Stoðir hf.

Financial Statements
for the year 2012

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 2012, Stodir´s Management and the Board of Directors have continued to focus on maintaining and supporting the Company´s assets, with the intention of maximizing value. An effort has also been made to reduce uncertainty in regard to tax matters, legal issues and litigation.

In July 2012, Stodir signed an agreement where a 60% shareholding in Tryggingamidstodin (TM) was sold to a group of Icelandic investors, pension funds and other institutional and private investors. The agreement was subject to a number of conditions. The transaction was completed in November 2012 when all conditions had been fulfilled. Part of the agreement involved a transfer of unlisted assets from TM to Stodir prior to the deal completion. In December 2012, Stodir reached an agreement where these unlisted assets were sold, the deal was then completed in January 2013. In December 2012, Stodir sold an additional 6% shareholding in TM.

In November 2012 Stodir´s claim towards Lehman Europe (LBIE) in the amount of ISK 1,838 million (GBP 9 million) was approved by LBIE. An interim payment of 25% was received from LBIE in December 2012, and the remaining claim was then sold in January 2013.

In November 2012, The Director of Internal Revenue concluded its review on the findings of The Directorate of Tax Investigations, which had claimed that Stodir was not allowed to defer income tax resulting from profits made in the year 2006. The Director of Internal Revenue ruled that there were no grounds for any further income tax claims, and the issue was therefore resolved. A conclusion has not been reached in Stodir´s dispute with tax authorities regarding VAT payments from the years 2006-2007.

At the end of the year 2012, Stodir had three court cases against the resolution committee of Glitnir bank unresolved. As a part of the aforementioned TM transaction, Stodir issued in November 2012 a warranty to TM in regard to three court cases between TM and VBS investment bank. These issues are all covered in the Notes to these Financial Accounts.

In November 2012, The Company paid up remaining long-term borrowings in the amount of ISK 4,106 million. In December 2012, the Company redeemed B shares in the amount of ISK 975 million. In January 2013 the Company received short-term receivables of ISK 3,566 million and redeemed B shares in the amount of ISK 4,773 millions. After the decrease, total number of B shares amount to ISK 4,000 million.

Stodir´s main assets at the end of the year 2012 are a 34% stake in Tryggingamidstodin (TM), the Icelandic insurance company, and a 40% stake in the European private-label fruit juice and soft drinks producer Refresco.

According to the income statement profit for the year 2012 amounted to ISK 5,067 million. According to the statement of financial position, equity at 31 December 2012 amounted to ISK 35,493 million. Total number of shareholders was 101 at year-end 2012 compared to 103 at the beginning of the year. Three shareholders held more than 10% of voting rights at year-end 2012. They are Glitnir hf., Arion banki hf. and Landsbankinn hf. and its subsidiary.

Shareholder	**Common shares**	**Preferred Shares**	**Voting right**
Glitnir hf. and subsidiary	40.16%	14.86%	36.23%
Landsbankinn hf. and subsidiary	13.35%	85.14%	24.50%
Arion banki hf.	16.31%	0.00%	13.78%

Endorsement and Statement by the Board of Directors and the CEO contd.:

Statement by the Board of Directors and the CEO

The annual financial statements for the year ending 31 December 2012 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 2012, its assets, liabilities and financial position as at 31 December 2012.

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 2012 is based on the management's estimation and third party valuation.

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 2012 and confirm them by means of their signatures.

Reykjavík, 19 February 2013

The Board of Directors:

Eiríkur Elís Þorláksson
Sigurjón Pálsson
Hermann Már Þórisson

CEO:

Júlíus Þorfinnsson

Independent Auditor´s 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 2012, 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.

Management's Responsibility for the Financial Statements

Management is 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 management determines 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 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 financial statements give a true and fair view of the financial position of Stoðir hf. as at 31 December 2012, 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 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 Statements Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 19 February 2013

KPMG ehf.

Jón S. Helgason
Sæmundur Valdimarsson

Income Statement

	Notes	2012	2011
Net investment income (expense):			
Net income from investment securities		5,242	1,236
Interest income	5	60	41
Interest expense	5	(124)	(132)
Net foreign exchange gain		26	10
Other income		7	162
		5,211	1,317
Reduction of debts:			
Reduction of debts		0	704
Operating expenses:			
Operating expenses	6	(144)	(152)
VAT expenses		0	(742)
		(144)	(894)
Profit for the year		5,067	1,127

The notes on pages 10 to 23 are an integral part of these separate financial statements.

Amounts are in ISK million

Statement of Financial Position
as at 31 December 2012

	Notes	2012	2011
Assets			
Cash and cash equivalents	9	3,972	1,374
Restricted cash	21	1,084	0
Investments	10.11	26,275	33,446
Receivables due from related parties	24	71	0
Loans and other receivables	12.13	4,100	584
Total assets		35,502	35,404
Equity			
Ordinary share capital	14	11,922	11,922
Preference share capital	14	8,773	9,748
Translation reserve		320	320
Retained earnings		14,478	9,411
Total equity		35,493	31,401
Liabilities			
Trade and other payables		9	6
Borrowings	15.16	0	3,997
Total liabilities		9	4,003
Total equity and liabilities		35,502	35,404

The notes on pages 10 to 23 are an integral part of these separate financial statements.

Amounts are in ISK million

Statement of Changes in Equity
for the year 2012

	Ordinary share capital	Preference share capital	Translation reserve	Retained earnings	Total equity
Year 2011					
Balance at 1 January 2010	11,885	9,748	320	8,284	30,237
Profit for the year				1,127	1,127
Capital increase	27				27
Own shares, sold	10				10
Balance at 31 December 2010	11,922	9,748	320	9,411	31,401
Year 2012					
Balance at 1 January 2012	11,922	9,748	320	9,411	31,401
Profit for the year				5,067	5,067
Capital decrease		(975)			(975)
Balance at 31 December 2012	11,922	8,773	320	14,478	35,493

The notes on pages 10 to 23 are an integral part of these separate financial statements.

Amounts are in ISK million

Statement of Cash Flows for the year 2012

	Notes	2012	2011
Cash flows from operating activities:			
Profit for the year		5,067	1,127
Adjustments for:			
Reduction of debts		0	(704)
Other operating items		(18)	(936)
Working capital from (used in) operations		5,049	(513)
Net change in operating assets and liabilities		1	783
Net cash provided by operating activities		5,050	270
Cash flows from investing activities:			
Restricted cash, increase		(1,084)	0
Investment securities, change		3,657	5,146
Receivables from related parties, change		(71)	0
Net cash provided by investing activities		2,502	5,146
Cash flows from financing activities:			
Capital decrease		(975)	0
Repayment of borrowings		(3,997)	(5,309)
Net cash used in financing activities		(4,972)	(5,309)
Net increase in cash and cash equivalents		2,580	107
Effect of exchange rate fluctuations on cash held		18	0
Cash and cash equivalents at 1 January		1,374	1,267
Cash and cash equivalents at 31 December		3,972	1,374
Investing and financing transactions without cash flow effect:			
Reduction of debts		0	(37)
Issued ordinary share capital		0	27
Share capital decrease		0	10
Sale of investments, unpaid		2,100	0
Short term receivebles		(2,100)	0
Other information:			
Interest income received		60	42
Dividends received		0	133

The notes on pages 10 to 23 are an integral part of these separate financial statements.

Amounts are in ISK million

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 2012 comprise the financial statements of the Company.

Stodir is a holding company, which owns a significant stake in the Icelandic insurance company Tryggingamiðstöðin hf. (TM) and Refresco, 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. For the year 2011 the financial statements were prepared in accordance with International Financial Reporting Standard (IFRSs) as adopted by EU. The change in accounting policies has no affect on the financial statements.

The separate financial statements were approved by the Board of Directors of Stodir on 19 February 2013.

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 million, 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, trade and other payables and borrowings.

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.:

(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 and 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

Other 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 and expense

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

(iii) Net foreign exchange gain

Net foreign exchange gain 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) Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iv) Uncertainty in valuation of assets

The fair value of loans and receivables, non-listed securities and other unlisted assets are uncertain due to the situation on financial markets. The valuation of these assets at year-end are based on management's estimate and third party valuations.

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. In the consolidated financial statements of the Group, Stoðir hf. and its subsidiaries, the financial statements of subsidiaries are included from the date that control commences until the date that control ceases. In the consolidated financial statements the accounting policies of subsidiaries were changed when necessary to align them with the policies adopted by the 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.

(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.

4. Other accounting policies, contd.:

c. *Income tax, contd.:*

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.

d. ***Determination of fair values, contd.:***

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 and expense

Interest income and expense are specified as follows:

	2012	2011
Interest income on:		
Cash and cash equivalents	57	41
Loans and receivables	3	0
Total interest income	60	41
Interest expense on:		
Borrowings	123	128
Trade and other payables	1	4
Total interest expense	124	132

6. Operating expenses

Operating expenses are specified as follows:

Salaries	30	30
Board of Directors' fees	13	13
Salary-related expenses	7	7
Domestic and foreign lawyers' expenses	34	37
Accounting, tax and salary services' expenses	13	13
Expert service and valuation expenses	12	18
Tax and VAT correction payments due to tax investigation	0	4
Rent and office expenses	19	20
D&O insurance	11	10
Other expenses	5	0
Total operating expenses	144	152
Average number of employees during the year	2.0	2.7

7. Effective tax rate

Reconciliation of effective tax rate:

		2012		2011
Profit before income tax		5,067		1,127
Income tax using the Company's domestic tax rate	20.0%	1,013	20.0%	225
Tax exempt revenue	(29.8%)	(1,512)	32.2%	363
Impairment on deferred tax asset	(16.6%)	(841)	(203.9%)	(2,298)
Investments not taxable	17.4%	881	161.8%	1,823
Other items	9.1%	459	(10.0%)	(113)
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 25,319 million is impaired at year-end 2012 as realization of tax benefits is unprobable. Tax loss carry forwards for the Company is estimated to be ISK 85,560 million at year-end 2012.

Financial Statements 2012 16 Amounts are in ISK million

8. Financial assets and liabilities

Financial assets and liabilities are classified as follows:

31.12.2012	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
Financial assets:				
Cash and cash equivalents		3,972		3,972
Restricted cash		1,084		1,084
Investments	26,275			26,275
Loans and receivables		4,171		4,171
Total financial assets	26,275	9,227	0	35,502
Financial liabilities:				
Trade and other payables			9	9
Borrowings			0	0
Total financial liabilities	0	0	9	9
31.12.2011				
Financial assets:				
Cash and cash equivalents		1,374		1,374
Restricted cash		0		0
Investments	33,446			33,446
Loans and receivables		584		584
Total financial assets	33,446	1,958	0	35,404
Financial liabilities:				
Trade and other payables			6	6
Borrowings			3,997	3,997
Total financial liabilities	0	0	4,003	4,003

9. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits.

10. Investments

Investments are specified as follows:	2012	2011
Listed on stock exchanges	795	139
Unlisted investments	25,480	33,307
Total investments	26,275	33,446

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, based on both direct and indirect ownership, the following investments are defined as associates:

	2012	2011
Tryggingamiðstöðin hf.	34%	-
Refresco Group B.V. (through Ferskur Holding B.V.), Ordinary shares	40%	40%
Refresco Group B.V. (through Ferskur Holding B.V.), Preference shares (A-shares)	50%	50%
Geysir Green Energy ehf., Iceland	16%	16%

Amounts are in ISK million

12. Loans and receivables

Loans and receivables are specified as follows:

	2012	2011
Investment related trade receivables	3,529	24
Other receivables	571	560
Total loans and receivables	4,100	584

13. Repayments of loans and receivables

Repayments of loans and receivables are specified as follows:

	2012	2011
Repayments in 2012	-	579
Repayments in 2013	4,100	5
Total loans and receivables	4,100	584

Receivables in the amount of ISK 3,520 million was paid in January 2013.

14. Equity

Share capital

Share capital at the beginning of the year amounted to ISK 21,670 million. In December 2012 the Board of Directors decided to reduce the number of B shares in the amount of ISK 975 million. At the year end the share capital amounted to ISK 20,695 million.

Type B shares grant their shareholders preference over A shares for fund distribution if the Company ends its operations, decreases its share capital with payments to its shareholders or if fund distributions are made up to the original sale price. Shareholders of B shares do not hold right to fund distributions in excess of the original sales price.

According to its Articles of Association, share capital amounted to ISK 20,695 million at year-end 2012.

The holders of A shares are entitled to dividends as declared from time to time. A shares are entitled to four votes per share and B shares one vote per share at meetings of the Company.

	Amounts	Ratio	Voting rights
Issued A shares at the end of December 2012	11,922	57.6%	84.5%
Issued B shares at the end of December 2012	8,773	42.4%	15.5%
Share capital according to the Articles of Association	20,695	100.0%	100.0%

In January 2013 the Board of Directors decided to redeem B shares in the amount of ISK 4,773 million. After the decrease, total number of B shares amount to ISK 4,000 million.

Share premium

Share premium represents excess of payment above nominal value of ISK 1 per share that shareholders have paid for shares sold by the Company. According to the 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.

15. Borrowings

Borrowings are specified as follows:

	Currency	2012 Carrying amount	2011 Carrying amount
Bank loan	ISK	0	3,997

During the year the Company paid off the bank loan.

16. Repayment of borrowings

Repayment of borrowings are specified as follows:

	2012	2011
Repayments in 2016	0	3,997

Amounts are in ISK million

17. 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:

	2012	2011
Cash and cash equivalents	3,972	1,374
Restricted cash	1,084	0
Receivables from related parties	71	0
Loans and receivables	4,100	584
Investments in listed bonds	476	0
Maximum exposure to credit risk at year-end	9,703	1,958

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The following is a breakdown by contractual maturity of financial liabilities:

31 December 2012	**0-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities:				
Trade and other payables	9	0	0	9
Borrowings	0	0	0	0
Total financial liabilities	9	0	0	9
31 December 2011				
Liabilities:				
Trade and other payables	6	0	0	6
Borrowings	0	3,997	0	3,997
Total financial liabilities	6	3,997	0	4,003

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. Stodir's management are not able to hedge its currency risk due to the situation on financial markets.

Amounts are in ISK million

18. Financial Guarantees

On 31 December 2012, the Company is aware of two financial guarantees potentially outstanding, which were provided a few years ago in relation to a 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. The claims would therefore be settled with a cash payment of ISK 1 million and 5% of the remainder of the claim would be paid with common shares in Stodir. It is estimated that the maximum number of shares needed to settle these claims would not exceed ISK 150 million.

19. Settlement with Lehman Brothers International Europe

In accordance with a prime brokerage agreement with Lehman Brothers International Europe (LBIE) signed in the year 2007, the Company invested in listed bonds, equity investments and other instruments. On 15 September 2008, LBIE filed for bankruptcy and has since been in administration. Since then and until recently, there has been significant uncertainty about whether the net balance between the Company and LBIE would be positive or negative.

This uncertainty has recently been removed, as Stodir´s net claim towards Lehman Europe (LBIE) in the amount of ISK 1,838 million (GBP 9 million) was approved by LBIE In November 2012. An interim payment of 25% was received from LBIE in December 2012, and the remaining claim was then sold in January 2013.

The proceeds from the LBIE claim (ISK 466 million in December and ISK 1,466 million in January 2013) were re-invested, as permitted under the Central´s Banks capital controls, in listed EUR government bonds.

20. Dispute claims

All known dispute claims in relation to Stodir´s composition were settled by year-end 2010, but five salary claims were outstanding at that time. These claims were made by former employees who claimed that their salary and pension claims should have been settled as priority claims and therefore paid in full. Stodir refused and settled these claims in 2009 and 2010 in accordance to the composition proposal, with cash and shares in Stodir.

During the year 2011, two of these five claims were concluded by court rulings, in favor of Stodir. Uncertainty still remains whether the other three salary claims will be subject to court rulings. In the relatively unlikely event that these three claims were to be ruled as priority claims, that could result in cash payments of maximum ISK 163 million.

21. Financial Warranty

As a part of the transaction where a 60% shareholding in TM was sold to a group of investors in November 2012, and in light of the expected listing of TM in 2013, Stodir issued a warranty to TM in regard to a legal dispute between TM and VBS investment bank. During the year 2012, Stodir incurred expenses of ISK 380 million because of this warranty, deducted in Net income from investment securities. It is estimated that the worst case scenario for remaining court cases could result in payments of ISK 1.5 billion. At the year end 2012, ISK 1.1 billion were kept in Stodir´s escrow cash account because of this warranty.

22. 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.

A settlement was reached in one case in December 2009, resulting in a repayment of ISK 19 million to Stodir. Another case, against Teymi (now Advania), was a subject to a District court ruling in December 2011, in favor of Stodir. The District court ruling was appealed by Advania to the Supreme Court. In November 2012, the Supreme Court confirmed the prior ruling. Stodir´s claim had not been setted at the end of the year 2012. Stodir expects the claim to be settled soon, with shares in two unlisted Icelandic companies, Advania and Fjarskipti (parent of Vodafone Iceland).The estimated value of these shares have been included in the financial statements of Stoðir hf.

The remaining two cases relate to pledges and sale of assets worth approximately ISK 22 billion from Stodir to Glitnir Bank hf. during the year 2008. Glitnir bank has rejected Stodir´s claims from the beginning. In June 2012, both cases were filed at the District Court of Reykjavik. Uncertainty remains whether rescinding of these transactions will be successful and/or if any value will be retrieved.

23. 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 are 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 will be ordered to pay Glitnir ISK 14 billion. Stodir has from the outset rejected Glitnir's claims in this matter.

24. 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. Four entities had significant influence over the Company and held above 10% of voting rights at year-end 2012. They are Glitnir hf., Arion banki hf., Landsbankinn hf. and its subsidiary Horn fjarfestingafelag hf.

Transactions with key management

Salaries paid to the CEO amounted to ISK 22.7 million (ISK 18.0 million in 2011). No share option agreements were outstanding at year-end and no shares in the Company were owned by management. Salaries paid to the Board of Directors amounted to ISK 13 million in the year 2012 (ISK 13 million in 2011).

Other transactions with related parties

During the year 2012, the Company made transactions with related parties. These transactions were priced on an arm's length basis.

Long-term borrowings with related parties were paid off during the year. The Company paid interests and installments in the amount of ISK 4.106 million in the year 2012 but received interest income from its cash equivalents placed at the bank accounts of the related parties. The Company paid related party fee in the amount of ISK 296 million on the sale of 60% share in TM.

Receivables due from related parties amounted to ISK 71 million at year end 2012.

	Share 31.12.2012	Share 31.12.2011
Investments:		
FL Bayrock Holdco ehf., Iceland	100%	100%
FL Group Midtown Miami Ltd., USA	100%	100%
FL Group Property LLC, USA	99%	99%
FL Group USA Ltd., USA	100%	100%
FL GLB Holding B.V., The Netherlands	0%	100%
FL Group Holding B.V., The Netherlands	0%	100%
FL Group Holding Netherlands B.V., The Netherlands	0%	100%
Stoðir Holding ehf., Iceland	100%	100%
Insurance:		
Tryggingamiðstöðin hf., Iceland	-	99.9%

During the year the Company sold 66% share in Tryggingamiðstöðin hf. At year end its 34% share is posted among Investments in the Statement of Financial Postion.

The following subsidiaries in the Netherlands were liquidated: FL GLB Holding B.V., FL Group Holding B.V. and FL Group Holding Netherlands.

The subsidiary in Iceland, Stoðir Holding ehf., was sold in February 2013.

US subsidiaries of FL Bayrock Holdco ehf. are in a liquidation process, expected to be completed in 2013. Subsequently, FL Bayrock Holdco ehf.will be liquidated.

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25. Tax investigation

In October 2008 the Icelandic Directorate of Tax Investigations started an investigation on the Company taking into consideration the years 2006-2007. The tax issues being dealt with can be categorized in two classes:

a) Income tax issue

The Directorate of Tax Investigations claimed that the Company was not allowed to defer income tax, which resulted from profits made in the year 2006. The Company has objected this and put forward several arguments and tax/legal opinions that contradict this unprecedented interpretation of the Directorate of Tax Investigations.

As the Company's profit in 2006 were significant, this matter could have had a significant financial impact on the Company. However, the Company had obtained legal opinions that confirmed that any tax claims of this nature should be settled under the approved and confirmed composition agreement from June 2009. It was estimated that the issue of new shares would result in a approx. 5% dilution for other shareholders of the Company.

In November 2012, The Director of Internal Revenue concluded its review on the findings of The Directorate of Tax Investigations. The Director of Internal Revenue ruled that there were no grounds for any further income tax claims, and the issue was therefore resolved.

b) VAT issue

The Directorate of Tax Investigations claimed that the Company should have paid VAT on top of invoices received from foreign parties, mostly foreign subsidiaries of the Company that billed the parent company to cover their operations expenses in the years 2006 and 2007. The Company objected this and put forward several arguments and legal opinions that contradict this interpretation of the Directorate of Tax Investigations, which has no precedent. In some cases however, the Company did accept that VAT should have been paid on top of certain foreign invoices. Corrected reports were submitted to tax authorities in September 2010, resulting in VAT payments of ISK 7.5 million in addition to interest.

In June 2011, The Director of Internal Revenue confirmed the findings of The Directorate of Tax Investigations regarding the VAT issue. The Company appealed this conclusion immediately to the State Internal Revenue Board in June 2011.

The Director of Internal Revenue claimed that the Company should pay approximately ISK 980 million in VAT. At the same time, The Director of Internal Revenue confirmed the Company´s tax returns for the year 2008, resulting in a tax refund of ISK 460 million, which should have been repaid to the Company in 2010, at the latest. Tax authorities then set off the ISK 460 million tax refund towards the VAT claim, resulting in an outstanding claim of ISK 520 million.

Besides the Company´s appeal to the State Internal Revenue Board in June 2011, the Company has insisted that tax authorities return the ISK 460 million refund and accept that a tax claim in this case (should it be ruled legimate by courts at a later stage) should be settled under the Company´s composition agreement from June 2009, with ISK 1 million in cash and 5% of the remaining amount with Stodir shares. In September 2011, Stodir issued and delivered common shares of ISK 37,043,008 to settle the VAT claim fully with interest to 6 April 2009, in accordance with the composition agreement.

As tax authorities refused to accept that the VAT claim should be settled under the composition agreement as well as to return the ISK 460 million refund, Stodir filed a lawsuit in June 2012 before the District Court of Reykjavik to recover the refund and receive confirmation that a claim of this nature is rightfully to be settled under the composition agreement.

In December 2012, the State Internal Revenue Board confirmed the findings of the The Director of Internal Revenue, but reduced the claim, down to ISK 835 million. A decision has not been made whether Stodir will accept this conclusion or take the case up before the District Court of Reykjavik.

It should be noted that in these financial statements, Stodir assumes 1) that the VAT claim falls under the composition agreement from 2009, and 2) that the tax refund of ISK 460 million will be recovered.

26. Subsequent events

In January 2013 the Company completed two transactions and received short-term receivables of ISK 3,566 million. Also in January 2013, the Company redeemed B shares in the amount of ISK 4,773 millions. After the decrease, total number of B shares amount to ISK 4,000 million.