Stoðir hf.

Financial Statements
for the year 2014

Stoðir hf.
Hátún 2B
105 Reykjavík
Iceland

Reg. no. 601273-0129

Contents

Endorsement and Statement by the Board of Directors and the CEO

The financial statements comprise the financial statements of Stoðir hf. ("Stodir" or "the Company").

During the year 2014, Stodir´s Management and the Board of Directors continued to maintain and support the Company´s assets, with the intention of maximizing value at exit. A continued effort has also been made to reduce uncertainty in regard to risk factors, tax matters and various legal issues and court cases, as outlined in the notes to these financial statements.

Stodir´s primary asset at year-end 2014 was an approximately 30% stake in the European juice and soft drinks producer Refresco Gerber. In March 2015, Refresco Gerber's shares were admitted to trading at Euronext Amsterdam after an IPO was concluded where the Company sold 45% of its shares in Refresco Gerber.

According to the income statement profit for the year 2014 amounted to ISK 18,605 million. According to the statement of financial position, equity at 31 December 2014 amounted to ISK 45,569 million. Total number of shareholders was 101 at year-end 2014 compared to 100 at the beginning of the year. The largest shareholders are as follows:

Shareholders:	**Share**
Glitnir hf.	30.11%
Arion banki hf.	16.31%
Landsbankinn hf.	13.35%
Haf Funding 2008-1 Ltd.	10.05%
Credit Suisse Securities (USA) LLC	8.42%
J.P. Morgan Clearing Corporation	7.27%
HSH Nordbank AG	1.76%
BNP Paribas S.A.	1.76%
Íslandsbanki hf.	1.71%
Landsbankinn - Safnreikningur 1	1.07%

Statement by the Board of Directors and the CEO

The annual financial statements for the year ending 31 December 2014 have been prepared in accordance with Icelandic Financial Statement Act.

According to our best knowledge, it is our opinion that the annual financial statements give a true and fair view of the financial performance of the Company for the year 2014, its assets, liabilities and financial position as at 31 December 2014.

It is the opinion of the Board of Directors that the fair value of unlisted assets is uncertain due to the situation on financial markets. The valuation of assets at year-end 2014 is based on the management's estimation.

Further, in our opinion, the financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Company´s operations and its financial position and fairly describes the principal risks and uncertainties faced by the Company, as outlined in notes to the financial statements.

The Board of Directors and the CEO have today discussed the financial statements of Stoðir hf. for the year 2014 and confirm them by means of their signatures.

Reykjavík, 17 April 2015

The Board of Directors:

Sigurjón Pálsson
Hermann Már Þórisson
Snorri Arnar Viðarsson

CEO:

Júlíus Þorfinnsson

Independent Auditors´ Report

To the Board of Directors and Shareholders of Stoðir hf.

We have audited the accompanying financial statements of Stoðir hf., which comprise the statement of financial position as at 31 December 2014, the income statement, statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors and CEO's Responsibility for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with Icelandic Financial Statements Act No. 3/2006, and for such internal control as they determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 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 policies 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 financial statements give a true and fair view of the financial position of Stoðir hf. as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statements Act.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the endorsement and statement by the Board of Directors and the CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 17 April 2015

KPMG ehf.

Jón S. Helgason
Sæmundur Valdimarsson

Income Statement for the year 2014

	Notes	2014	2013
Net investment income (expense):			
Net income from investment securities		20,087,495	4,116,879
Interest income	5	104,073	108,039
Net foreign exchange loss		(9,341)	(44,309)
Other income		0	1,068
		20,182,227	4,181,677
Operating expenses:			
Operating expenses	6	(127,495)	(122,119)
Warranty settlement	16	(1,449,699)	0
VAT and other expenses	20	0	(777,961)
		(1,577,194)	(900,080)
Profit for the year		18,605,033	3,281,597

The notes on pages 9 to 18 are an integral part of these separate financial statements.

Amounts are in ISK thousand

Statement of Financial Position as at 31 December 2014

	Notes	2014	2013
Assets			
Cash and cash equivalents	9	302,407	560,138
Restricted cash	9,16	235,205	1,727,631
Restricted cash for with-held dividend	21	805,496	0
Investments	10	44,654,489	27,640,234
Loans and other receivables	12	386,997	45,390
Total assets		46,384,594	29,973,393
Equity			
Ordinary share capital	13	11,885,096	11,885,096
Statutory reserve	13	2,188,663	328,160
Translation reserve		320,264	320,264
Retained earnings		31,175,162	17,430,822
Total equity		45,569,185	29,964,342
Liabilities			
Unpaid dividend	21	805,496	0
Trade and other payables		9,913	9,051
Total liabilities		815,409	9,051
Total equity and liabilities		46,384,594	29,973,393

The notes on pages 9 to 18 are an integral part of these separate financial statements.

Amounts are in ISK thousand

Statement of Changes in Equity for the year 2014

	Ordinary share capital	Preference share capital	Statutory reserve	Translation reserve	Retained earnings	Total equity
Year 2013						
Balance at 1 January 2013	11,922,139	8,773,597	0	320,264	14,477,385	35,493,385
Profit for the year					3,281,597	3,281,597
Own shares received	(37,043)					(37,043)
Transfer to statutory reserve			328,160		(328,160)	0
Capital decrease		(8,773,597)				(8,773,597)
Balance at 31 December 2013	11,885,096	0	328,160	320,264	17,430,822	29,964,342
Year 2014						
Balance at 1 January 2014	11,885,096	0	328,160	320,264	17,430,822	29,964,342
Profit for the year					18,605,033	18,605,033
Transfer to statutory reserve			1,860,503		(1,860,503)	0
Dividend paid					(3,000,190)	(3,000,190)
Balance at 31 December 2014	11,885,096	0	2,188,663	320,264	31,175,162	45,569,185

The notes on pages 9 to 18 are an integral part of these separate financial statements.

Amounts are in ISK thousand

Statement of Cash Flows for the year 2014

	Notes	2014	2013
Cash flows from operating activities:			
Profit for the year		18,605,033	3,281,597
Adjustments for:			
Loss of sale of investment securities		0	18,898
Change in fair value		(20,072,845)	(4,438,415)
Other operating items		12,989	(23,942)
Working capital to operations		(1,454,823)	(1,161,862)
Net change in operating assets and liabilities		(340,745)	4,125,505
Net cash (used in) provided by operating activities		(1,795,568)	2,963,643
Cash flows from investing activities:			
Restricted cash, change		686,930	(643,225)
Investment securities, change		3,058,590	3,054,396
Net cash provided by investing activities		3,745,520	2,411,171
Cash flows from financing activities:			
Preference shares redeemed		0	(8,773,597)
Dividend paid		(2,194,694)	0
Net cash used in financing activities		(2,194,694)	(8,773,597)
Net decrease in cash and cash equivalents		(244,742)	(3,398,783)
Effect of exchange rate fluctuations on cash held		(12,989)	(13,101)
Cash and cash equivalents at 1 January		560,138	3,972,022
Cash and cash equivalents at 31 December		302,407	560,138
Investing and financing transactions without cash flow effect:			
Own shares received		0	(37,043)
Dividend to shareholders		(805,496)	0
Unpaid dividend		805,496	0
Other information:			
Interest income received		104,073	108,039
Dividends received		11,581	35,779

The notes on pages 9 to 18 are an integral part of these separate financial statements.

Amounts are in ISK thousand

Notes

1. Reporting Entity

Stoðir hf.'s registered office is at Hátún 2B in Reykjavík, Iceland. The financial statements of Stoðir hf. ("Stodir" or "the Company") as at and for the year ended 31 December 2014 comprise the financial statements of the Company.

Stodir is a holding company, whose primary asset is a significant stake in Refresco Gerber, Europe's largest manufacturer of private label fruit juice and soft drinks.

2. Basis of preparation

a. *Statement of compliance*

The financial statements have been prepared in accordance with Icelandic Financial Statement Act.

The financial statements were approved by the Board of Directors of Stodir on 17 April 2015.

b. *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for financial assets designated at fair value through profit or loss are measured at fair value, including investments in associates.

c. *Functional and presentation currency*

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

d. *Use of estimates and judgements*

The preparation of the financial statements in conformity with Icelandic Financial Statement Act's 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 estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in note 4d.

3. Accounting policies related to financial instruments

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

a. *Financial assets and liabilities*

(i) Non-derivative financial assets and liabilities

Non-derivative financial assets and liabilities in the Company's statement of financial position comprise equity investments, loans and receivables, cash and cash equivalents, restricted cash and trade and other payables.

Non-derivative financial assets and liabilities are recognised initially at fair value plus, for assets and liabilities not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial assets and liabilities are measured as described below.

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

a. Financial assets and liabilities, contd.:

(i) Non-derivative financial assets and liabilities, contd.:

A financial instrument is recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company´s contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Loans and receivables are recognised on the date that they are originated. Financial liabilities are derecognised if the Company’s obligations specified in the contract expire or are discharged or cancelled.

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss if the Company manages such investments with a view to profiting from their total return in the form of fair value changes, interest and dividend and makes purchase and sale decisions based on their fair value. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus any directly attributable transactions costs, and subsequently measured at amortised cost using effective interest method.

Financial liabilities measured at amortised cost

Non-derivative financial liabilities are measured at amortised cost using the effective interest method.

b. Investment income

(i) Net income from investment securities

Net income from investments in securities comprise gain or loss on the sale of shares, changes in the fair value of the investments, other than foreign exchange hedges, and dividend income. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

(ii) Interest income

Interest income is recognised in profit or loss using the effective interest method.

(iii) Net foreign exchange gain (loss)

Net foreign exchange gain (loss) comprises foreign exchange changes arising from assets and liabilities denominated in foreign currencies.

c. Impairment of financial assets measured at amortised cost

A financial asset 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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

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 profit or loss.

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

d. *Fair value measurement principles for financial instruments*

(i) Investment securities

The fair value of investment securities is based on their quoted market bid prices at the reporting date without any deduction for estimated future selling costs.

If 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) Loans and receivables

The fair value of loans and 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) Uncertainty in valuation of assets

The fair value of loans and receivables, non-listed securities and other unlisted assets are uncertain. The valuation of these assets at year-end are based on management's estimate.

e. *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, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs net of tax, 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 or reissued subsequently, the amount received is recognised as an increase in equity.

Dividends

Dividends are recognised as a decrease in equity in the period in which they are declared.

4. Other accounting policies

a. *Basis for accounting for subsidiaries and associates*

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 or convertible are taken into account. The financial statements of subsidiaries are not consolidated in these financial statements as these are financial statements for the Parent Company.

Investments in subsidiaries are designated at fair value through profit or loss on initial recognition and are included within equity investments in the statement of financial position.

4. Other accounting policies, contd.:

a. *Basis for accounting for subsidiaries and associates, contd.:*

(ii) Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are designated at fair value through profit or loss on initial recognition and are included within equity investments in the statement of financial position. The Company defines its operations partly as venture capital organisation and that part of the business is clearly and objectively distinct from other operations.

b. *Foreign currency*

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates ruling 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 exchange differences arising on translation are recognised in profit or loss. Operating expenses and sales in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at the average exchange rate.

Foreign currency translation differences are recognised directly in 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.

c. *Income tax*

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly 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 provided 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 not recognized for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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.

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, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

d. *Determination of fair values*

A number of the Company'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.

Key sources of estimation uncertainty

Financial instruments

As indicated in note 3c the Company's securities and investments in associates are measured at fair value. For the part of these financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, 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.

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.

Impairment of financial assets

Financial assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3c. 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 Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies include:

Financial assets and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met the criteria for this designation set out in accounting policy 3a.

Deferred tax assets

Deferred tax assets are recognised for most deductible temporary differences and for tax losses carried forward to the extent that it is probable that taxable profit will be available against which they can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

5. Interest income

Interest income are on cash, cash equivalents and restricted cash.

6. Operating expenses

Operating expenses are specified as follows:	2014	2013
Salaries	41,727	30,063
Board of Directors' fees	13,434	12,742
Salary-related expenses	9,624	7,220
Domestic and foreign lawyers' expenses	24,123	25,817
Accounting, tax and salary services' expenses	7,072	10,905
Expert service and valuation expenses	217	11,783
Rent and office expenses	13,877	15,214
D&O insurance	7,334	6,614
Travel expenses	4,505	763
Other expenses	5,582	998
Total operating expenses	127,495	122,119
Average number of employees during the year	2	2

7. Effective tax rate

Reconciliation of effective tax rate:		2014		2013
Profit before income tax		18,605,033		3,281,597
Income tax using the Company's domestic tax rate	20.0%	3,721,007	20.0%	656,319
Tax exempt revenue	(21.6%)	(4,013,258)	(28.1%)	(921,610)
Non-deductible expenses	1.6%	290,614	0.0%	0
Impairment on deferred tax asset, change	(0.1%)	(26,346)	8.0%	261,507
Other items	0.2%	27,983	0.1%	3,784
Effective tax rate	0.0%	0	0.0%	0

A deferred tax asset is only 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 asset for the Company amounting to ISK 23,545 million is impaired at year-end 2014 as realization of tax benefits is unprobable. Tax loss carry forwards for the Company is estimated to be ISK 103,755 million at year-end 2014.

8. Financial assets and liabilities

Financial assets and liabilities are classified as follows:

31.12.2014	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
Financial assets:				
Cash and cash equivalents		302,407		302,407
Restricted cash		1,040,701		1,040,701
Investments	44,654,489			44,654,489
Loans and other receivables		386,997		386,997
Total financial assets	44,654,489	1,730,105	0	46,384,594
Financial liabilities:				
Trade and other payables			815,409	815,409
Total financial liabilities	0	0	815,409	815,409

Amounts are in ISK thousand

8. Financial assets and liabilities, contd.:

Financial assets and liabilities are classified as follows:

31.12.2013	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
Financial assets:				
Cash and cash equivalents		560,138		560,138
Restricted cash		1,727,631		1,727,631
Investments	27,640,234			27,640,234
Loans and other receivables		45,390		45,390
Total financial assets	27,640,234	2,333,159	0	29,973,393
Financial liabilities:				
Trade and other payables			9,051	9,051
Total financial liabilities	0	0	9,051	9,051

9. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits.

Restricted cash consist of escrow warranty, see note 16.

10. Investments

Investments are specified as follows:	2014	2013
Listed on stock exchanges	0	3,053,100
Unlisted investments	44,654,489	24,587,134
Total investments	44,654,489	27,640,234

11. Associates

As presented in note 4a(ii), investments in associates are accounted for at fair value through profit or loss and presented within equity investments in the separate statement of financial position. At year-end 2014, based on direct ownership, the following investments are defined as associates:

	2014	2013
Tryggingamidstodin hf.	0.0%	5.5%
Ferskur Holding 1 B.V. (through preference and ordinary shares)	64%	64%

The shareholding in Tryggingamidstodin hf. was sold in January 2014.

Ferskur Holding 1 B.V. is a Dutch holding company, whose sole asset is a 45% shareholding in Refresco Gerber.

12. Loans and other receivables

Loans and other receivables are specified as follows:	2014	2013
Investment related trade receivables	365,403	15,029
Other receivables	21,594	30,361
Total loans and other receivables	386,997	45,390

Amounts are in ISK thousand

13. Equity

Share capital

According to its Articles of Association, share capital amounted to ISK 11,922 million at year-end 2014.

	Amounts	Ratio	Voting rights
Issued A shares at the end of December 2014	11,885,096	99.7%	100.0%
Own shares	37,043	0.3%	0.0%
Share capital according to the Articles of Association	11,922,139	100.0%	100.0%

Statutory reserve

A statutory reserve is established in accordance with Act no. 2/1995 on limited liability companies stipulating that at least 10% of the Company's profit, not used to adjust previous years' losses or contributed to other reserves as required by law, shall be allocated to a reserve until its value reaches 10% of the Company's share capital. When that benchmark has been reached the contribution to the reserve shall be at least 5% until the reserve has reached 25 percent of the Company's share capital.

14. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

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

	2014	2013
Cash and cash equivalents	302,407	560,138
Restricted cash	1,040,701	1,727,631
Loans and other receivables	386,997	45,390
Investments in listed bonds	0	1,694,883
Maximum exposure to credit risk at year-end	1,730,105	4,028,042

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Trade and other payables fall due within a year.

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 Company´s income or the value of its holdings of financial instruments.

Currency risk

The Company owns investments largely denominated in currencies other than its functional currency, ISK. Consequently, the Company is exposed to risk that the exchange rate of ISK relative to foreign currencies may change in a manner that has an adverse affect on the Company's operations.

Amounts are in ISK thousand

15. Financial Guarantees

The Company provided two financial guarantees in the year 2006 in relation to lease contract made by former subsidiary of the Company. Uncertainty exists regarding the amount and the probability of the guarantees coming into effect. According to a legal opinion that the Company has obtained, the outstanding guarantees, if claims were to be declared, would fall under the approved and confirmed composition agreement of the Company from June 2009. It is estimated that the maximum number of shares needed to settle these claims, if declared, would not exceed ISK 150 million.

16. Financial Warranty

As a part of the transaction where a majority shareholding in Tryggingamiðstöðin hf. (TM) was sold to a group of investors in November 2012, Stodir issued a warranty to TM in regard to two legal disputes between TM and VBS investment bank. As a result of a Supreme Court ruling in December 2014, and agreements made between Stodir, TM and VBS in February 2015, the financial warranty provided to TM in 2012 has now been fully settled, with a payment of ISK 1.8 billion from Stodir in the year 2014 and 0.2 billion in 2015. Thereof, ISK 1.1 billion came from an escrow account related to the warranty. In return, Stodir has acquired certain claims and assets for estimated value of 0.6 billion. Thereof, ISK 0.35 billion is capitalized among receivables in the Statement of Financial Position at year end. A loss of ISK 1.4 billion because of the warranty settlement is expensed in the income statement.

17. Rescindable transactions

After the completion of Stodir's composition with creditors in June 2009, the Company's new Board of Directors conducted a thorough review of the Company's transaction and operations in the years 2006-2008. With regards to the findings of the comprehensive review, the Board of Directors of Stodir made arrangements to rescind four transactions in September 2009.

All four rescindable transactions cases have been concluded, the last two in January 2015, when Stodir and Glitnir reached an agreement, where both parties agreed to drop all their claims and legal actions against each other, without any payments exchanging hands.

18. Claim made by Glitnir hf.

In June 2012, Glitnir hf. filed a suit before the District Court of Reykjavik against Stodir. According to the subpoena the claims made by Glitnir were as follows: 1) A rescission by court judgment of the measure taken by Glitnir in May 2008 to remove Glitnir's first lien on the shares held by Stodir in Ferskur Holding 1 B.V. and 2) that Stodir would be ordered to pay Glitnir ISK 14 billion. In January 2015, Stodir and Glitnir reached an agreement, where both parties agreed to drop all their claims and legal actions against each other, without any payments exchanging hands.

19. Related parties

Identity of related parties

The Company has a related party relationship with entities with significant influence over the Company, its associates as disclosed in note 11 and with its Board of Directors and CEO. Three shareholders held more than 10% of voting rights at year-end 2014. They are Glitnir hf. (and its subsidiaries Haf Funding and Íslandsbanki hf.), Arion banki hf. and Landsbankinn hf.

Transactions with key management

Salaries paid to the CEO amounted to ISK 34.4 million (ISK 22.2 million in 2013). Incentive-based payments for both 2013 and 2014 are included in salaries paid to the CEO in 2014. No share option agreements were outstanding at year-end and no shares in the Company were owned by the CEO. Salaries paid to the Board of Directors amounted to ISK 13.4 million in the year 2014 (ISK 12.7 million in 2013).

Other transactions with related parties

During the year 2014, the Company made transactions with related parties, where the Company received interest income from its cash equivvalents placed at the bank accounts of the related parties. These transactions were priced on an arm's length basis.

19. Related parties, contd.:

Group entities

The Company's subsidiary is specified as follows:

	Share 31.12.2014	Share 31.12.2013
Investments:		
FL Bayrock Holdco ehf., Iceland	0%	100%

FL Bayrock Holdco ehf. was declared bankrupt in January 2014.

20. VAT matters

At year-end 2014, the Company has two outstanding issues in regard to VAT matters, relating to the years 2006-2007. Based on a State Internal Revenue Board ruling, the Company expensed ISK 778 million in VAT charges in 2013. The Company filed a case before the District Court in Reykjavik where the State Internal Revenue Board ruling is partly challenged. The other matter relates to interest payments, where the Company claims the VAT charges should not have included penalty interest from 2006/2007. Uncertainty remains whether the Company will recover any value from these cases but downside risk is limited to legal expenses.

21. Payment of dividend

On the Company´s AGM on 7 March 2014, shareholders approved a proposal to pay out a dividend of ISK 3,000 million. Dividend payments to domestic shareholders were made on 21 March 2014, but dividend payments to foreign shareholders were withheld, as the Central Bank of Iceland informed the Company that dividend payments to foreign shareholders should be restricted by the Act on Foreign Exchange. The Company therefore still holds unpaid dividend to foreign shareholders on its balance sheet, both as restricted asset and unpaid dividend in the amount of ISK 805 million.

22. Subsequent events

In January 2015, Stodir and Glitnir reached an agreement, where both parties agreed to drop all their claims and legal actions against each other, without any payments exchanging hands (see Notes 17 and 18).

In February 2015, Stodir, TM and VBS reached agreements, where Stodir's financial warranty provided to TM in 2012 was fully settled. As a part of the settlement, the Company paid ISK 235 million to TM from an escrow account related to the warranty, and in return, acquired certain claims and assets (see Note 16).

In March 2015, shares in Refresco Gerber (RG) were admitted to trading at Euronext Amsterdam. In an IPO preceding the listing, Stodir sold indirectly a 13.1% shareholding in RG. After the transaction, Stodir holds indirectly a 16.1% shareholding in RG (13,042,604 shares). Based on closing price of RG shares on 31 March 2015, Stodir's indirect shareholding is valued at EUR 186 million.

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