

Stoðir hf.  
Condensed Financial Statements  
for the year 2016

Stoðir hf.  
Klapparstíg 25-27  
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. ("Stodir" or "the Company").

Stodir's primary asset at year-end 2016 is a 8.87% shareholding in Refresco. Stodir sold a 3.14% shareholding in Refresco on 5 October 2016. Refresco is listed at Euronext Amsterdam (RFRG).

According to the income statement loss of the year 2016 amounted to ISK 4,843 million. According to the statement of financial position, equity at 31 December 2016 amounted to ISK 12,884 million. Total number of shareholders was 99 at year-end 2016 and 2015. The 10 largest shareholders are as follows:

<b>Shareholders:</b>	<b>Share</b>
Glitnir HoldCo ehf. ....	40,28%
Arion banki hf. ....	16,37%
Landsbankinn hf. ....	13,39%
Credit Suisse Securities .....	8,45%
J.P. Morgan Clearing Corporation .....	7,30%
HSH Nordbank AG .....	1,77%
BNP Paribas S.A. ....	1,77%
Íslandsbanki hf. ....	1,71%
Landsbankinn - Safnreikningur 1 .....	1,07%
LUX CSD SA .....	1,06%

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

The annual financial statements for the year ending 31 December 2016 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 2016, its assets, liabilities and financial position as at 31 December 2016.

The valuation of listed assets at year-end 2016 is based on closing trading price at year-end.

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 2016 and confirm them by means of their signatures.

Reykjavík, 15. February 2017

The Board of Directors:

Sigurjón Pálsson  
Hermann Már Þórisson  
Snorri Arnar Viðarsson

CEO:

Júlíus Þorfinnsson

# Independent Auditors' 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 2016. Following auditors' 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, 2016, 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 December 31, 2016, 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 Auditors' 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, 15. February 2017

**KPMG ehf.**

Sæmundur Valdimarsson

# Income Statement for the year 2016

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	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Net investment income (expense):</b>			
Net (loss) income from investment securities .....	( 4.650.602)		6.481.048
Interest income .....	8.798		24.882
Net foreign exchange (loss) gain .....	( 128.155)		61.596
	<u>( 4.769.959)</u>		<u>6.567.526</u>
<b>Operating expenses:</b>			
Operating expenses .....	( 73.180)	( 97.134)	
Warranty settlement .....	0	( 235.000)	
	<u>( 73.180)</u>	<u>( 332.134)</u>	
<b>(Loss) profit for the year</b> .....	<u>( 4.843.139)</u>		<u>6.235.392</u>

# Statement of Financial Position

## as at 31 December 2016

	Notes	2016	2015
<b>Assets</b>			
Cash and cash equivalents .....	3	547.613	1.066.505
Restricted cash for with-held dividend .....		0	5.778.203
Investments .....	4	12.734.947	21.782.389
Loans and other receivables .....		9.853	74.017
<b>Total assets</b>		<u>13.292.413</u>	<u>28.701.114</u>
<b>Equity</b>			
Ordinary share capital .....		11.885.096	11.885.096
Statutory reserve .....		2.500.433	2.500.433
(Accumulated deficit) retained earnings .....		( 1.501.087)	8.236.552
Total equity		<u>12.884.442</u>	<u>22.622.081</u>
<b>Liabilities</b>			
Unpaid dividend .....	8	0	5.778.203
Unpaid dividend income tax .....	8	398.685	288.962
Trade and other payables .....		9.286	11.868
Total liabilities		<u>407.971</u>	<u>6.079.033</u>
<b>Total equity and liabilities</b>		<u>13.292.413</u>	<u>28.701.114</u>

# Statement of Changes in Equity for the year 2016

	Ordinary share capital	Statutory reserve	Translation reserve	Retained earnings (accumulated deficit)	Total equity
<b>Year 2015</b>					
Balance at 1 January 2015 .....	11.885.096	2.188.663	320.264	31.175.162	45.569.185
Profit for the year .....				6.235.392	6.235.392
Transfer to statutory reserve .....		311.770		( 311.770)	0
Transfer to retained earnings .....			( 320.264)	320.264	0
Dividend paid .....				( 29.182.496)	( 29.182.496)
Balance at 31 December 2015 .....	<u>11.885.096</u>	<u>2.500.433</u>	<u>0</u>	<u>8.236.552</u>	<u>22.622.081</u>
<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>

# Statement of Cash Flows for the year 2016

	Notes	2016	2015
<b>Cash flows from operating activities:</b>			
(Loss) profit for the year .....	(	4.843.139)	6.235.392
Adjustments for:			
Profit of sale of investments .....		0	( 9.636)
Change in fair value .....		4.700.041	( 6.339.723)
Working capital to operations	(	143.098)	( 113.967)
Net change in operating assets and liabilities .....		61.582	314.935
Net cash (used in) provided by operating activities	(	81.516)	200.968
<b>Cash flows from investing activities:</b>			
Restricted cash, change .....		0	( 5.542.998)
Investment securities, change .....		4.411.653	29.233.556
Net cash provided by investing activities		4.411.653	23.690.558
<b>Cash flows from financing activities:</b>			
Dividend paid .....	(	4.894.500)	( 23.115.331)
Net cash used in financing activities	(	4.784.777)	( 23.115.331)
<b>Net (decrease) increase in cash and cash equivalents .....</b>	(	454.640)	776.195
<b>Effect of exchange rate fluctuations on cash held .....</b>	(	64.252)	( 12.097)
<b>Cash and cash equivalents at 1 January .....</b>		1.066.505	302.407
<b>Cash and cash equivalents at 31 December .....</b>		547.613	1.066.505
<b>Investing and financing transactions without cash flow effect:</b>			
Dividend to shareholders .....	(	5.778.203)	( 4.972.707)
Unpaid dividend .....		5.778.203	4.972.707
<b>Other information:</b>			
Interest income received .....		8.798	24.882

# Notes

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## **1. Reporting Entity**

Stoðir hf.'s registered office is at Klapparstigur 25-27 in Reykjavík, Iceland. The financial statements of Stoðir hf. ("Stodir" or "the Company") as at and for the year ended 31 December 2016 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 15 February 2017.

### **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. Financial Guarantees**

On 31 December 2016, 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.

**6. 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 been fully settled, with a payment of ISK 1.8 billion from Stodir in the year 2014 and 0.2 billion in 2015. In return, Stodir acquired certain claims and assets, ISK 336 million of which were recovered in November 2015, and ISK 60 million in 2016.

**7. VAT matters**

At the end of December 2016, 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.

**8. Payment of dividend**

In April 2016, the Company received an exemption from the Central Bank of Iceland, allowing the Company to distribute a with-held EUR dividend from 2014 and 2015 of EUR 37 million to foreign shareholders. In June and October 2016, with-held ISK dividend from 2014 of ISK 557 million was distributed in EUR to foreign shareholders through a EUR currency auction of the Central Bank of Iceland.

In October 2016, the Company paid its shareholders a total dividend of ISK 4,895 million or EUR 39 million, based on shareholders approval at a Shareholders Meeting held on 18 October 2016.