Kaldalón hf.

Financial statements
for the year ended December 31, 2018

Index

Kaldalón hf.
Identity number 490617-1320
Borgartúni 25, 105 Reykjavík

Board of Directors' Report

Main operation

The purpose of the company is investment activities. This includes Real Estate development, the purchase, sale, operation, ownership, management and development of real estate and real estate companies, lending activities along with the purchase and sale of companies, financial instruments, various types of debt recognition (including credit agreements, all in connection with real estate transactions), real estate development or financing of construction projects and other related operations.

The company is classified as an investment company according to International Accounting Standards. The company does not prepare consolidated financial statements, but assesses the assets of subsidiaries and associates at fair value and recognizes changes in fair value in the Profit or Loss.

Operating results

Kaldalón hf. was established in 2017. The Company was initially registered as a Limited Partnership but its Articles of Association and therefore its legal form changed at the end of 2017 to a Limited Liability Company. The Company's profit during the year was ISK 388.351 thousand. The Company's equity amounted to ISK 3.255.005 thousand at year end 2018.

It is the opinion of the Board of Directors that the Financial Statements present fairly the financial position of the company at the end of the year, the results of its operations during the year and the changes in the financial position of the company.

In 2018, the Board exercised authorization in the Company's Articles of Association and decided to increase the share capital by a total of ISK 988.548 thousand, with a nominal value ISK 1, and the share capital of the company became ISK 2.842.720 thousand following the rise.

No employees were on the payroll of the company during the year. The company has entered into an agreement on asset management and day-to-day management with Kvika Bank hf.

Future plans

Kaldalón hf. is a development company that invests in companies that invest in companies owning plots of land or buy land in their subsidiaries. The company also invests in building-related activities. The aim of the company is to be a leading development company in Iceland and at any time the company intends to develop well-located and sought-after construction sites.

The Board of Directors will propose at a Shareholders' Meeting to register the company on the First North market in mid-2019. Preparations for this are well under way.

Post Balance Sheet event

In April 2019, a subsidiary of Kaldalón hf., U22 ehf., signed a contract for purchase of the property Sólvallagata 79, at Grandatorg in Reykjavik and at the same time sold to U22 ehf. a real estate currently under construction at Urriðaholtsstræti 22 in Garðabær. A local plan allows for 8,200 square meters of construction on the site at Grandatorg.

In 2019, the Company's Board of Directors has twice exercised its authority in the Company's Articles of Association and decided to increase the share by a total of ISK 398,851 thousand, and the Company's total share capital is now ISK 3.241.571 thousand.

Appropriation of net profit

The board of directors refers to the financial statements regarding the appropriation of the year's net profit and will suggest a dividend payment at the General Meeting.

Board of Directors' Report

Ownership

There were 18 Shareholders at year end. The ten biggest shareholders are:

RES ehf.	18,6%
Investar ehf.	16,2%
Loran ehf.	13,2%
Premier eignarhaldsfélag ehf.	13,2%
Kvika banki hf.	9,9%
24 Development Holding ehf.	7,0%
GG optic ehf.	3,5%
ET sjón ehf.	3,5%
Sindrandi ehf.	3,5%
DFT ehf.	3,5%
Other shareholders	7,9%
	100,0%

Kaldalón hf. owns its own shares with a nominal value of ISK 30.100.000 or 1.058% of issued share capital.

Financial Risk Management

For the company's strategy and policy towards risk, refer to note 16.

Statement by the Board of Directors

According to the best knowledge of the Board of Directors, the Company's Financial Statements are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, and it is the opinion of the Board of Directors that they give a clear picture of the Company's assets, liabilities and financial position on 31 December 2018 and operating results, changes in cash and cash equivalents and changes in the company's equity for the year 2018. However, the main risk and uncertainty factors that the company faces are also explained.

The Board of Directors' of Kaldalón hf. and Managing Director hereby ratify the annual report for the year 2018 with their signatures.

Reykjavík, May 17, 2019

Board of Directors:

Managing Director:

Independent Auditor's report

To the Board of Directors' and shareholders' of Kaldalón hf.

Opinion
We have audited the financial statements of Kaldalón hf., which comprise the Directors Report, Statement of Financial Position as at December 31, 2018, and the Statement of Comprehensive Income, 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, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and that the directors report includes applicable information in accordance with Icelandic law on the annual accounts, if not presented elsewhere in the financial statements.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing. 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 Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for as many of the internal controls as management deems 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, management is 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 management either intends 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 aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

Independent Auditor's report

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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 those charged with governance 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.

Reykjavík, May 17, 2019

PricewaterhouseCoopers ehf.

Tryggvi Jónsson
Certified Accountant

Kristinn F. Kristinsson
Certified Accountant

Income Statement and Statement of Comprehensive Income for the year 2018

	Notes	2018	2017
Operating income			
Operating expenses		87.081.140	17.172.625
Operating loss		(87.081.140)	(17.172.625)
Financial income (expenses)			
Interest income		38.364.330	73.244
Interest expenses		(14.247.402)	(77.283)
Fair value changes in share of associates	6	451.315.336	41.109.543
		475.432.264	41.105.504
Net profit		388.351.124	23.932.879

Notes on pages 10 to 15 are an integral part of these financial statements.

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Balance sheet as of December 31, 2018

Assets

	Notes	31.12.2018	31.12.2017
Fixed assets			
Tangible assets:			
Buildings and Land	7	110.806.800	0
Investments:			
Investment in subsidiaries	5, 6	1.988.806.309	1.460.546.823
Investments in associates	5, 6	483.726.203	432.401.737
Loan to related companies	9	1.132.935.678	51.369.000
		3.605.468.190	1.944.317.560
Current assets			
Other receivables		3.077.234	14.648
Cash and cash equivalents	13, 9	21.490.927	4.320.856
		24.568.161	4.335.504
Total assets		3.740.843.151	1.948.653.064

Equity and liabilities

	Notes	31.12.2018	31.12.2017
Shareholders equity			
Share capital		2.842.720.837	1.854.172.350
Reserves		492.424.879	41.109.543
Retained earnings		(80.140.876)	(17.176.664)
Total equity	14, 15	3.255.004.840	1.878.105.229
Liabilities			
Long-term liabilities:			
Borrowings		310.631.392	0
Liabilities to related companies	9	109.837.229	0
		420.468.621	0
Current liabilities:			
Borrowings	8, 9	0	60.015.583
Liabilities to related companies	9	49.628.510	8.722.019
Other liabilities		15.741.180	1.810.233
		65.369.690	70.547.835
Total liabilities		485.838.311	70.547.835
Total equity and liabilities		3.740.843.151	1.948.653.064

Notes on pages 10 to 15 are an integral part of these financial statements.

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Statement of Changes in Equity for the year 2018

Year 2018	**Share capital**	**Reserves**	**Retained earnings**	**Total equity**
Balance at beginning of year	1.854.172.350	41.109.543	(17.176.664)	1.878.105.229
Paid in capital	988.548.487	0	0	988.548.487
Comprehensive income	0	451.315.336	(62.964.212)	388.351.124
Balance at end of year	2.842.720.837	492.424.879	(80.140.876)	3.255.004.840

Year 2017				
Balance at beginning of year	0	0	0	0
Paid in capital	1.854.172.350	0	0	1.854.172.350
Comprehensive income	0	41.109.543	(17.176.664)	23.932.879
Balance at end of year	1.854.172.350	41.109.543	(17.176.664)	1.878.105.229

Notes on pages 10 to 15 are an integral part of these financial statements.

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Cash Flow Statement for the year ended December 31, 2018

	2018	2017
Cash flows from operating activities		
Paid cost	(50.763.507)	(6.655.021)
Received interest income	3.690.460	73.244
Paid interest expense	(2.894.365)	(61.700)
Net cash from Operating Activities	(49.967.412)	(6.643.477)
Cash flows from Investing Activities		
Purchase of shares in subsidiaries	(68.066.667)	(147.000.000)
Purchase of tangible fixed assets	(110.806.800)	0
Loans to subsidiaries and associates	(1.046.892.808)	(51.369.000)
	(1.225.766.275)	(198.369.000)
Cash flows from financing activities		
Paid in capital	943.803.758	149.333.333
Proceeds from new borrowings	303.000.000	60.000.000
Repayments of long-term liabilities	(60.000.000)	0
Borrowings from subsidiaries and accosiates	106.100.000	0
	1.292.903.758	209.333.333
Increase in cash and cash equivalents	17.170.071	4.320.856
Cash and cash equivalents at beginning of year	4.320.856	0
Cash and cash equivalents at end of year	21.490.927	4.320.856

Investing and financing activites not affecting cash:		
Investment in shares of subsidiaries	(44.744.729)	(1.313.546.823)
Investments in shares of associates	0	(391.292.194)
Capital increase	44.744.729	1.704.839.017

Notes on pages 10 to 15 are an integral part of these financial statements.

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Notes

1. The company

Kaldalón hf., referred to as the Company, is an Icelandic company with operations in Iceland. Kaldalón hf.'s address is at Borgartún 25, Reykjavík, Iceland.

The purpose of the company is investment activities. This includes Real Estate development, the purchase, sale, operation, ownership, management and development of real estate and real estate companies, lending activities along with the purchase and sale of companies, financial instruments, various types of debt recognition (including credit agreements, all in connection with real estate transactions), real estate development or financing of construction projects and other related operations.

The financial statements were approved by the Board of Directors of Kaldalón hf. on May 17, 2019.

2 Basis of operation

The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company's Annual Accounts are also in accordance with the Annual Accounts Act and Regulation on the Presentation and Content of Annual Accounts and Consolidated Financial Statements.

The financial statements are prepared in Icelandic Krona (ISK), which is the Company´s functional currency.
To increase the disclosure value of the financial statements, explanations are published on the basis of how relevant and important they are to the reader. This means that information that is evaluated as neither important nor relevant to the user of the financial statements will be excluded from the notes.

The company is considered an investment company according to International Accounting Standards, but the company manages its portfolio on the basis of fair value and only has income from its investments through fair value changes and other income from investments. The annual accounts are based on cost price, with the exception that shares in subsidiaries and associated companies and current assets are recognized at fair value. The company does not make consolidated accounts.

3 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these methods were applied consistently during both periods.

The Company has adopted all International Financial Reporting Standards, amendments to them and interpretations that the European Union has confirmed and has come into force as of January 1, 2018, and are applicable to its operations. The company has not adopted standards, amendments to standards or interpretations that come into effect after December 31, 2018, but can be adopted earlier.

New accounting standards were adopted during the year
On January 1, 2018, two new International Financial Reporting Standards, IFRS 9 'Financial Instruments', and IFRS 15 'Revenue from Contracts with Customers', did not affect the Company's financial statements. The IFRS 9 Standard "Financial Instruments" specifies how the classification, valuation and derecognition of financial assets and financial liabilities should be carried out, as well as a new model for impairment of financial assets. In the company's financial statements, the main financial instruments are shares in subsidiaries and associates, which are recognized at fair value through profit or loss according to the authorization in the IFRS 10 'Consolidated Financial Statements', as the company is an investment company. Other financial instruments, loans to related parties, short-term receivables and current liabilities are stated at cost. The new standard has no effect on the treatment of these financial instruments at the company, and therefore no changes are made to the company's financial statements at the beginning of the year.

New accounting standards adopted during next year
On January 1, 2019, a new International Financial Reporting Standard, IFRS 16 'Leases' will come into effect, but it will not affect the financial statements of the Company.

Notes

4 Use of estimates and judgements

When preparing the financial statements, management needs to assess various issues and give themselves a basis for assessing assets, liabilities, income and expenses. Although this is managements best judgement at the time, the real value of the items being evaluated may be different from the outcome of the assessment. Changes in accounting estimates are recognized in the period in which the change occurs. The company's uncertainty is largely determined by the determination of the fair value of its holdings in other companies. Shares in other companies are accounted for and the valuation methods are explained in the notes 5 and 6.

5 Classification of financial assets and financial liabilites

Financial assets and financial liabilities are categorized into specific categories that indicate how they should be measured after their initial listing. The subsequent evaluation of each category is as follows::

- Loans and receivables, measured at amortized cost;
- Financial assets designated at fair value through profit or loss, measured at fair value;
- Other financial liabilities, measured at amortized cost.

The table below shows the classification of financial assets and financial liabilities of the Company in accordance with IFRS 9 and their fair value.

Year 2018	**Loans and receivables**	**Financial assets at fair value through P&L**	**Other liabilites measured at amortized cost**	**Total book value**
Financial assets				
Investment in subsidiaries		1.988.806.309		1.988.806.309
Investments in associates		483.726.203		483.726.203
Loan to related companies	1.132.935.678			1.132.935.678
Other receivables	3.077.234			3.077.234
Cash and cash equivalents	21.490.927			21.490.927
Total	1.157.503.839	2.472.532.512		3.630.036.351
Financial liabilites				
Borrowings			0	0
Liabilities to related companies			159.465.739	159.465.739
Other liabilities			15.741.180	15.741.180
Total			175.206.919	175.206.919
Year 2017				
Financial assets				
Investment in subsidiaries		1.460.546.823		1.460.546.823
Investments in associates		432.401.737		432.401.737
Loan to related companies	51.369.000			51.369.000
Other receivables	14.648			14.648
Cash and cash equivalents	4.320.856			4.320.856
Total	55.704.504	1.892.948.560		1.948.653.064
Financial liabilites				
Borrowings			60.015.583	60.015.583
Liabilities to related companies			8.722.019	8.722.019
Other liabilities			1.810.233	1.810.233
Total			70.547.835	70.547.835

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Notes

6 Fair value of financial assets and financial liabilites

a Level of fair value

Fair value is divided into three categories according to whether or not the methods used in determining fair value are based on market data. Market data reflects market information from independent sources. Fair value that is not based on market data is based on assumptions made by the Company. Based on these two types of variable, the fair value step is determined as follows:

• Level 1 - Prices quoted in active markets. These are listed shares and bonds on stock exchanges.

• Level 2 - Here, the price is based on data, other than listed prices, as in Level 1, which, however, is available on the market, either directly or indirectly. Data used in fair value calculations here may be, for example, LIBOR yield curve and counterparty credit rating.

• Level 3 - Here, the fair value of non-marketable assets and liabilites. These are mainly shares and bonds that are valued on the basis of data that is mostly inaccessible in the market.

The following table shows the step division in determining the fair value of the financial assets recognized at fair value in the financial statements of the Company. The Company does not disclose the fair value of other financial assets as their carrying amount is considered to reflect the fair value.

Year 2018	Level 3
Investment in subsidiaries	1.988.806.309
Investments in associates	483.726.203
	2.472.532.512
Year 2017	
Investment in subsidiaries	1.460.546.823
Investments in associates	432.401.737
	1.892.948.560

Changes in the company's financial assets that fall into Level 3 of fair value.

Year 2018	**Investments in subsidiaries**	**Investments in associates**	**Total**
Beginning of year book value	1.460.546.823	432.401.737	1.892.948.560
Purchase	138.268.615	(10.000.000)	128.268.615
Fair value changes recognized in profit or loss	389.990.870	61.324.466	451.315.336
End of year book value	1.988.806.309	483.726.203	2.472.532.511

Accumulated unrealized changes in value that have been recognized in the P&L: 492.424.879

Year 2017	**Investment in subsidiaries**	**Investments in associates**	**Total**
Purchase	1.460.546.823	391.292.194	1.851.839.017
Fair value changes recognized in profit or loss	0	41.109.543	41.109.543
End of year book value	1.460.546.823	432.401.737	1.892.948.560

Accumulated unrealized changes in value that have been recognized in the P&L: 41.109.543

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Notes

b Investments in subsidiaries and associates

Investments in subsidiaries and associates are as follows:

	Location	Ownership %	Nominal value	Book value 31.12.2018	31.12.2017
Subsidiaries:					
U 14-20 ehf.	Reykjavík	100,00%	500.000	178.519.838	89.298.707
U22 ehf.	Reykjavík	100,00%	500.000	88.574.030	80.918.440
U24 ehf.	Reykjavík	100,00%	500.000	89.714.900	80.008.182
U26 ehf.	Reykjavík	100,00%	500.000	61.268.383	53.415.994
Þróunarfélagið Hnoðraholt ehf.	Reykjavík	100,00%	109.000.000	1.233.302.063	1.009.905.500
Vesturbugt eignarhaldsfélag ehf.	Reykjavík	59,50%	1.470.000	149.000.000	147.000.000
Fasteignastýring ehf.	Reykjavík	100,00%	500.000	1	0
Steinsteypan ehf	Reykjavík	50,00%	70.059.096	188.427.094	0
				1.988.806.309	1.460.546.823
Associates:					
Kársnesbyggð ehf.	Reykjavík	49,99%	188.384.034	282.409.363	237.991.877
Nes Þróunarfélag hf.	Reykjavík	32,70%	1.635.000	201.316.840	194.409.860
				483.726.203	432.401.737

c Valuation methods and assumptions that are not based on market information

The Company owns shares in ten companies that were purchased in the year 2017 and 2018. In all of them, development is carried out, which consists of the development of real estate and real estate companies, with the exception of Steinsteypan ehf. which manages an operation of concrete plants and Fasteignastýringar ehf. which is not in operation.

Kaldalón hf. values the companies based on several factors. In cases where design, earthwork or street construciton fees have been paid, the cost is capitalized and added to the purchase price of the land. For cases where construction work is started with plinths, progress is estimated according to project and cost estimation and the project´s overall contribution is estimated according to estimated sale price minus project and cost estimates. Estimated sale price is based on the valuation of a certified real estate agents. Fair value increase of each time is expected to be the total contribution from the project after taxes, and after 25% allowance. U 14-20 ehf. and Kárnesbyggð ehf. are the only companies that are evaluated in such a way at year end 2018.

The fair value of the companies U22 ehf, U24 ehf., U26 ehf., Þróunarfélagið Hnoðraholt ehf., Vesturbugt eignarhaldsfélag ehf. is estimated from the original purchase price plus the construction cost that has been incurred.

The fair value of the companies Steinsteypan ehf. and Nes Þróunarfélag hf. is estimated from the original price plus construction cost, which have been incurred along with the revaluation of the company's land. Revaluation of land is base on an independent real estate agent's assesment.

The most important factor in assessing Kaldalón hf. assets is land prices. With a 10% reduction in the market value of land, Kaldalón hf.'s equity decreases by ISK 258.990 thousand. and with a 10% increase in the market price of land, Kaldalón hf.'s equity increases by the same amount. Changes in the margins of construction projects now have less effect on Kaldalón hf.'s equity, but a 10% reduction in the contribution margin reduces equity by ISK 148.003 thousand and a 10% increase in the contribution margin increases the Company´s equity by ISK 148.003 thousand.

7 Buildings and Land

The Company invested in land in Vogabyggð, Iceland. The investment is recognized at cost, ISK 110.806.000. In the purchase agreement for the land is an obligation of payment of ISK 531 m. as the neighborhood builds up and delivery of other assets from the Companies subsidiary U14-20 ehf.

Kaldalón hf. Financial statements 2018 Amounts in Icelandic Krona

Notes

8 Borrowings from financial institutions

During the year, the Company refinanced its loan held by Kvika banki hf. The loan is now due on January 1, 2020 and the principal and interests shall be paid in one on that day. The interest terms of the loan are REIBOR 1M with a 4% interest premium. The Company´s liabilites to financial institutions are secured by colletral in the real estates owned by the subsidiaries U22 ehf., U24 ehf. og U26 ehf. The Company has also signed a declaration on the obligation that the Company will not, except with a written consent of Kvika banki hf. collateralize any of its current assets or assets that the Company may later acquire.

Borrowings from financial institutions are as follows:	**2018**	**2017**
Beginning of the year	60.015.583	0
New borrowings	303.000.000	60.000.000
Repayments	(60.015.583)	0
Accured interest	7.631.392	15.583
	310.631.392	60.015.583

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Kvika banki hf. is referred to as a related party, see further in notes 9 and 10.

9 Related party transactions

Related parties include the Company's subsidiaries, associates, Board of Directors, CEO, close family members of the aforementioned entities and entities that have a significant influence as the largest shareholders in the Company. Transactions with related parties have been conducted on a similar basis as transactions with unrelated parties. Information regarding related parties is as follows:

Year 2018	**Income**	**Expenses**	**Assets**	**Liabilities**
U22 ehf.	3.703.307		98.526.307	
U24 ehf.	1.869.238		40.487.238	
U26 ehf.	1.380.999		22.373.999	
U14-20 ehf	17.585.093		770.411.201	
Þróunarfélagið Hnoðraholt ehf.		(3.737.229)	0	(109.837.229)
Kársnesbyggð ehf.	10.135.233		153.135.233	
Vesturbugt eignarhaldsfélag			48.001.700	
Kvika banki hf.	2.623.793	(71.196.943)	21.490.927	(49.628.510)
	37.297.663	(74.934.172)	1.154.426.605	(159.465.739)
Year 2017				
U22 ehf.			17.123.000	
U24 ehf.			17.123.000	
U26 ehf.			17.123.000	
Kvika banki hf.	73.244	(8.797.602)	4.320.856	(68.737.602)
	73.244	(8.797.602)	55.689.856	(68.737.602)

All realted parties above are subdiaries or associates except Kvika banki hf. who is a managing party for the Company.

Borrowings between Kaldalón hf. og and its subsidiaries have an interest reate of 7,5% and shall be paid in one payment on January 15, 2020. Borrowings between Kaldalón hf. and its associates with controlling interest have an interest rate of 12% and shall be paid in one payment on January 15, 2020.

10 Management fee

The management party carries out the operations and management of the Company´s assets, therefore provides advice and services in accordance with the decisions of the Company´s Board of directors. For its services, the management party recives an annual management fee of 2% on an annual basis from the total value of the Company's equity. The management fee shall be calculated quarterly and paid at the end of each quarter.

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Notes

11 Financial income (and expenses)

Financial income and expenses accounted on the Statement of Comprehensive Income are based on accrued interest income of bank deposits, interest from trade receivables and interests from borrowings.

12 Income tax

The company was established as a limited company and a Non-Independent tax entity. The Company was therefore taxed with its owners in 2017. As of the beginning of 2018, the Company is limitied liability company and an independent tax entity.

Income taxes are calculated but not recognized as deferred tax assets in the balance sheet due to main profits, profit from shares, which are exempt from income tax. Carry forward losses from previous years are as follows:

Loss for 2018, expires end of 2028	62.947.112

The Company is jointly taxed with its subsidiaries.

13 Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand and unrestricted balances held with financial institutions.

14 Equity

Ordinary shares are classified as equity.

Restricted reserves holds unrealized fair value changes of financial assets designated at fair value upon initial recognition, taking into account tax effects is recognized in other items among equity accounts. This equity account is restricted.

Retained earnings correspond to the Companys profit or loss and can be distributed to share holders as dividends.

15 Shares

Total capital at year end 2018 amounted to ISK 2.843 million. and a negligible portion was unpaid at the end of year 2018. The capital was paid with both cash or cash equivalents amounted to ISK1.093 million and with shares in subsidaries and other associates amounted to ISK 1.750 million.

During the year the Board of directors agreed to increase shares by issuing new shares amounted to ISK 989m, made up of nominal shares of ISK 1, therefore the total shares amount to ISK 2.843 million.

	31.12.2018	**31.12.2017**
Tota share capital, approved and issued by the Company	2.842.720.837	1.854.172.350

The company owns shares amounted to ISK 30.100.000 or 1,058% of the total. The reason for holding own shares is to sell them.

16 Financial risk management

The Company has exposure to the following risks in its operation:

- Market risk
- Securites risk
- Interest rate risk

Kaldalón hf. does not defend market risk. Market risk is the risk on fluctuations in fair value or future cash flow of financial instruments due to changes in market rates. Market risk is the result of an open position in equities and interest bearing instruments, but such financial instruments are susceptible to general and specific market changes and market volatility, such as interest rates, debt burden and stock prices.

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