

Stoðir hf.
Condensed Financial Statements
for the year 2020

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

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

According to the income statement profit of the year 2020 amounted to ISK 7,557 million. According to the statement of financial position, equity at 31 December 2020 amounted to ISK 31,737 million.

During the year 2020 the Company acquired own shares in nominal amount of ISK 481.2 million for ISK 992.7 million. At year-end, the Company owned 6.13% of its issued share capital. Total number of outstanding shares at year-end 2020 was ISK 12.671.957.834.

Overall, the Covid-19 pandemic did not have a significant effect on the Company during 2020. The value of listed investment assets decreased during 1Q 2020 but recovered later in the year. The Covid-19 pandemic is not expected to have a significant effect on the Company in 2021.

During the year 2020 an average of 3.8 employees (2019: 3.1) worked at the Company.

Total number of shareholders at year-end were 63, compared to 54 at the beginning of the year. The 10 largest shareholders at year end, excluding own shares, were as follows:

Shareholders:	Share
S121 ehf.	55.3%
TM hf.	12.4%
Stefnir - ÍS 5	7.1%
Mótás hf.	3.8%
Stefnir - ÍS 15	3.4%
Vindhamar ehf.	2.1%
Íslandsbanki hf.	2.1%
Kvika banki -Safnreikningur	1.7%
Nataaqaq Fisheries Inc.	1.5%
GGH ehf.	1.1%

The Board of Directors proposes that no dividend will be paid to shareholders for the financial year 2020. Reference is made to the financial statements for further information on allocation of profit and other changes in equity.

Statement by the Board of Directors and the CEO

The annual financial statements for the year ending 31 December 2020 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 2020, its assets, liabilities and financial position as at 31 December 2020.

Further, in our opinion, the financial statements and the endorsement by 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 2020 and confirm them by means of their signatures.

Reykjavík, 28 January 2021

The Board of Directors:

Jón Sigurðsson
Sigurjón Pálsson
Örvar Kærneded

CEO:

Júlíus Þorfinnsson

Independent Auditor's Report

The accompanying condensed financial statements for Stoðir hf. is based on the financial statements of the company for the year 2020. Following auditor's report from us came with the audited 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 2020, 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 2020, 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 ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 determine 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 intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report, contd.:

- 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 Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 28 January 2021

KPMG ehf.

Sæmundur Valdimarsson

Income Statement for the year 2020

	Notes	2020	2019
Net investment income (expense):			
Net income from investment securities		7.458.475	3.826.606
Other income		0	12.185
Interest income		35.901	64.889
Interest expense .....	(	1.813)	(9.664)
Net foreign exchange gain		338.819	329.218
		<u>7.831.382</u>	<u>4.223.234</u>
Operating expenses:			
Operating expenses .....	(	274.175)	(202.751)
Profit for the year		<u>7.557.207</u>	<u>4.020.483</u>

Statement of Financial Position

as at 31 December 2020

	Notes	2020	2019
Assets			
Cash, cash equivalents and liquid funds	4	2.587.343	3.157.103
Investments	5	28.852.647	20.065.103
Loans		277.680	1.910.587
Receivables		51.480	31.356
Operating assets	6	9.697	12.122
Total assets		<u>31.778.847</u>	<u>25.176.271</u>
Equity			
Ordinary share capital		12.671.958	13.153.167
Share premium		435.595	947.120
Statutory reserve		3.167.990	2.859.986
Unrealised fair value changes of investments		9.226.318	3.328.873
Retained earnings		6.235.085	4.883.327
Total equity		<u>31.736.946</u>	<u>25.172.473</u>
Liabilities			
Trade and other payables		41.901	3.798
Total liabilities		<u>41.901</u>	<u>3.798</u>
Total equity and liabilities		<u>31.778.847</u>	<u>25.176.271</u>

Statement of Changes in Equity for the year 2020

	Ordinary share capital	Share Premium	Statutory reserve	Unrealised fair value changes of investments	Retained earnings	Total equity
Year 2019						
Equity at 1.1.2019	10.448.122	0	2.658.962	0	4.393.119	17.500.203
Profit for the year					4.020.483	4.020.483
Transfer to fair value reserve				3.328.873	(3.328.873)	0
Own shares purchased . (	1.012)				(378)	(1.390)
New shares sold	2.706.057	947.120				3.653.177
Transfer to statutory reserve			201.024		(201.024)	0
Equity at 31.12.2019	<u>13.153.167</u>	<u>947.120</u>	<u>2.859.986</u>	<u>3.328.873</u>	<u>4.883.327</u>	<u>25.172.473</u>
Year 2020						
Equity at 1.1.2020	13.153.167	947.120	2.859.986	3.328.873	4.883.327	25.172.473
Profit for the year					7.557.207	7.557.207
Transfer to fair value reserve				5.897.445	(5.897.445)	0
Own shares purchased . (	481.209)	(511.525)				(992.734)
Transfer to statutory reserve			308.004		(308.004)	0
Equity at 31.12.2020	<u>12.671.958</u>	<u>435.595</u>	<u>3.167.990</u>	<u>9.226.318</u>	<u>6.235.085</u>	<u>31.736.946</u>

Statement of Cash Flows for the year 2020

	Notes	2020	2019
Cash flows from operating activities:			
Profit for the year		7.557.207	4.020.483
Adjustments for:			
Change in fair value .....	(	6.492.190)	(3.628.234)
Depreciation		2.424	3.030
Working capital from operations		<u>1.067.441</u>	<u>395.279</u>
Net change in operating assets and liabilities		22.828	11.977
Net cash from operating activities		<u>1.090.269</u>	<u>407.256</u>
Cash flows from investing activities:			
Listed and unlisted investments acquired .....	(	3.185.544)	(10.715.969)
Listed investments sold		691.297	200.845
Bonds and unlisted investments, change		194.045	(206.789)
Loans, change		1.632.907	633.036
Net cash used in investing activities	(	<u>667.295)</u>	<u>(10.088.877)</u>
Cash flows from financing activities:			
Own shares acquired .....	(	992.734)	(1.390)
New shares sold		0	650.844
Net cash (used in) provided by financing activities	(	<u>992.734)</u>	<u>649.454</u>
Net decrease in cash and cash equivalents .....	(	569.760)	(9.032.167)
Cash and cash equivalents at 1 January		<u>3.157.103</u>	<u>12.189.270</u>
Cash and cash equivalents at 31 December		<u>2.587.343</u>	<u>3.157.103</u>
Investing and financing transactions without cash flow effect:			
Investment securities purchased		0	(3.002.333)
New shares sold		0	3.002.333
Other information:			
Interest income received		35.901	64.889

Notes

1. Reporting Entity

Stoðir hf. is an investment company registered 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 2020 comprise the financial statements of the Company.

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 28 January 2021.

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.

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.

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.

3. Effective tax rate

Reconciliation of effective tax rate:	2020		2019	
Profit before income tax		7.557.207		4.020.483
Income tax using the Company's domestic tax rate	20,0%	1.511.441	20,0%	804.097
Tax exempt revenue	(17,3%)	(1.304.138)	(18,3%)	(735.802)
Non-deductible expenses	0,0%	4	0,0%	4
Impairment on deferred tax asset, change	(2,7%)	(207.307)	(1,7%)	(68.299)
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 5,494 million is impaired at year-end 2020 as realization of tax benefits is improbable. Tax loss carry forwards for the Company is estimated to be ISK 27,779 million at year-end 2020.

4. Cash and cash equivalents

Cash, cash equivalents and liquid funds are specified as follows:	2020	2019
Bank balances	636.167	2.836.287
Liquid funds	1.951.176	320.816
Total cash, cash equivalents and liquid funds	2.587.343	3.157.103

Notes, contd.:

5. Investments

Investments are specified as follows:

	2020	2019
Listed on stock exchanges	25.843.023	17.459.300
Unlisted investments	2.132.083	1.905.801
Bonds	807.087	656.445
Derivatives, net	70.454	43.557
Total investments at year end	<u>28.852.647</u>	<u>20.065.103</u>

6. Operating assets

Operating assets are specified as follows:

Cost	Vehicles
Balance at 1.1.2020	<u>18.940</u>
Balance at 31.12.2020	<u>18.940</u>
Balance at 1.1.2020	6.818
Depreciation	<u>2.425</u>
Balance at 31.12.2020	<u>9.243</u>
Carrying amount	
At 31.12.2019	<u>12.122</u>
At 31.12.2020	<u>9.697</u>

7. Financial Guarantees

Two financial guarantees, which were provided in the year 2006 in relation to lease contract made by former subsidiary of the Company, have expired.