker Technologies.

marel	Leading global provider of advanced equipment and systems for the food processing industry.	54%	33%
STORK Technical Services	Stork Technical Services is a world class, knowledge-based asset integrity management company dedicated to providing seamless performance to corporations in the oil & gas, power, chemical and other major industries with operations in the North Sea, Europe, Americas, Caspian Sea, Middle East and Asia.	24%	17%
FOKKER Technologies	With 100 years of aircrafting experience, Fokker designs, manufactures, maintains and overhauls aircraft parts, aerospace structures, landing gears and aircraft wiring systems.	20%	17%
EYRIR SPROTAR	A leading venture capital investor with focus on supporting companies which show potential for becoming global leaders within their respective fields.	1%	100%

The global economy is undergoing a transformation which eventually will lead to a new economic equilibrium. In the coming decades billions of people in today's emerging markets will become the backbone of the global middle class and living standards all over the world will improve dramatically.

The number of active consumers is growing globally



Source: OECD (households with daily expenditures [PPP] from 10-100 USD per person)

Eyrir Invest assets are ideally positioned within industry segments that enjoy good growth prospects for the long-term. As an example air passenger traffic is expected to continue to grow at 4-5% annual rate in coming decades due to urbanization in new markets and this is reflected in record order backlog of new aircraft, commercial and business, being built.

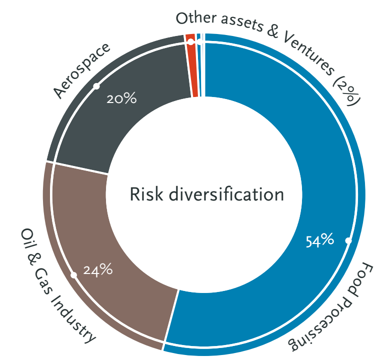
Preparing for strong growth

In spite of a challenging operational environment in 2012, Eyrir Invest´s core holdings managed to deliver a solid performance and continued growth. Marel, serving the base consumption of food on a global basis, delivered organic growth of 7%. Marel has grown organically by 29% in the past four years. The strong long-term growth trends of Marel´s markets remain in place and the company has in recent years continued to invest in market penetration in emerging markets, enabling it to capture great value-creating opportunities in the coming years.

For the Stork companies, Fokker Technologies and Stork TS, the refinancing in 2012 marked a major milestone. The refinancing consisted of a full, separate financing of its two businesses, Fokker Technologies and Stork TS, and included the final integration of the RBG Group into Stork Technical Services. This was a logical step to establish and grow its two distinct, international businesses. As a result of the refinancing, a new governance structure has been established for the two companies, who now have their own Supervisory Boards. In conjunction with the refinancing, Stork's shareholders contributed additional equity to the company. Eyrir Invest's pro-rata share for its 17% holding was EUR 23m which has been fully paid.

Building on strong foundations

We at Eyrir Invest believe that our "Buy and Build" investment strategy, in combination with our long-term view, is what will differentiate us. We believe that we have built a unique portfolio based on this principle, which has the potential to generate significant shareholder value and cash flows in the near future. Core holdings are well managed and have strong balance sheets. Our core holdings have shown the ability to combine growth and healthy cash flows. In addition they are all in the position to capture value-creating opportunities in their strategic plans.



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 increases customer base in new markets

"By reducing our customer reliance on energy and water we promote sustainability and conservation of scarce resources"

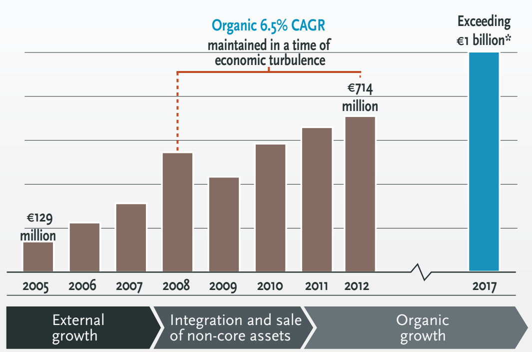
Chief Technological Officer, Jos van de Nieuwalaar

At Marel the year 2012 was about maintaining strategic focus in a climate of challenging economic conditions. Overall, 2012 was a satisfactory year for Marel with revenues amounting to EUR 714 million and EBITDA of 86 million.

Marel is now in its organic growth phase, after strategic important acquisitions in the years 2006-2008. In the past four years, Marel has managed to grow revenues organically by 29%, equalling 6-7% annual growth.

Marel has been developing into a truly global company with around 50% of new equipment sales emerging from markets outside the more established markets in North America and Western Europe, compared to around 20% of sales looking back a few years.

Marel revenue growth



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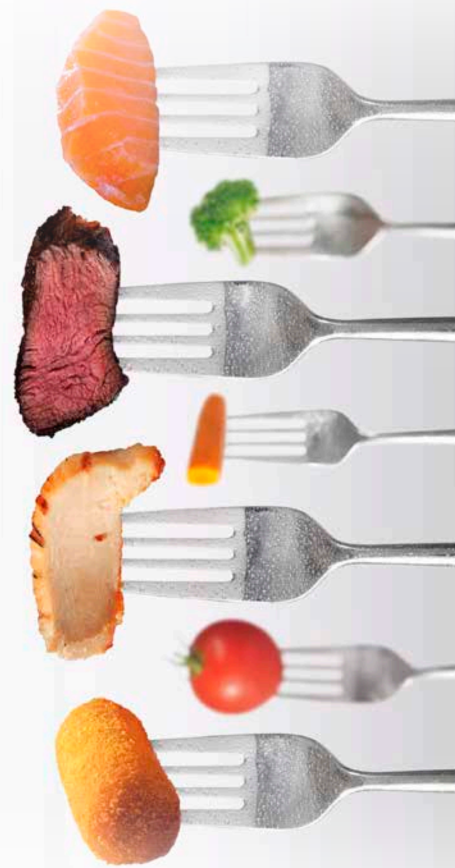
Sustainability is Marel´s core business

For decades, Marel has worked closely with the world's most forward-thinking food processors in their unceasing quest for new ways of optimizing their processes and increasing yield.

Today, business is not only about increasing yield, it is about reducing Marel's customers' reliance on scarce resources. A great example of this is Marel´s poultry AeroScalder that enables processors to reduce water usage by 75% and energy consumption by 50%, thus lowering considerably CO2 emissions.






Today Marel is truly a global leader in providing advanced systems and solutions to the fish, meat and poultry industries.

Preparing for strong and profitable growth

Marel´s industry is directly benefitting from prevailing trends. Urbanization continues at an enormous pace in emerging markets, resulting in a rise in average family incomes, which in turn drives increased protein consumption. Moreover, the demand for convenience food is rising on a global scale.

In the next two decades or so, the economic landscape will totally transform. Currently the number of active consumers is about 2 billion, of which the majority reside in North-America and Europe. In twenty years time it is forecasted that the number of active consumers will have risen to 5 billion globally, with almost the entire growth taking place in emerging markets such as China and India.

Marel serves its customers on a global basis through an extensive sales and service network spanning over 30 countries in all regions. Sales of greenfield projects today increase the instalment base in new markets, leading to additional sales of standard equipment and maintenance services down the road, and the fact that more than 50% of Marel's new equipment sales are in these emerging markets shows beyond doubt that Marel is well placed to capture the future growth.

In 2012, Marel celebrated 20 years of being listed on Nasdaq OMX Iceland. The Company has grown from its humble beginnings as a research project at the University of Iceland to a successful international company.

"The best way to predict the future is to invent it."

Alan Kay

Today, Marel is a global market leader in providing advanced systems to the poultry, meat and the fish industries. Marel is the largest company listed at Nasdaq OMX Iceland.

"Clear vision for the future, innovation and penetration into new markets. These key emphases have placed Marel in a leading position in the protein processing market. We thank our people for their passion and hard work and our customers for longstanding cooperation. We also extend our thanks for continuous support to our shareholders and send our regards to Nasdaq OMX Iceland. "

– Theo Hoen, CEO Marel.

"We congratulate Marel on this occasion. Marel has shown what it truly means to be publicly listed. Entrepreneurial spirit and a clear vision characterize this great company. We are thrilled that Marel is celebrating this milestone here at NASDAQ Market Site in New York and look forward to the company's future endeavours."

– Pall Hardarson, President of NASDAQ OMX Iceland.

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

Colin Powell

Successful refinancing of Stork B.V.

The refinancing of Stork B.V. was a great success for Eyrir and the rest of Stork's shareholders. It was the final step in the separation of Fokker Technologies and Stork Technical Services. Long-term financing is a key factor in operational stability and allows management to focus primarily on growth, market penetration and operational efficiency.

"Discipline is the bridge between goals and accomplishment."
Jim Rohn

In August 2012 Stork B.V. announced the full refinancing of its two businesses, Fokker Technologies and Stork Technical Services.

The refinancing included the final integration of the RBG Group into Stork TS. As part of the refinancing, all of Stork B.V.'s credit facilities were fully repaid.

In conjunction with the refinancing, Stork's shareholders contributed additional equity to the company. Eyrir Invest's pro-rata share for its 17% holding was EUR 23 million, which has been fully paid.

Stork TS' financing package consisted of EUR 272.5 million long-term listed bonds and a flexible working capital facility. Fokker Technologies' financing package consisted of a senior term loan of EUR 150 million and a flexible working capital facility. At the end of 2012, the total consolidated net debt of the Stork group was approximately 3x Operational EBITDA.

Previously, the two companies were governed by a single Advisory Board. However, as independent companies, the composition of the Advisory Boards for each can be more appropriately tailored towards the businesses' needs and growth phase position.

"This new governance structure is the logical next step following the establishment of two separate capital structures for the operations in August of last year. It is a key milestone in the establishment of both Fokker and Stork Technical Services as independent entities that are set to follow their own growth paths.

Stork Technical Services can now operate fully independently under the continued leadership of Doug Meikle as CEO and its Supervisory Board now chaired by Henk Rottinghuis"

–Sjoerd Vollebregt, CEO of Fokker Technologies

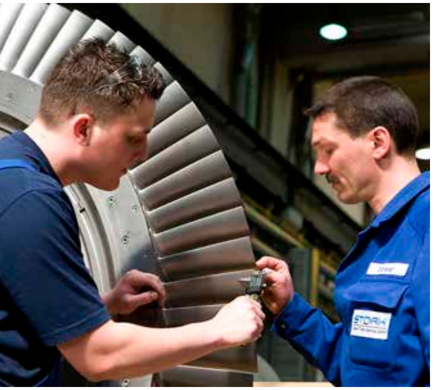
Stork Technical Services is becoming a pure play oil, gas and energy service provider with 14,400 employees globally. Revenues are around EUR 1.4 billion in 2012 with operating EBITDA close to 100 million.

Stork Technical Services (Stork TS) is a leading service provider, focusing on the oil and gas, chemical and power industries. Stork TS' services primarily consist of maintenance, modification and overhaul enabling its customers to focus on production, distribution and sales.

Top customers include:

Nexen, Ecopetrol, Apache, ConocoPhillips, Shell, Talisman Energy, RWE, Total, Sabic, AkzoNobel, Electrabel GDF Suez

Many of the companies in Stork TS' target industries are increasingly focused on asset integrity as a result of increasing regulatory requirements, an aging asset base, increasingly complex production facilities and more stringent health and safety requirements.

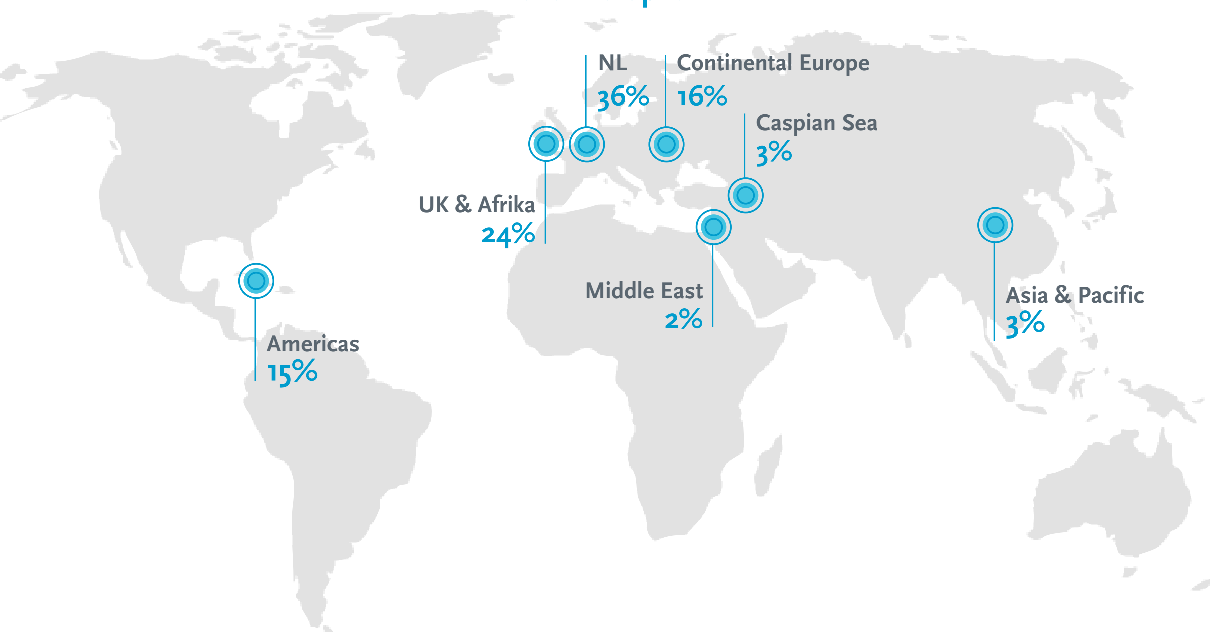


With roots dating back 185 years, Stork TS holds a strong position in the technical services market with an increased focus on customers in the energy industry. It has grown its customer base and geographical presence both organically and through acquisitions. Stork TS services consist of;

- **Asset Integrity:** asset management & consultancy, relocations & decommissioning
- **Integrity Services:** integrity assurance, inspection and testing services
- **Subsea:** diving services, remotely operated vehicle inspections etc.
- **Solutions:** rotating, electrical, process equipment solutions & services
- **Core Services:** mechanical, electrical, instrumentation services and fabric maintenance
- **Sales & Rental Services:** rental of industrial equipment and tools

STORK® TECHNICAL SERVICES

Revenue Split



In May 2011, Stork TS acquired RBG, a UK based company primarily serving offshore oil and gas customers. Based in Aberdeen with primary activities in the fast growing North Sea market and with considerable footprint in the Caspian Sea, Middle East and Africa.

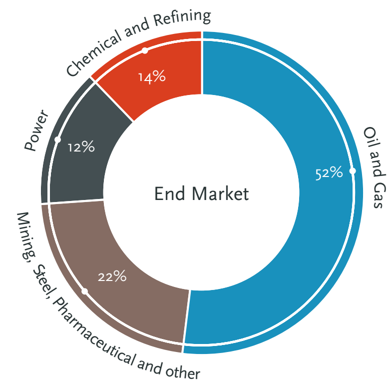
The RBG Acquisition expanded the customer base and the geographical footprint of Stork TS and broadened its capabilities in the area of offshore oil and gas markets. Today the companies have already been fully merged under the name of Stork Technical Services, with one management team and one long-term financing.

Stork TS' global network is comprised of a team of approximately 14,400 including approximately 2,400 project managers and engineers.

Stork TS estimates that the global addressable outsourced maintenance market in its target industries is approximately EUR 100 billion.

Stork TS estimates its market to grow by 5.5% annually in next five years, driven by the increased focus on asset integrity driven by increasing regulatory requirements, an aging asset base, increased complexity in production facilities and more stringent health and safety requirements.

Stork TS is well positioned to service the growing markets of offshore decommissioning and renewable energy, which are believed to continue to grow more rapidly than the overall market.



In Fokker Technologies, a world-class aerospace and defence company, 100 Years of Aircrafting experience, is gathered. Eyrir Invest owns 17% in Fokker Technologies. In 2012 Fokker Technologies had revenues of about 770 million Euros with EBITDA about 75 millions. Fokker Technologies consists of three business units.

Fokker Aerostructures is a recognized, first-class specialist in the design, development and manufacturing of lightweight structures, modules and landing gear for the aerospace and defence industry.

Fokker Elmo is a leading player in designing, manufacture and support for the electrical wiring interconnection systems for Aerospace and Defence programmes.

Fokker Services offers integrated services focused on increasing technical dispatch reliability and passenger comfort while reducing direct operating cost. These integrated services consist of aircraft services solutions, logistic solutions and technical solutions.

Fokker Technologies enjoys above average market growth potential based on a solid project pipeline in a well balanced project portfolio of civil, business and defence projects. It is Fokker's strategy to build on its strong engineering and project management skills and establish its position as a key specialist to aerospace OEMs.

In 2012 Fokker Elmo signed a contract with Commercial Aircraft Corporation of China Ltd (COMAC) for cooperation on the ARJ21 Aircraft Electrical Wiring and Interconnection System. The contract strengthens Fokker´s presence in China where Fokker Elmo has been active for over 15 years, having successfully established its facility in Langfang, China in 1997, and currently employs over 700 people.

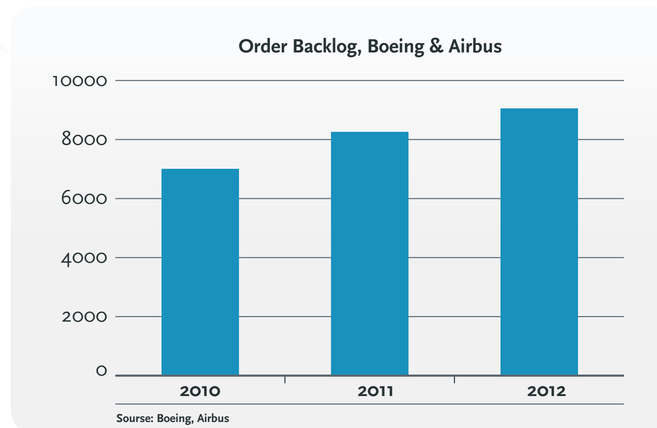
"Fokker Elmo is very excited about cooperating with COMAC on the ARJ-21 programme and is pleased about this further implementation of the strategy to broaden its portfolio in the emerging markets. Fokker Elmo is also pleased that it will extend its presence and cooperation within the Chinese Aerospace community".

– Jan Lagasse, President of Fokker Elmo.

Production facility in Mexico

In 2012, Fokker Aerostructures opened a new production facility in the city of Chihuahua, Mexico. Production started with the manufacturing of tail sections for business jets, and the first products were delivered in April 2012. In the near future the facility will also produce other aerostructures work packages. The opening of the facility is an important step in the execution of Fokker's global footprint and growth strategy. Production in Mexico is also a significant step in reducing the company's exposure to fluctuations in the dollar exchange rate.

Due to these effects the general consensus is that the outlook in the aircraft industry is very good, as is evident in the strong order book at the major producers. Furthermore, it is considered highly probable that consolidation is imminent in the industry, in particular because of the strategy by major producers to consolidate their supply chains and the general strategy by most players to look for increased footprint in emerging markets.



Favourable outlook for aerospace

The year 2012 was another record year for commercial aerospace with record number of aircraft produced and continued increase in backlogs. Global production rates were above 1,000 aircraft per year for the third year in a row and this is expected to continue. The trend is being driven by growth in passenger travel demand, particularly in Asia and the Middle East, as well as the need for more fuel-efficient aircraft.

The largest orders received in the history of the aerospace industry were booked in 2011 and 2012. These orders result in revenues in 5-7 years and confirm that the outlook for operations is good. Market forecasts of top large commercial aircraft manufacturers describe an expectation of between 27,000 and 34,000 commercial aircraft to be produced over the next 20 years.

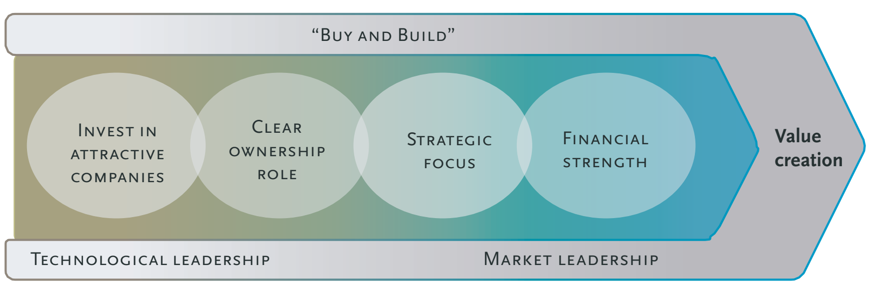
Eyrir sprotar focuses on supporting promising ventures for international growth and value creation, fully in line with Eyrir´s "Buy and Build" philosophy.

EYRIR SPROTAR

Eyrir adheres in venture investments to the same investment principles as in core holdings when it comes to selecting and following up on investments, applying its "Buy and Build" philosophy.

Eyrir Invest invests in companies that have high growth potential and the potential to become technological leaders. The investments do not have a preconceived timeframe.

Eyrir Invest has a long tradition and strong platform to participate through active ownership, supporting further growth and scalability. Investments to date have been in companies to which Eyrir believes it can add considerable value through stable ownership and by capitalizing on existing growth possibilities.



According to Eyrir Invests strategy, investments in venture capital may make up to 5% of total assets. However, capital is just one ingredient of many for a successful venture capital investment. Eyrir also provides its venture capital portfolio companies with access to its network of professionals, including board members and advisors.

Overnight success takes 11 years

Invention and innovation are among the key drivers of economic growth. In a company's life the real growth phase begins when it starts to commercialize its innovation.

> Marel was incorporated in 1983, the company's roots lie in a research project conducted at the University of Iceland starting in 1978. In 1992 Marel's shares were listed on the Icelandic Stock Exchange. Since then, through the support of its shareholders and capital markets, the company has grown from being a technological leader with few specialists into a global market leader with a diverse base of 4,000 employees in all regions of the world.

Sprotar is the Icelandic term for the English word Seed or Venture

remake electric

SAGAMEDICA

ReMake Electric

ReMake Electric was added to Eyrir Invest´s venture portfolio in 2010 and at that time Thordur Magnusson became the Chairman of the Board and Orn Valdimarsson a board member.

ReMake Electric has developed new techniques to measure and manage energy usage. The company offers sophisticated energy management software solutions, based on its patented metering technology.

- ReMake has developed metering technologies for electro technical components called Circuit Breaker Meter (CBM) technology. The CBM adds value as a monitoring and diagnostic tool to electrical protection installations in buildings to support energy savings along with providing added security and reliability.
- ReMake has developed an energy management software system for intranet and internet availability called eTactica EMS. The eTactica system helps homes and businesses to understand and optimize energy usage and reduce their carbon footprint.

Thordur Magnusson Chairman of ReMake Electric, and Hilmir Ingi Jonsson founder and CEO.

World energy consumption is projected to rise by 30% by 2020 and has increased by 72% since 1980, while up to 50% of CO_2 emissions attributable to residential and commercial buildings are from electricity consumption. Eyrir is looking forward to participating in future projects with ReMake as we consider ReMake's products and possibilities unique.

In 2012 ReMake made good progress. ReMake´s solution has been very well received and the number of customers in Iceland grew considerably. The first sales to Europe were reached in 2012 and the foundations for a strong distributor network put in place, creating a basis for strong sales growth in the years ahead.

Saga Medica

Saga Medica is an Icelandic natural products manufacturer, founded in the year 2000 after years of studies which began in 1992 and continue to this day. The herbs in Saga Medica´s products are collected in the pristine environment of Iceland. The most prominent herb in Saga Medica´s products is Angelica (Angelica archangelica in latin), a herb which has been used for medical purposes in Iceland since the settlement of Iceland by Vikings 1,100 years ago. The company has a strong connection to Icelandic nature and the harvesting process is eco-friendly.

Saga Medica has a solid academic background and the company was founded as a result of extensive research, on which the products are based. In 2012 the results of a clinical study on the efficacy of SagaPro was published in the Scandinavian Journal of Urology and Nephrology. In preparation for increased international marketing efforts, Saga Medica made organizational changes towards the end of 2012 as well as signing up new distribution partners.

Calidris – successful entry and exit story

Eyrir Invest became a principal investor in Calidris in 2007. Thordur Magnusson became Chairman of the Board at that time. Calidris is an excellent example of Eyrir Invest's "Buy and Build" strategy.

In March 2010 Calidris was sold to Sabre Airline Solutions, the world's leading provider of integrated IT solutions and services for the airline and travel industry, with 9,000 employees in 60 countries worldwide.

Calidris was incorporated in 2002 by two former Icelandair executives, Kolbeinn Arinbjarnarson and Magnus I. Oskarsson, who each have over 20 years experience in the airline industry. They had been working on the solution 3-4 years before the incorporation. In the initial years Calidris was funded from operations.

Calidris was based on a strong vision of building a superior product that can create great value in a well-defined niche in the world airline market. At the time of the sale Calidris had established itself as the world-wide leader in Revenue Integrity solutions.

The solution is built on a very strong underlying technical platform, which has much wider applicability than just in revenue integrity solutions.

Calidris was ready for the next step in its development. In order to make full use of the opportunities ahead, a trade sale was the right path for the company to follow. Calidris now has a strong sponsor to sell its solutions in the global market and the Calidris technology is being incorporated into other Sabre airline solutions as a key component of Sabre's future architecture. Calidris, or Sabre Iceland as it is now called, has 42 employees in Reykjavik.

Eyrir Invest is proud to have been part of this success and happy to see Calidris enter the next stage in its growth.

"It's not a faith in technology. It's faith in people."

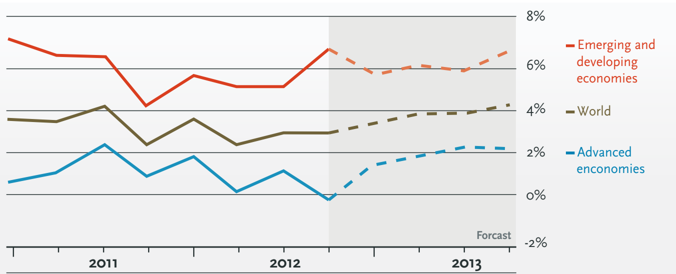
Steve Jobs

In the past few years the world economy has had a rocky ride with Europe and USA still grappling with the effects of the financial crisis of 2008. In 2012 the global economy slowed somewhat down again, after a good recovery in emerging markets. The economic development, particularly in emerging markets, comes as no surprise as it basically follows a well-known path.

The new revival

By the end of 2012 signs began to emerge showing that the slowdown has just about run its course. The situation remains highly variable between countries and markets. In emerging markets there has generally been good progress towards lowering inflation and strengthening the foundations for continued economic growth. In Europe and the USA progress has been more disappointing and much of 2013 will be spent in continuing to deal with the remaining issues of debt deleveraging and improving long-term growth prospects.

Global GDP Growth
(Percent; quarter over quarter, annualized)



Source: IMF World Economic Outlook, January 2013

Emerging markets continue to improve living standards and gain ground on the developed countries. The transition to a new global economic equilibrium is progressing as expected and that transition phase will last for many more years, as most emerging markets still have a lot of catching up to do. Most emerging markets did well in dealing with the challenges of 2012, and it is fair to expect stronger economic growth in the coming years with many exciting challenges and opportunities for companies and investors. For companies with roots in the developed countries, it will be imperative to invest wisely in innovation and market penetration geared towards those growing markets, if they are to harvest from the strong growth opportunities in these markets.

For Europe and the US the short term outlook remains mired in uncertainty, mainly due to politics. In both instances politicians seem incapable of agreeing on a long-term approach to dealing with the economic realities of high debt and low growth. For the developing markets the short term outlook is much more favourable, with economic indicators pointing to a recovery already in 2013 and with the potential of a number of years with strong, benign economic growth ahead.

An important factor in the prospects for a new revival, not only for emerging markets but for the global economy, is the slow but steady recovery of financial markets. Investors and capital are beginning to look for new and more interesting opportunities. Increased investment will support further economic growth and thus help to replace a vicious cycle with growth based on investments and real value creation.

Iceland – Seeking new opportunities

The Icelandic economy has in many ways recovered well from an unprecedented collapse of its financial sector. With the help of an economic programme co-ordinated by the IMF, the exchange rate of the Icelandic krona was successfully stabilized, government financials have improved and net government debt is showing the first signs of decrease. Since 2010 the economy has been growing again, on the back of strong export sectors such as the fishing industry and tourism.

However, as the tailwind from the recovery from the financial crisis abates, moving towards sustainable economic growth requires a stronger sense of direction. The Icelandic economy remains locked within capital controls and support for Iceland's application for a full membership of the European Union has suffered from the ongoing difficulties within the euro zone. The Icelandic economy has a strong platform to grow from, with its young, well-educated and flexible workforce, valuable renewable natural resources in geothermal and hydro energy, as well as rich fishing grounds. In order to fully harvest the available opportunities Iceland must seek out and embrace all opportunities for new and more diverse trade. In particular this calls for a strategy of welcoming foreign direct investment in most, if not all, of Iceland´s economic sectors, and the willingness to take further steps in creating a playing field with similar terms, rules and regulations as apply in the countries Iceland prefers to compare itself to.

Marel remains one of Iceland's most prominent export companies with a solid platform for continued growth and good operational results. Marel´s roots lie in the fishing industry but its successful growth into poultry, meat and further processing provides a great example of the possibilities and opportunities globalization provides, when approached with an open mind and thorough execution.

GDP for Iceland and other developed countries

Source: OECD, The Central Bank of Iceland)

"Coming together is a beginning; keeping together is progress; working together is success."

Henry Ford

Eyrir Invest´s Team consists of seven dedicated professionals with advanced qualifications and wide-ranging business experience.

Eyrir´s policy is to attract highly competitive professionals and offer competitive compensation. Eyrir Invest encourages its employees to increase their knowledge consistently, particularly by continuous education.

Thordur Magnusson
Chairman

Magnusson was the CFO at Eimskip for over 20 years, before co-founding Eyrir Invest, and held a seat on the boards of numerous Icelandic companies and organizations on behalf of Eimskip.

- Chairman of the Board in Marorka, SagaMedica, Handpoint and ReMake Electric
- Board member in many Icelandic companies, including, Byko, Kaupas, Norvik and Össur until March 2013
- Board member of the Iceland Chamber of Commerce and the University of Reykjavik
- MBA degree from the University of Minnesota
- Cand.Oecon in Business Administration from the University of Iceland

Arni Oddur Thordarson
CEO

Thordarson is the co-founder of Eyrir Invest, and has been its CEO from the beginning. Thordarson has extensive international experience in various businesses. Prior to co-founding Eyrir Invest, Thordarson was Head of Corporate Finance & Capital Markets at Bunadarbanki Islands, which later merged with Kaupthing.

- Chairman of the Board in Marel
- Board member of Stork TS and Fokker Technologies
- MBA degree from IMD in Switzerland
- Cand.Oecon in Business Administration from the University of Iceland

Margret Jonsdottir
CFO

Jonsdottir has been employed at Eyrir Invest since 2004 when she was appointed CFO of the company. Prior to joining Eyrir Invest, Jonsdottir worked as Director of Accounting and Budgeting at MasterCard, Iceland. Jonsdottir was also the Director of Finance at the Industrial Loan Fund, later FBA Investment Bank, which subsequently merged with Islandsbanki. At FBA Investment Bank, Jonsdottir headed the Accounting and Budgeting department.

- Board member of Marel
- M.Acc. degree in Accounting and Auditing from the University of Iceland
- Cand.Oecon in Business Administration from the University of Iceland

Sigfus Oddson
Senior Director Investments & Corporate Finance

Oddsson previously worked at Landsbanki Islands as a Senior Director of Corporate Banking. Prior to that, Oddsson was employed as an associate at UK based Landsbanki Securities. He has held a number of board positions on behalf of his previous employers and is an FSA Approved Person for Corporate Finance.

- M.Sc. degree in Informatics from the Technical University of Munich
- B.Sc. degree in Computer Science from University of Iceland
- B.Sc. degree in Industrial Engineering from the University of Iceland

Orn Valdimarsson
Head of Equity and Industry Analysis

Valdimarsson was formerly employed at Vidskiptabladid (Business Weekly) where he worked for several years as a journalist, CEO and editor.

Valdimarsson has held a seat on the boards of various firms and been a member of the Ethics Committee of the Icelandic Federation of Journalists.

- B.Sc. degree in Economics from the University of Iceland
- Executive Certificate from Copenhagen Business School

Olof Bjork Thorleifsdottir
Middle Office

Prior to joining Eyrir Invest, Thorleifsdottir worked in finance and accounting at the Fisheries Investment Fund, in back office at FBA Investment Bank and as an operational manager at the Gerduberg Cultural Centre.

Inga Hafdis Sigurjonsdottir
Accounting

Sigurjonsdottir previously worked in the accounting department at Navision A/S in Denmark and later at Microsoft Business Solutions.

- B.Sc. degree in Business Administration from Bifrost University

At year-end 2012, there were 16 shareholders in Eyrir Invest. Eyrir Invest's shareholders are successful entrepreneurs with careers in various industries such as banking, insurance, fishing, pharmaceuticals and retailing.

The co-founders and principal shareholders of Eyrir Invest are Thordur Magnusson, Chairman, and Arni Oddur Thordarson, CEO. Shares held by them and companies fully under their control and ownership, as a percentage of total shares, are as follows:

Thordur Magnusson	20.2%
Arni Oddur Thordarson	17.3%

Thordur Magnusson was CFO in Eimskip for over two decades before co-founding Eyrir Invest. Today Magnusson chairs the board of Marorka, ReMake and SagaMedica and holds a seat on the boards of many Icelandic companies, including Byko, Kaupas, Norvik and Össur until March 2013. Magnusson holds an MBA degree from the University of Minnesota and a Business degree from the University of Iceland.

Arni Oddur Thordarson co-founded Eyrir Invest in mid year 2000 and has been its CEO since then. Thordarson has extensive international business experience and has served as a board member of various businesses through the years. In autumn 2005, Thordarson became Chairman of the Board of Marel. Furthermore he has been a board member in Stork TS and Fokker Technologies and their predecessors since early 2008. Prior to co-founding Eyrir Invest, Thordarson was Head of the Corporate Finance & Capital Markets at Bunadarbanki Islands, which later merged with Kaupthing.

Other large shareholder ownership is as follows:

Horn fjarfestingarfelag hf.	13.7%
The Pension Fund of Commerce	10.0%
Landsbankinn hf.	9.6%
Sigurjon Jonsson	8.2%
Others	21.0%


Jon Helgi Gudmundsson


Sigurjon Jonsson


Olafur Steinn Gudmundsson


Hermann Mar Thorisson

Information on the number of Board Meetings and sub-committee meetings

The Board of Directors convened twelve times in 2012. The Remuneration and Audit Committees had one meeting each in 2012. All the meetings were attended by the majority of the board members. The Board is provided with a report in advance of each regular board meeting and a comprehensive report of Eyrir´s financial performance and the performance of the Company´s core assets. All significant matters concerning the Company are discussed at board meetings.

Information on Board Members

The board members of Eyrir Invest are Thordur Magnusson, Jon Helgi Gudmundsson, Sigurjon Jonsson, Olafur Steinn Gudmundsson, Hermann Mar Thorisson. Elin Jonsdottir was elected board member at the 2012 AGM and served as such until December 2012 when she resigned from the Board when she was elected Chairman of the Board of a financial company. The CEO of Eyrir Invest is Arni Oddur Thordarson. The business address of Eyrir Invest is at Skolavordustigur 13, 101 Reykjavik, Iceland.

Jon Helgi Gudmundsson

Gudmundsson is the Chairman and CEO of Norvik, a company which runs several retail stores in Iceland as well as timber industries and logistics facilities and services across Europe. Gudmundsson and his family run Norvik hf. and Smaragardur ehf. Smaragardur ehf. is a real estate company. Gudmundsson has a Cand. Oecon degree in Business Administration from the University of Iceland and has also studied at Penn State University.

Sigurjon Jonsson

Jonsson is the principal owner and Chairman of Skipavik shipyard and a building contractor in Stykkisholmur, Iceland. Jonsson previously owned and operated Raekjunes, a fishing and scallops processing company.

Dr. Olafur Steinn Gudmundsson

Dr. Gudmundsson is an active investor within the area of pharmaceutics and biotechnology. He has significant experience in senior management level positions within the pharmaceutical industry in the US. He is currently an adjunct faculty member of Purdue University and holds seats on the boards of several biotech and pharmaceutical companies. Dr. Gudmundsson holds a doctorate degree in Pharmaceutical Chemistry from the University of Kansas and a Pharmacy degree from the University of Iceland.

Hermann Mar Thorisson

Hermann Thorisson is Head of Alternate Investments at Landsbref hf., which is an asset management company fully owned by Landsbankinn hf. In 2006 Thorisson joined Landsbanki Islands hf., first as Senior Equity Analyst at Landsbanki Research and later with Proprietary Trading. From 1995 to 2005 Thorisson held various positions at the Icelandic Civil Aviation Administration both in Iceland and in Eastern Europe. Thorisson graduated with a B.Sc. in Finance from the University of Iceland. He has held various other non-executive positions, he is currently Chairman of Promens hf. and director of Stodir hf.

Eyrir Invest is committed to high standards of corporate governance, social responsibility, business integrity and professionalism in all its activities.

Eyrir Invest believes in open and honest communications with stakeholders and is committed to supporting the community through grants and donations.

Eyrir Invest also encourages the management of all of its core holdings to honour all stakeholders and apply the highest standards of corporate governance and social conduct.

As a major shareholder, Eyrir Invest supports and encourages its principle holdings in pursuing an ambitious strategy towards investment in R&D. It is Eyrir Invest's firm belief that healthy investments in innovation create the fundamentals for continued value creation and are a prerequisite for a sustainable competitive advantage.

Eyrir Invest's strategy is to be a leading investor in the companies it invests in and to build strong relationships with other investors in each company. Good corporate governance is for these reasons fundamental for Eyrir Invest.

Eyrir Invest has always invested in venture companies and supported the start-up community in Iceland. Starting a new business is not an easy task and Eyrir Invest's support in this regard .is both of a financial and professional nature. The scope and possibilities for value creation are endless at the venture capital level, but the risk is also substantial. In 2011 Eyrir Invest founded an independent investment company, Eyrir Sprotar slhf., the purpose of the new company is to invest in prominent growth companies. Eyrir Sprotar will emphasize supporting promising ventures for international growth and value creation.

In the past years Eyrir Invest has sponsored various projects at all levels of education and donated multiple grants to charities.Each year donations are made to numerous charities, including the Red Cross, Mothers in Need and various other organizations that assist low-income families in troubled times.

"Responsibility educates."

Wendell Philips

Eyrir's values are Long-term thinking, Endurance, Courage and Integrity. These values reflect the culture of the company and how it conducts its business.

The rules on Corporate Governance

The Company follows in all main aspects the Icelandic Guidelines on Corporate Governance, issued March 2012 by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and NASDAQ OMX Iceland, in accordance with Clause 2.27 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland, effective as of 1 December 2009. The Guidelines can be found on the Iceland Chamber of Commerce website, www.chamber.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.

The Board

The Board consists of five to seven Directors which are elected annually at the Annual General Meeting. Currently the Board consists of five board members. Thordur Magnusson is the Chairman of the Board and has served on the Board since the Company was founded in the year 2000. Other directors are: Jon Helgi Gudmundsson, Dr. Olafur Steinn Gudmundsson, Sigurjon Jonsson and Hermann Mar Thorisson. At the AGM in 2012 Elin Jonsdottir was elected a board member, however Jonsdottir, in order to avoid conflict of interest, resigned from the Board in December 2012 when she was elected as a Chairman of the Board of a financial company. All of the board members have vast experience in board participation and information on board members can be found on page 29.

The Board of Directors has established written rules of procedure where the Board´s tasks and its role in relation to the CEO are laid out. Current rules of procedure were adopted on 18 December 2009. These rules stipulate among other things the convening of board meetings, comprehensive rules on board members' 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.

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.

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.

External audit

An auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The auditor shall examine the Company's annual accounts in accordance with international standards on auditing, and shall, for this purpose, inspect account records and other material relating to the operation and financial position of the Company. The auditors shall at all times have access to all of the Company's books, minutes and documents. KPMG ehf. was elected as the Company's auditor at the 2012 AGM. The auditor on its behalf is Matthias Thor Oskarsson, State Authorized Public Accountant. He has audited and signed without reservation Eyrir's consolidated financial statements for the year 2012.

Internal control

Risk management and internal controls, in relation to all processes, are designed to control the risk of material misstatements. The Company designs its processes to ensure that there are no material weaknesses with internal controls that could lead to a material misstatement in its financial reporting. The auditor's evaluation of these processes is included in the Audit Memorandum.

Appointment of sub-committee members

Sub-committee members are appointed by the Board of Directors for a term of one year.

Audit Committee

The Audit Committee is composed of all board members, unless the Board of Directors decides otherwise. The majority of the Audit Committee shall be independent of the Company, Executive Management and the Company's Auditor. At least one member shall be independent of major shareholders.

The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one member shall have solid knowledge and experience in the field of financial statements or auditing.

Remuneration Committee

All board members except the Chairman comprise the Remuneration committee. The Board of Directors evaluates, at least once a year, the performance of the CEO, but not specifically the performance of other key personnel. The CEO evaluates, at least once a year, the performance of all personnel.

It is Eyrir's policy to attract highly competitive professionals and offer competitive compensation. Eyrir Invest encourages its employees to increase their knowledge consistently, particularly by continuous education.

Departures from the Icelandic Guidelines on Corporate Governance

The Board of Directors has not issued a specific written code of ethics and social responsibility for the Company as yet. The Board of Directors has not established such a committee as it deems it not necessary. The Chairman of the Board's day-to-day activities within the Company are exclusively related to the venture holdings in Eyrir Sprotar.

Independence

According to Icelandic Chamber of Commerce Guidelines the majority of Directors must be independent of the Company and its day-to-day managers. The majority of the Board is independent of the Company and major shareholders.

Thordur Magnusson Chairman of Eyrir and co-founder holds a major share in the company. Hermann Mar Thorisson is a manager at Landsbref hf., which is fully owned by Landsbankinn hf., which is also a major shareholder.

In addition, Arni Oddur Thordarson, CEO of the Company, is co-founder of the Company and a major shareholder.

Consolidated Financial Statements

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Eyrir Invest hf.

Consolidated Financial Statements

2012

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 B.V. through London Acquisition Luxco S.à 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 Sea 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 Assiocation adopted to suit the needs of institutional investors with the aim to further broaden the shareholder base.

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

At the beginning of the year 2013, new B shares for the total amount of EUR 16 million were sold for cash, the purpose of the issuance is to further strengthen the financials of the Company. In the beginning of the year 2013 Eyrir furthermore reached an agreement with current banking partners to extend 85% of existing long-term loans, the current repayments of these loans are now in the years 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's 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. a company 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 is 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 Financal Statements and Endorsment 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 uncertenties 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:

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.

Reykjavik, 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

Amounts are in EUR thousand

The notes on pages 43 to 65 are an integral part of these consolidated financial statements.

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**
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**

Amounts are in EUR thousand

The notes on pages 43 to 65 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year 2012

	Notes	Share capital	Share premium	Trans-lation 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

Amounts are in EUR thousand

The notes on pages 43 to 65 are an integral part of these consolidated financial statements.

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 (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)

Amounts are in EUR thousand

The notes on pages 43 to 65 are an integral part of these 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 fluctuations 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.

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.

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.

(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.

(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 plans

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.

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 Company holds no derivative financial instruments 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 Company'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.

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.

Amounts are in EUR thousand

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 assets 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 15.

Amounts are in EUR thousand

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.

(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 was 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)	(4,401)

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)

Amounts are in EUR thousand

(i)Currency risk contd.

	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

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

Amounts are in EUR thousand

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

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		31 December 2011	
	Carrying amount	Fair value	Carrying amount	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.

Amounts are in EUR thousand

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	10.5%	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%

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 equty from foundation of the Group is well above market returns. However the Group's return on capital was -7.0% in 2012 (2011: 0.5%), mainly due to ajustment in fair value of the holdings in London Acqusition.

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.

Amounts are in EUR thousand

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	104	75
Salaries, Board of Directors	50	30
Total salaries and salary-related expenses	988	934

	2012	2011
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
Thordur Magnusson, Chairman of the Board	81	15	7	103
Arni Oddur Thordarson, CEO	211	22	17	250

2011	Salaries	Other benefits	Defined contribution plan	Total salaries & benefits
Thordur Magnusson, Chairman of the Board	74	14	7	95
Arni Oddur Thordarson, 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).

Amounts are in EUR 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.

Investment securities

9. Investment securities are specified as follows:

Listed securities:	**Ownership**	**Fair value 31/12/2012**	**Ownership**	**Fair value 31/12/2011**
Marel hf.*	33.1%	200,817	35.6%	206,409
Unlisted securities:				
London Acquisition Luxco S.à 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.à 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 B.V. through London Acquisition Luxco S.à r.l. As Stork B.V. is not listed on any stock exchange, a quoted market price was not available. The fair value of the investment in London Acquisition Luxco S.à r.l. was calculated by using market multiples for comparable companies and comparable transactions. Key inputs and assumptions used in the model at 31 December 2012 include the following.

Amounts are in EUR thousand

9. Contd.

Market multiples

Market multiples applied to the valuation were EV/EBITDA multiples based on analysis of market multiples 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

31 December 2012	Level 1	Level 3	Total
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:

	2011	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.

Amounts are in EUR thousand

Operating assets

11. Operating assets are specified as follows:

Gross carrying amount	Buildings	Other operating assets	Total
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).

Amounts are in EUR 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.

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.

Amounts are in EUR thousand

Earnings per share

13. Ernings per share for profit:

	2012	2011
(Loss) profit for the year	(14,148)	957

Weighted average number of ordinary shares (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 comprehencive income:

Total comprehensive income	(14,518)	469

Earnings per share:

Basic and diluted earnings per share (EUR cent)	(1,41)	0,05

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:

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

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

Investments in Marel hf.	200,817	206,409
Investment in London Acquisition Luxco S.á 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 Company's loans have been recalculated and a gain in the amount of EUR 4.9 million was 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 Group´s financial position.

Eyrir Invest holds a Global Note for 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´s position is that it has the right to set-off the claim against bank borrowigs for the full nominal value of the Global Note.

Amounts are in EUR thousand

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.

Amounts are in EUR thousand

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 using the Company's 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

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	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.

Amounts are in EUR thousand

Guarantees

18. Guarantees

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

Related parties

19. 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

On 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. Simultaiounsly 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 2011 (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.

Group entities

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	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.

Subsequent events

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

Amounts are in EUR thousand

For further information please contact Eyrir Invest hf.,
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