

Framtakssjóður Íslands GP hf.

Financial Statements

2012

Framtakssjóður Íslands GP hf.

Lágmúli 9, 7th floor

108 Reykjavík

Id no. 491109-2110

Framtakssjóður Íslands GP hf.

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	7-11

Independent Auditor's Report

To the Board of Directors and shareholders of Framtakssjóður Íslands GP hf.

We have audited the accompanying financial statements of Framtakssjóður Íslands GP hf., which comprise the endorsement of Board of Directors, statement of financial position as of December 31, 2012 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and 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 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 GP hf., 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 GP hf. was established in the year 2009 and is a representative and a general partner of Framtakssjóður Íslands slhf.

The Financial Statement of Framtakssjóður Íslands GP hf. for 2012, is prepared in accordance with generally accepted accounting principles in Iceland.

Framtakssjóður Íslands GP hf. net profit of the year of 2012 amounted to ISK 436.711. According to the Balance Sheet the Company's total assets amount to ISK 46.006.978, the year's end book value of equity is ISK 8.442.799.

At year-end, shareholders numbered 18. Three shareholders owned more than 10% of the shares in the Company at year-end: Landsbankinn hf. 27,6%, Lífeyrissjóður Verslunarmanna 15,0% and Gildi - lífeyrissjóður 10,4%.

It is the opinion of the Board of Directors and the Managing Director of Framtakssjóður Íslands GP hf. 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 GP hf. 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

Helga Árnadóttir

Baldur Þór Vilhjálmsson

Hjörleifur Pálsson

Hreiðar Bjarnason

Linda Jónsdóttir

Sveinn Hannesson

Managing Director

Brynjólfur Bjarnason

Income Statement 2012

	Notes	2012	2011
Administration fee		230.785.538	179.978.626
Compensation from affiliates		29.514.679	19.873.953
Other revenue		0	1.661.311
Salaries and other employee expenses	3	(176.017.409)	(129.602.057)
Administrative expenses		(60.849.819)	(49.217.547)
Other operating expenses		(22.464.920)	(21.129.369)
Depreciation and amortization	7	(968.069)	(1.564.917)
Operating profit/(loss)		0	0
Investment revenue	4	669.785	499.232
Finance costs	5	(123.897)	(128.210)
Profit before taxes		545.888	371.022
Income tax expense	6	(109.177)	(74.204)
Profit for the year		436.711	296.818

Balance Sheet at 31. December 2012

Assets	Notes	31.12.2012	31.12.2011
Non-current assets			
Property, plant and equipment	7	7.303.959	6.635.938
Investments	8	4.000.000	4.000.000
		<u>11.303.959</u>	<u>10.635.938</u>
Current assets			
Loans to related parties	13	9.585.330	30.459.657
Other receivables	9	1.898.925	1.309.209
Cash and cash equivalents	9	23.218.764	1.794.600
		<u>34.703.019</u>	<u>33.563.466</u>
Total assets		<u><u>46.006.978</u></u>	<u><u>44.199.404</u></u>
Equity and liabilities			
Capital and reserves			
	10		
Share capital		6.883.966	6.883.966
Retained earnings		1.558.833	1.122.122
Equity		<u>8.442.799</u>	<u>8.006.088</u>
Non-current liabilities			
Deferred tax liabilities	11	385.378	276.201
		<u>385.378</u>	<u>276.201</u>
Current liabilities			
Liabilities to related parties	13	0	251.000
Other current liabilities	12	37.178.801	35.666.115
		<u>37.178.801</u>	<u>35.917.115</u>
Liabilities		<u>37.564.179</u>	<u>36.193.316</u>
Total equity and liabilities		<u><u>46.006.978</u></u>	<u><u>44.199.404</u></u>

Statement of Cash Flows 2012

	Notes	2012	2011
Operating activities			
Operating profit/(loss)		0	0
Depreciation		968.069	1.564.917
Operating cash flow before movem. in working capital		<u>968.069</u>	<u>1.564.917</u>
(Increase)/decrease in operating assets		186.292	(1.111.542)
Increase/(decrease) in operating liabilities		736.678	23.993.741
Cash generated from (to) operations		<u>1.891.039</u>	<u>24.447.116</u>
Interest and dividend earned		669.785	499.232
Interest paid		(123.897)	(128.210)
Net cash from (to) operating activities		<u>2.436.927</u>	<u>24.818.138</u>
Investing activities			
Purchases of property, plant and equipment	7	(1.636.090)	(1.366.531)
Increase/(decrease) in loans to related parties		20.874.327	(30.459.657)
		<u>19.238.237</u>	<u>(31.826.188)</u>
Financing activities			
Capital paid in		0	3.240.000
Purchase of own shares		0	(356.034)
Increase/(decrease) in liabilities to related parties		(251.000)	(52.515.782)
		<u>(251.000)</u>	<u>(49.631.816)</u>
Net increase (decrease) in cash and cash equivalents		21.424.164	(56.639.866)
Cash and cash equivalents at the beginning of the year		1.794.600	58.434.466
Cash and cash equivalents at the end of the year		<u>23.218.764</u>	<u>1.794.600</u>

Notes

1. General information

Framtakssjóður Íslands GP hf. is a limited Company and complies with the Icelandic limited companies law nr. 2/1995. Framtakssjóður Íslands GP hf. was established in the year 2009 and is a representative and a general partner of Framtakssjóður Íslands slhf.

2. Accounting Policies

Basis of preparation

The Financial Statements of Framtakssjóður Íslands GP hf. for the year 2012 are prepared according to generally accepted accounting principles in Iceland. Cost method is used in the Financial Statements and it is prepared according to the same accounting principles as for the previous year. The Financial Statements are prepared in Icelandic kronas.

The principal accounting policies adopted are set out below.

Revenue recognition

Revenue from rendering of services is recognised when the service is provided. Framtakssjóður Íslands GP hf. is a general partner of Framtakssjóður Íslands slhf. and also manage the investments and other operation for the company.

Interest income is accrued over time, by reference to the principal outstanding and at the interest rate applicable.

Borrowing costs

All borrowing costs are recognised in profit and loss in the period they incur.

Taxation

Income tax is calculated and recognised in the Financial Statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's current tax rate is 20%.

The tax currently payable is income tax that is likely to be paid within the next 12 months for taxable income of the year and corrections in income tax for previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

Notes

3. Salaries and other employee expenses

Salaries and salary-related expenses paid by the Company are specified as follows:

	2012	2011
Employee salaries	122.260.418	77.267.487
Board salaries.....	14.841.000	10.590.000
Contribution to pension funds	16.186.409	19.464.631
Payroll taxes.....	12.353.749	9.670.134
Change in accrued vacation pay.....	185.000	4.245.000
Other employee expenses.....	10.190.833	8.364.805
	<u>176.017.409</u>	<u>129.602.057</u>
Average number of positions	9	7

Total payroll, benefits and compensation to the Board of Directors and the Managing Director amounted 47,7 million ISK for the year 2012 is specified as follows. The total amount for the year 2011 was 29,5 million ISK.

Brynjólfur Bjarnason, Managing Director.....	16.170.745
Finnbogi Jónsson, former Managing Director.....	12.312.936
Þorkell Sigurlaugsson, Chairman of the Board.....	5.758.968
Auður Björk Guðmundsson	400.000
Baldur Þór Vilhjálmsson	1.635.000
Helga Árnadóttir	1.488.000
Helga Indriðadóttir	340.000
Hjörleifur Pálsson	1.635.000
Hrefna Ösp Sigfinnsdóttir	1.515.000
Hreiðar Bjarnason	140.000
Jensína Kristín Böðvarsdóttir	220.000
Jón Steindór Valdimarsson	3.592.806
Kristján Örn Sigurðsson	60.000
Linda Jónsdóttir	1.635.000
Sigurbjörn Sigurbjörnsson	340.000
Sveinn Hannesson	420.000
	<u>47.663.455</u>

In the first quarter of the year 2012 Þorkell Sigurlaugsson the Chairman of the Board worked in part as a managing director. Jón Steindór Valdimarsson, the former Vice chairman received salaries payments while sitting on the Board and served as the company's contractor for specific projects. These commissions are included in the amounts stated above.

Compensation to auditors for the year 2012 is specified as follows without VAT:

Audit and review	5.508.452
Accounting service	1.742.795
Other professional services.....	3.928.915
	<u>11.180.162</u>

4. Investment revenue

	2012	2011
Interest on bank deposits.....	669.785	499.232
	<u>669.785</u>	<u>499.232</u>

Notes

5. Finance costs

	2012	2011
Interest expenses.....	123.897	128.210
	<u>123.897</u>	<u>128.210</u>

6. Income tax

Income tax has been calculated and recorded in the Financial Statements, the amount charged in the Income Statement is 109.177 ISK. In the year 2013 no income tax will be paid because of negative taxable income.

7. Property, plant and equipment

	<u>Office equipm.</u>
Cost	
At beginning of year.....	8.689.351
Additions.....	<u>1.636.090</u>
At end of year.....	<u>10.325.441</u>
Accumulated depreciation	
At beginning of year.....	2.053.413
Charge for the year.....	<u>968.069</u>
At end of year.....	<u>3.021.482</u>
Carrying Amount	
Book value at beginning of year.....	<u>6.635.938</u>
Book value at end of year.....	<u>7.303.959</u>
Depreciation rates	20%

8. Investments

	<u>2012</u>
Framtakssjóður Íslands slhf.	4.000.000

Company's nominal share in Framtakssjóður Íslands slhf. amount to 4.000 ISK at the rate of 1.000 each, which equals the purchase price.

Framtakssjóður Íslands GP hf is a general partner of Framtakssjóður Íslands slhf. Framtakssjóður Íslands slhf. is a partnership limited by shares and its objective is to form a financial and operating reconstruction of the Icelandic economy after the financial crisis in 2008.

9. Other financial assets

Other receivables	<u>31.12.2012</u>	<u>31.12.2011</u>
Prepaid expenses	988.962	1.209.375
Capital income tax	133.955	99.834
	<u>1.898.925</u>	<u>1.309.209</u>
Cash and cash equivalents		
	<u>31.12.2012</u>	<u>31.12.2011</u>
Bank balances in Icelandic Kronas	23.218.764	1.794.600
	<u>23.218.764</u>	<u>1.794.600</u>

Notes

10. Equity

Share capital is specified as follows:

	Ratio	Amount
Total share capital at year-end	100,0%	7.240.000
Own shares at year-end	(4,92%)	(356.034)
	<u>95,1%</u>	<u>6.883.966</u>

Total number of shares issued at the year end was in total of 7.240.000. The nominal value of each share is one Icelandic krona.

	Share capital	Retained earnings	Total
Equity 1.1.2011	4.000.000	825.304	4.825.304
New shares	3.240.000	0	3.240.000
Purchases of own shares	(356.034)	0	(356.034)
Net profit	0	296.818	296.818
Equity 31.12.2011	<u>6.883.966</u>	<u>1.122.122</u>	<u>8.006.088</u>
Net profit	0	436.711	436.711
Equity 31.12.2012	<u>6.883.966</u>	<u>1.558.833</u>	<u>8.442.799</u>

11. Deferred tax

	Deferred tax
At beginning of year	276.201
Calculated tax for the year 2012	109.177
At year end	<u>385.378</u>

The following are the major deferred tax liabilities and assets recognised:

Property, plant and equipment	730.422
Tax losses	<u>(345.044)</u>
	<u>385.378</u>

At balance sheet date the Company has unused tax losses available for offset against future profits as follows:

Available for the years 2013-2022	1.725.217
	<u>1.725.217</u>

12. Trade and other payables

Other current liabilities	31.12.2012	31.12.2011
Accrued expenses from retirement agreement	8.487.427	0
Value added tax	0	807.019
Salaries and related expenses payable	12.661.042	20.904.079
Accrued vacation pay commitment	7.615.000	7.430.000
Accrued expenses	8.415.332	6.525.017
	<u>37.178.801</u>	<u>35.666.115</u>

Notes

13. 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.

Framtakssjóður Íslands GP hf. is a general partner of Framtakssjóður Íslands slhf.

Related parties transactions are as follows:

Related parties transactions in the year 2012:

	Purchases of services	Sales of services	Assets	Liabilities
Framtakssjóður Íslands slhf.	0	230.785.538	6.575.330	0
Landsbankinn hf., shareholder	2.186.591	0	0	0
Subsidiaries of FSÍ slhf.	0	29.514.679	1.225.000	0
Other affiliates of FSÍ slhf.	0	0	1.785.000	0
	<u>2.186.591</u>	<u>260.300.217</u>	<u>9.585.330</u>	<u>0</u>

Related parties transactions in the year 2011:

	Purchases of services	Sales of services	Assets	Liabilities
Framtakssjóður Íslands slhf.	0	179.978.626	17.211.844	0
Landsbankinn hf., shareholder	1.091.781	0	0	0
Subsidiaries of FSÍ slhf.	0	19.873.953	11.679.088	0
Other affiliates of FSÍ slhf.	0	0	1.568.725	251.000
	<u>1.091.781</u>	<u>199.852.579</u>	<u>30.459.657</u>	<u>251.000</u>

15. Approval of Financial Statements

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