

Stoðir hf.  
Condensed Financial Statements  
for the year 2017

Stoðir hf.  
Suðurgata 12  
101 Reykjavík  
Iceland

Reg. no. 601273-0129

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# Endorsement and Statement by the Board of Directors and the CEO

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

Stoðir's primary asset at year-end 2017 is a 8.87% shareholding in Refresco. Refresco is listed at Euronext Amsterdam (RFRG).

According to the income statement profit of the year 2017 amounted to ISK 5.419 million. According to the statement of financial position, equity at 31 December 2017 amounted to ISK 18.304 million. Total number of shareholders at year-end were 94, compared to 99 at the beginning of the year. The 10 largest shareholders at year-end were as follows:

<b>Shareholders:</b>	<b>Share</b>
S122 ehf. ....	40,28%
Arion banki hf. ....	16,37%
S121 ehf. ....	14,46%
Landsbankinn hf. ....	13,39%
J.P. Morgan Clearing Corporation .....	7,30%
Íslandsbanki hf. ....	1,72%
Festa lífeyrissjóður .....	0,92%
Lífeyrissjóður Vestmannaeyja .....	0,85%
Gildi lífeyrissjóður .....	0,76%
Lífeyrissjóður verslunarmanna .....	0,72%

## **Statement by the Board of Directors and the CEO**

The annual financial statements for the year ending 31 December 2017 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 2017, its assets, liabilities and financial position as at 31 December 2017.

The valuation of listed assets (Refresco shareholding) at year-end 2017 is based on a public takeover offer received in October 2017, which is expected to be completed in Q1/Q2 2018.

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 2017 and confirm them by means of their signatures.

Reykjavík, 30 January 2018

The Board of Directors:

Jón Sigurðsson  
Iðá Brá Benediktsdóttir  
Örvar Kærnedsted

CEO:

Júlíus Þorfinnsson

# Independent Auditor's Report

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The accompanying condensed financial statements for Stoðir hf. is based on the financial statements of the company for the year 2017. Following auditor's report from us came with the financial statements:

To the Board of Directors and Shareholders of Stoðir hf.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Stoðir hf. (the Company), which comprise the statement of financial position as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of ethics for Icelandic auditors, which are based on the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have also fulfilled other ethical requirements of that rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and CEO for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with the Icelandic Financial Statement Act, and for such internal control as they determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

## Independent Auditor's Report, contd.:

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

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 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.

Reykjavík, 30 January 2018

**KPMG ehf.**

Sæmundur Valdimarsson

# Income Statement for the year 2017

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	Notes	2017	2016
<b>Net investment income (expense):</b>			
Net income (loss) from investment securities .....		5.442.571	( 4.650.602)
Interest income .....		1.696	8.798
Net foreign exchange gain (loss) .....		33.106	( 128.155)
		<u>5.477.373</u>	<u>( 4.769.959)</u>
<b>Operating expenses:</b>			
Operating expenses .....		( 58.182)	( 73.180)
		<u>( 58.182)</u>	<u>( 73.180)</u>
<b>Profit (loss) for the year</b> .....		<u>5.419.191</u>	<u>( 4.843.139)</u>

# Statement of Financial Position

## as at 31 December 2017

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Cash and cash equivalents .....	3	792.497	547.613
Investments .....	4	17.505.706	12.734.947
Loans and other receivables .....		10.657	9.853
<b>Total assets</b>		<b>18.308.860</b>	<b>13.292.413</b>
 <b>Equity</b>			
Ordinary share capital .....		11.885.096	11.885.096
Statutory reserve .....		2.658.962	2.500.433
Unrealised fair value changes of investments .....		747.528	0
Retained earnings (accumulated deficit) .....		3.012.047	( 1.501.087)
Total equity		18.303.633	12.884.442
 <b>Liabilities</b>			
Unpaid dividend income tax .....		0	398.685
Trade and other payables .....		5.227	9.286
Total liabilities		5.227	407.971
<b>Total equity and liabilities</b>		<b>18.308.860</b>	<b>13.292.413</b>

# Statement of Changes in Equity for the year 2017

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	Ordinary share capital	Statutory reserve	Unrealised fair value changes of investments	Retained earnings (accumulated deficit)	Total equity
<b>Year 2016</b>					
Balance at 1 January 2016 .....	11.885.096	2.500.433	0	8.236.552	22.622.081
Loss for the year .....				( 4.843.139)	( 4.843.139)
Dividend paid .....				( 4.894.500)	( 4.894.500)
Balance at 31 December 2016 .....	<u>11.885.096</u>	<u>2.500.433</u>	<u>0</u>	<u>( 1.501.087)</u>	<u>12.884.442</u>
<b>Year 2017</b>					
Balance at 1 January 2017 .....	11.885.096	2.500.433	0	( 1.501.087)	12.884.442
Profit for the year .....				5.419.191	5.419.191
Transfer to fair value reserve .....			747.528	( 747.528)	0
Transfer to statutory reserve .....		158.529		( 158.529)	0
Balance at 31 December 2017 .....	<u>11.885.096</u>	<u>2.658.962</u>	<u>747.528</u>	<u>3.012.047</u>	<u>18.303.633</u>

# Statement of Cash Flows for the year 2017

	Notes	2017	2016
<b>Cash flows from operating activities:</b>			
Profit (loss) for the year .....		5.419.191	( 4.843.139)
Adjustments for:			
Change in fair value .....		( 5.437.857)	4.700.041
Working capital to operations		( 18.666)	( 143.098)
Net change in operating assets and liabilities .....		( 4.863)	( 2.670)
Net cash used in operating activities		( 23.529)	( 81.516)
<b>Cash flows from investing activities:</b>			
Investment securities, change .....		667.098	4.411.653
Net cash provided by investing activities		667.098	4.411.653
<b>Cash flows from financing activities:</b>			
Dividend paid .....		0	( 4.894.500)
Dividend income tax paid .....		( 398.685)	0
Net cash used in financing activities		( 398.685)	( 4.894.500)
<b>Net increase (decrease) in cash and cash equivalents .....</b>		244.884	( 518.892)
<b>Cash and cash equivalents at 1 January .....</b>		547.613	1.066.505
<b>Cash and cash equivalents at 31 December .....</b>		792.497	547.613
<b>Investing and financing transactions without cash flow effect:</b>			
Dividend to shareholders .....		0	( 5.778.203)
Unpaid dividend .....		0	5.778.203
<b>Other information:</b>			
Interest income received .....		1.696	8.798

# Notes

## 1. Reporting Entity

Stoðir hf.'s registered office is at Suðurgata 12 in Reykjavík, Iceland. The financial statements of Stoðir hf. ("Stodir" or "the Company") as at and for the year ended 31 December 2017 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 30 January 2018.

### 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.

## 3. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits.

## 4. Investments

Investments are listed on foreign stock exchange.

## 5. Effective tax rate

Reconciliation of effective tax rate:

		2017		2016
Profit (loss) before income tax .....		5.419.191		( 4.843.139)
Income tax using the Company's domestic tax rate ....	20,0%	1.083.838	20,0%	0
Tax exempt revenue .....	( 17,6%)	( 954.151)	0,0%	0
Non-deductible expenses .....	0,0%	3	( 20,8%)	1.005.899
Impairment on deferred tax asset, change .....	( 2,4%)	( 129.690)	0,8%	( 37.261)
Effective tax rate .....	0,0%	0	0,0%	968.638

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 23.415 million is impaired at year-end 2017 as realization of tax benefits is improbable. Tax loss carry forwards for the Company is estimated to be ISK 103.169 million at year-end 2017.

**6. Financial Guarantees**

On 31 December 2017, the Company is aware of two outstanding financial guarantees, which were provided 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.

**7. VAT matters**

At year-end 2017, 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 was partly challenged. In December 2017, the District Court in Reykjavik ruled on the case, predominantly against Stodir, but still ruled that ISK 40 million should be returned to Stodir and that the Company had in fact not been negligent in its actions regarding VAT payments in 2006-2007. When these Financial Statements were concluded, it was not clear whether the district court ruling will be appealed or not and therefore the ISK 40 million have not been capitalized in the Statement of Financial Position.

The other matter relates to interest payments, where the Company claims the VAT charges should not have included penalty interest from 2006-2007. This case is still at the District Court in Reykjavik. Uncertainty remains whether the Company will recover any value from this case but downside risk is limited to legal expenses.