

# Framtakssjóður Íslands slhf

---

Financial Statements

---

**2012**

Framtakssjóður Íslands slhf  
Lágmúli 9, 7th floor  
108 Reykjavík  
Id.no. 651109-0510

---

# Framtakssjóður Íslands slhf

---

Financial Statements

---

## 2012

### Table of Contents

Independent Auditor's Report	2
Endorsement by the Board of Directors	3
Income Statement	4
Balance Sheet	5
Cash Flow Statement	6
Notes	7-12

---

# Independent Auditor's Report

---

**To the Board of Directors and shareholders of Framtakssjóður Íslands slhf.**

We have audited the accompanying financial statements of Framtakssjóður Íslands slhf., which comprise the balance sheet as at December 31, 2012, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Iceland. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Framtakssjóður Íslands slhf. as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Iceland applied on a consistent basis.

Kópavogur, March 7, 2013

**Deloitte ehf.**

Guðmundur Kjartansson  
State Authorized Public Accountant

## Endorsement by the Board of Directors

---

Framtakssjóður Íslands slhf was established in the year 2009. The company's interest is to invest in Icelandic companies in all economic sectors.

The Financial Statements of Framtakssjóður Íslands slhf. for 2012 is prepared in accordance with generally accepted accounting principles in Iceland. Investments in entities are carried at cost except for investments in entities that are listed entities and are not classified as associates are carried at fair value.

Framtakssjóður Íslands slhf. net profit of the year of 2012 amounted to ISK 6.111.145.142. According to the Balance Sheet the Company's assets amount to ISK 29.623.042.751 and the year's end book value of equity is ISK 29.504.842.705. The Company's equity ratio is 99,6%. As set out in note. 6 in the Financial Statements the company has assessed the estimated fair value of its investments is not less than 44.688 million ISK. Carried value of same assets are 29.098 million ISK.

In the beginning of year 2012 Eignarhaldsfélagið Vestia ehf. were liquidated and Vestia's portfolio of shares was transferred to Framtakssjóður Íslands slhf. Vestia's portfolio owned a 57,9% share in Advania hf., 61% share in Eignarhaldsfélaginu Fjarskipti hf., 50% share in Holtavegur 10 ehf. ( former Húsasmiðjan ehf.) and 100% share in Plastprent ehf. During that year, the fund sold all their shares in Plastprent ehf. and Holtavegur 10 ehf.

The funds' major investments that year were 29% share in N1 hf. and additional shares in Fjarskipti hf. During that year the fund sold significant share or approximately 60% in Fjarskipti hf. and 7% share in Icelandair Group hf.

At year-end, shareholders numbered 19, same as in the beginning of the year. Three shareholders owned more than 10% of the shares in the Company at year-end: Landsbankinn hf. with 27,6%, Lífeyrissjóður verslunarmanna, with 19,9% and Gildi lífeyrissjóður, with 10,4%.

It is the opinion of the Board of Directors and the Managing Director of Framtakssjóður Íslands slhf. that these Financial Statements present all the information necessary to show the position of the Company at year-end, the operating results for the year and the financial developments during the year 2012. The Board of Directors and Managing Director of Framtakssjóður Íslands slhf. hereby confirm the Financial Statements for the year 2012 with their signatures.

Reykjavík, March 7, 2013

### Board of Directors

Þorkell Sigurlaugsson  
Chairman of the Board

### Managing Director

Brynjólfur Bjarnason

# Income Statement 2012

	Notes	2012	2011
Interest and dividends .....	3	180.939.052	28.259.090
Realized gain of investments .....	6	4.607.601.215	1.458.983.718
Gains on fair value of investments .....	6	2.021.391.483	1.462.014.371
		<u>6.809.931.750</u>	<u>2.949.257.179</u>
Impairment of investments .....	6	(403.000.000)	(250.000.000)
Administrative expenses .....		(230.785.538)	(179.978.626)
Direct acquisition cost .....		(61.792.758)	(173.183.717)
Other operating expenses .....		(3.207.627)	(2.016.142)
<b>Operating profit</b>		<u>6.111.145.827</u>	<u>2.344.078.694</u>
Finance costs .....	4	(685)	(98.577)
<b>Profit for the year</b>		<u><u>6.111.145.142</u></u>	<u><u>2.343.980.117</u></u>

# Balance Sheet at 31. December 2012

Assets	Notes	31.12.2012	31.12.2011
<b>Non-current assets</b>			
Investments in associates carried at cost .....	6	22.010.295.994	22.453.423.297
Investments carried at fair value .....	6	7.087.972.827	4.781.213.982
		<u>29.098.268.821</u>	<u>27.234.637.279</u>
<b>Current assets</b>			
Loans to related parties .....	10	113.851.228	30.088.882
Other receivables .....	7	41.839.628	5.651.812
Cash and cash equivalents .....	7,10	369.083.074	882.225.155
		<u>524.773.930</u>	<u>917.965.849</u>
<b>Total assets</b>		<u>29.623.042.751</u>	<u>28.152.603.128</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
	8		
Share capital .....		23.387.541	24.506.240
Share premium .....		23.364.154.086	24.481.734.251
Statutory reserve .....		6.155.936	0
Retained earnings .....		6.111.145.142	3.041.155.936
Total equity		<u>29.504.842.705</u>	<u>27.547.396.427</u>
<b>Current liabilities</b>			
Liabilities to related parties .....	10	6.575.330	17.211.844
Accrued acquisition cost .....	10	0	558.280.027
Other current liabilities .....	9	111.624.716	29.714.830
		<u>118.200.046</u>	<u>605.206.701</u>
Total liabilities		<u>118.200.046</u>	<u>605.206.701</u>
<b>Total equity and liabilities</b>		<u>29.623.042.751</u>	<u>28.152.603.128</u>

# Statement of Cash Flows 2012

	Notes	2012	2011
<b>Operating activities</b>			
Operating profit .....		6.111.145.827	2.344.078.694
Gains on fair value on investments .....	6	(2.021.391.483)	(1.462.014.371)
Impairment of investments .....	6	403.000.000	250.000.000
<b>Operating cash flow before movem. in working capital</b>		<b>4.492.754.344</b>	<b>1.132.064.323</b>
(Increase)/decrease in operating assets .....		(36.187.715)	55.560.745
Increase/(decrease) in operating liabilities .....		67.923.544	11.930.712
<b>Cash generated from (to) operations</b>		<b>4.524.490.173</b>	<b>1.199.555.780</b>
Interest paid .....		(685)	(98.577)
<b>Net cash from (to) operating activities</b>		<b>4.524.489.488</b>	<b>1.199.457.203</b>
<b>Investing activities</b>			
Acquisition of investments in associates .....		(931.529.324)	(21.521.492.168)
Increase/(decrease) in loans to related parties .....		29.958.382	(30.088.882)
		<b>(901.570.942)</b>	<b>(21.551.581.050)</b>
<b>Financing activities</b>			
Dividends paid .....	8	(3.031.650.172)	0
Capital paid in .....	8	4.834.301.136	22.979.391.212
Capital paid out .....	8	(5.953.000.000)	(2.708.983.721)
		<b>(4.150.349.036)</b>	<b>20.270.407.491</b>
Net increase (decrease) in cash and cash equivalents .....		(527.430.490)	(81.716.356)
Cash and cash equivalents at the beginning of the year .....		882.225.155	963.941.511
Cash and cash equivalents upon Vestia's liquidation .....		14.288.409	0
<b>Cash and cash equivalents at the end of the year .....</b>		<b>369.083.074</b>	<b>882.225.155</b>

# Notes

---

## 1. General information

Framtakssjóður Íslands slhf was established in the year 2009. The company's interest is to invest in Icelandic companies in all economic sectors.

Framtakssjóður Íslands slhf. is a partnership limited by shares and complies with the Icelandic limited companies law nr. 2/1995.

Partnership limited by shares is when one or more members (general partners) has a direct and unlimited responsibility for the company's obligation but other members (shareholders) has a limited responsibility based on contribution. General partners can also be shareholders.

## 2. Accounting Policies

### Basis of preparation

The Financial Statements of Framtakssjóður Íslands slhf. for the year 2012 are prepared according to generally accepted accounting principles in Iceland. The Financials Statements is based on cost method except for Investments in Associates that are listed entities wich are carried at fair value. The Financial Statements is prepared according to the same accounting principles as for the previous year. The Financial Statements is prepared in Icelandic kronas.

The principal accounting policies adopted are set out below.

### Estimates and decisions

At the making of the Annual Report, the Management, in accordance with laws on Financial Statements, need to make decisions, estimate and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and income and cost. All conclusions and estimates are based on knowledge and experience and other relevant factors and make up the basis for decisions made on book value of assets and liabilities which can not be ascertained by any other mean.

Changes to accounting estimates are recognised in the period they incur.

### Interest revenue

Interest revenue are recognised in income statements in accordance with principal and interest rates.

### Finance costs

All finance costs are recognised in income statements in the period they incur.

### Taxation

The company is not an independent tax entity and therefore no income tax is calculated and recognised in the financial statement.

### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).



# Notes

## 2. Accounting Policies (continued)

### Investments in Associates - carried at cost

Investments, which are carried at cost are Investments in Associates. The investments are carried at cost less an allowance for estimated impairments.

### Investments in other entities - carried at fair value

Investments held for trading are financial assets that are traded in an active market and bought to gain on short term price changes. Investments held for trading are measured at fair value and gains and losses arising from changes in fair value are recognized in profit or loss for the period.

## 3. Interest and dividends

	2012	2011
Interest from bank deposits.....	28.092.291	28.259.090
Dividends from equity investments.....	152.846.761	0
	<u>180.939.052</u>	<u>28.259.090</u>

## 4. Finance costs

	2012	2011
Interest expenses.....	685	2.001
Stamp duties.....	0	96.576
	<u>685</u>	<u>98.577</u>

## 5. Dividends

Total dividend of 3.035.000.000 was paid to shareholders in the year 2012.

## 6. Investments

	2012	2011
<b>Investments in Associates carried at cost :</b>		
Balance at beginning of year .....	22.453.423.297	0
Additions during the year .....	4.762.149.929	25.903.423.297
Disposed during the year .....	(6.428.851.476)	(3.200.000.000)
Impairment .....	(403.000.000)	(250.000.000)
Entries upon Vestia' liquidation .....	(86.289.265)	0
Realized gain of investments .....	2.873.230.871	0
Reclassification of shares from cost to market value .....	(1.160.367.362)	0
Book value at year end .....	<u>22.010.295.994</u>	<u>22.453.423.297</u>
<b>Investments carried at fair value :</b>		
Balance at beginning of year .....	4.781.213.982	4.569.199.611
Disposed during the year .....	(2.609.370.344)	(2.708.983.718)
Realized gain of investments .....	1.734.370.344	1.458.983.718
Reclassification of investments from cost to market value .....	1.160.367.362	0
Increased to market value .....	2.021.391.483	1.462.014.371
Book value at year end .....	<u>7.087.972.827</u>	<u>4.781.213.982</u>

## Notes

### 6. Investments (continued)

	Proportion of ownership	Nominal value
<b>Summary of Investments in Associates carried at cost :</b>		
Shares in Icelandic Group hf. ....	99,99%	1.576.578.000
Shares in Icelandic Group Investments hf. ....	100,0%	495.922.000
Shares in Advania hf. ....	75,36%	417.231.004
Shares in Promens hf. (nominal value in EUR) ....	49,50%	28.234.814
Shares in N1 hf. ....	44,82%	448.180.945

	Proportion of ownership	Nominal value	Market value
<b>Summary of Investments carried at fair value :</b>			
Shares in Eignarhaldsfélaginu FjarSKIPTI hf. ....	19,70%	66.099.467	32,55
Shares in Icelandair Group hf. ....	12,01%	600.539.559	8,22

The company has assessed the estimated fair value of its investments. Estimated fair value depends on results from impairment tests of underlying investments. The preparation of an impairment test is based on the present value of future cash flow per unit, based on budgets from relevant entities and weighted average cost of capital, depending on certain assumptions.

The company has estimated that fair value of its investment is approximately 46.688 million ISK. Carried value of same assets are 29.098 million ISK.

Fair value estimates are subject to various external risk factors such as changes in foreign exchange rates and interest rates.

### 7. Other financial assets

<b>Other receivables</b>	31.12.2012	31.12.2011
Capital income tax .....	41.839.628	5.651.812
	<u>41.839.628</u>	<u>5.651.812</u>

#### Cash and cash equivalents

The Company's cash and cash equivalent consist of cash and bank balances.

	31.12.2012	31.12.2011
Bank balances in Icelandic Kronas .....	369.083.074	882.225.155
	<u>369.083.074</u>	<u>882.225.155</u>

## Notes

### 8. Equity

In 2012, the Company's share capital was increased by ISK 4.834.301 by recall of new shares. In December 2012, it was decided to reduce the share capital amounting to ISK 5.953.000 and pay out to shareholders. Each share of nominal Icelandic krona equals one vote.

Share capital is specified as follows:

	Share capital	Share premium	Statutory reserve	Retained earnings	Total
Equity 1.1.2011 .....	4.235.833	4.231.597.167	0	697.175.819	4.933.008.819
New shares .....	22.979.392	22.956.411.820			22.979.391.212
Decrease in share capital .....	(2.708.985)	(2.706.274.736)			(2.708.983.721)
Net profit .....				2.343.980.117	2.343.980.117
Equity 1.1.2012 .....	24.506.240	24.481.734.251	0	3.041.155.936	27.547.396.427
New shares .....	4.834.301	4.829.466.835			4.834.301.136
Decrease in share capital .....	(5.953.000)	(5.947.047.000)			(5.953.000.000)
Statutory reserve .....			6.155.936	(6.155.936)	0
Dividends paid .....				(3.035.000.000)	(3.035.000.000)
Net profit .....				6.111.145.142	6.111.145.142
Equity 31.12.2012 .....	23.387.541	23.364.154.086	6.155.936	6.111.145.142	29.504.842.705

Shareholders:		Paid in capital	Total share capital	Share in equity
Landsbankinn hf. ....	27,59%	6.452.293.453	6.452.293	8.139.970.444
Lífeyrissjóður verslunarmanna .....	19,91%	4.657.265.414	4.657.266	5.875.431.818
Gildi lífeyrissjóður .....	10,39%	2.430.363.867	2.430.364	3.066.055.917
Sameinaði lífeyrissjóðurinn .....	7,72%	1.806.642.167	1.806.643	2.279.192.935
Lífeyrissjóður starfsmanna ríkisins A-deild .....	7,36%	1.720.611.587	1.720.612	2.170.659.458
Söfnunarsjóður lífeyrisréttinda .....	6,62%	1.548.550.429	1.548.550	1.953.592.503
Stafir lífeyrissjóður .....	5,52%	1.290.458.691	1.290.459	1.627.994.593
Lífeyrissjóður starfsmanna sveitarfélaga .....	2,76%	645.229.345	645.229	813.996.666
Festa lífeyrissjóður .....	2,76%	645.229.345	645.229	813.996.666
Almenni lífeyrissjóðurinn .....	1,84%	430.152.897	430.153	542.664.864
Lífeyrissjóður Vestmannaeyja .....	1,47%	344.122.317	344.122	434.131.387
Lífeyrissjóður Bankamanna aldursdeild .....	1,24%	290.783.358	290.783	366.840.908
Lífeyrissjóður Vestfirðinga .....	1,10%	258.091.738	258.091	325.597.909
Lífeyrissjóður verkfræðinga .....	1,10%	258.091.738	258.091	325.597.909
Eftirlaunasjóður FÍA .....	0,77%	180.664.217	180.664	227.918.915
Íslenski lífeyrissjóðurinn .....	0,68%	159.156.572	159.157	200.786.492
Lífeyrissjóður Rangæinga .....	0,58%	136.788.622	136.788	172.566.602
VÍS hf. ....	0,55%	129.045.869	129.047	162.800.847
Framtakssjóður Íslands GP hf. ....	0,02%	4.000.000	4.000	5.045.871
		23.387.541.627	23.387.541	29.504.842.705

# Notes

## 9. Trade and other payables

Other current liabilities	31.12.2012	31.12.2011
Capital income tax, unpaid .....	3.349.828	0
Accrued expenses .....	108.274.888	29.714.830
	<u>111.624.716</u>	<u>29.714.830</u>

## 10. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Related parties transactions are as follows:

Related parties transactions in the year 2012:

	Purchases of services	Sales of services	Assets and Cash	Liabilities
FSÍ GP hf., general partner .....	230.785.538	0	0	6.575.330
Icelandic Group, subsidiary .....	0	0	130.500	0
Landsbankinn hf., shareholder .....	409.544	510.901	128.218.135	0
	<u>231.195.082</u>	<u>510.901</u>	<u>128.348.635</u>	<u>6.575.330</u>

Related parties transactions in the year 2011:

	Purchases of services	Sales of services	Assets	Liabilities
FSÍ GP hf., general partner .....	179.978.626	0	0	17.211.844
Icelandic Group, subsidiary .....	0	0	30.088.882	0
Landsbankinn hf., shareholder .....	430.830	0	0	558.280.027
	<u>180.409.456</u>	<u>0</u>	<u>30.088.882</u>	<u>575.491.871</u>

## 11. Obligation and other matters

Framtakssjóður Íslands slhf. has, upon purchase agreement with Arion bank on June 5th 2012, taken over all rights and obligations of the seller under an agreement of purchase options on shares of N1 hf. with the financial restructuring of April 7th 2011. The obligations imposed on a vendor agreement relating to the stock options equal to 10% of N1 therefore fall under obligations of Framtakssjóður Íslands slhf.

# Notes

---

## 12. Approval of Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on March 7th 2013.

## 13. Ratios

From Statement of Earnings	<u>2012</u>	<u>2011</u>
<b>Profitability ratios</b>		
Profit for the year .....	6.111.145.142	2.343.980.117
Return on equity - net profit/average equity .....	20,7%	13,3%
From Balance Sheet	<u>31.12.2012</u>	<u>31.12.2011</u>
<b>Coverage ratios</b>		
Internal value of shares - shareholder equity/total assets .....	1.261,56	1.124,10
Equity ratio - shareholders equity/ share capital .....	99,6%	97,9%