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Land and Water Resource
Consultants Ltd,

Mannvit hf.

Consolidated Financial Statements 2015

These financial statements are translated from the original which is in Icelandic Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version

Mannvit hf
Urðarhvarfi 6
203 Kópavogur

ID no 430572-0169

Contents

Endorsement by the Board of Directors and CEO

Mannvit hf (the Company) is a general consultancy firm in the fields of engineering and technical services These financial statements comprise the consolidated financial statement of Mannvit hf and subsidiaries

Operations in 2015
Profit of the Company's operations during the year amounted to ISK 87 million Equity at year end amounted to ISK 1,018 million according to the balance sheet. The Company's outstanding share capital at year end amounted to ISK 252 million but during the year treasury shares of ISK 24 million were acquired At year end shareholders numbered 81 compared to 106 at the beginning of the year and thus the number decreased by 25 during the year We draw attention to note 25 regarding a list of the 10 largest shareholders at year end

At the beginning of 2016 the Company issued new shares amounting to a nominal value of ISK 1 0 million in share class B The shareholders holding B shares do not have voting rights, but they have priority to dividends equivalent to 20% of net profits The Board of Directors proposes that no dividend will be paid to shareholders at this point Reference is made to the Consolidated Financial Statements for further information on appropriation of profit and other changes in equity.

Corporate Governance
The Board of Directors endeavours to maintain good corporate governance by following "the Guidelines on Corporate Governance" issued in May 2015 by the Iceland Chamber of Commerce NASDAQ OMX Iceland and the Confederation of Icelandic Employers

A comprehensive evaluation of the Company's corporate governance indicates that the Company can in many ways be a model for other companies with regards to good corporate governance

The comprehensive evaluation shows that the Company has reacted to recommendations from the Institute of Corporate Governance in a report on the Company's corporate governance in 2012 and subsequently As before, the Company is a role model in Iceland regarding good corporate governance

Statement by the Board of Directors and the CEO
According the the best of our knowledge it is our opinion that the consolidated financial statements give a true and fair view of the Company's assets liabilities and financial position as at 31 December 2015 operating performance in the year 2015 and changes in cash in the year 2015, in accordance with the Financial Statements Act and Regulation on presentation and content of financial statements and consolidated financial statements

The Board of Directors of Mannvit hf and the CEO have today discussed and approved the consolidated financial statements for the year 2014 with their signatures, The Board of Directors and the CEO recommend that the Consolidated Financial Statements be approved at the Annual General Meeting

Kópavogur 12 May 2016

The Board of Directors

Jón Már Halldórsson
Chairman of the Board

Anna Þórunn Björnsdóttir

Ólöf Kristjánsdóttir

Gunnar Herbertsson

Sigurður Sigurjónsson

Sigurhjörtur Sigfússon
CEO

Independent Auditor's Report

To the Board of Directors and shareholders of Mannvit hf

We have audited the accompanying Consolidated Financial Statements of Mannvit hf and subsidiaries (the "Group"), which comprise the balance sheet as at 31 December, 2015, 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 and the Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Icelandic Financial Statements Act This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit We conducted our audit in accordance with International Standards on Auditing Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgement, 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 consolidated 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Icelandic Financial Statements Act

Report on the Board of Directors' report
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 consolidated financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the consolidated financial statements

Reykjavík, 12 May 2016

KPMG ehf.

Sigurður Jónsson

Sigurður Jónsson

Consolidated Income Statement for the year 2015

	Notes	2015	2014
Operating revenue			
Sales		5 241 203	5 151 459
Other income		26 815	18 255
		5 268 018	5 169 714
Operating expenses			
Salaries and related expenses	14	3 247 312	3 325 628
Services purchased		749 747	549 350
Other expenses		892 261	1 071 013
Depreciation	18	76 406	84 441
		4 965 726	5 030 432
Operating profit		302 292	139 282
Finance income and expenses	15	(142 966)	(81 393)
Gain from sale of fixed assets		3 337	186 559
Effects of affiliated companies		(1 571)	(796)
		(141 200)	104 370
Profit before income tax		161 092	243 652
Income tax	22	(31 179)	(86 286)
Profit before minority interest		129 913	157 366
Minority interest		(42 890)	(10 914)
Profit for the year		87 024	146 452

Consolidated Financial Statements of Mannvit hf 2015 5 Amounts are in ISK thousand

Consolidated Balance Sheet at 31 December 2015

	Notes	2015	2014
Assets			
Fixed assets			
Intangible assets	16	109 575	149 724
Property and equipment	18	198 317	201 356
Investments in companies	21	270 779	214 321
Bonds	24	674 827	840 553
Fixed assets		1 253 498	1 405 954
Current assets			
Work in progress		431 347	293 600
Trade receivables		1 136 091	1 130 212
Other short term receivables		109 461	100 650
Cash and cash equivalents		315 821	512 485
Current assets		1 992 720	2 036 947
Total assets		3 246 217	3 442 901
Equity and liabilities			
Equity			
Share capital		252 078	275 865
Reserves		201 738	128 259
Retained earnings		563 694	624 754
Equity	20	1 017 509	1 028 878
Non-current liabilities			
Minority interest		64 658	(38 723)
Borrowings	21	159 241	146 003
Deferred income tax liability	22	118 447	142 019
Non-current liabilities		342 346	249 299
Current liabilities			
Bank loan	21	587 849	570 917
Trade payables		436 106	502 291
Current maturities on borrowings	21	115 785	121 501
Taxes for the year	22	38 145	5 241
Other short term liabilities	23	708 476	964 774
Current liabilities		1 886 362	2 164 724
Total liabilities		2 228 708	2 414 023
Total equity and liabilities		3 246 217	3 442 901

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Consolidated Statement of Cash Flows for the year 2015

	Notes	2015	2014
Cash flow from operating activities			
Profit for the year		87 024	146 649
Adjustment for			
Gain from sale of fixed assets	17	0	(186 559)
Loss from sale of property and equipment		(578)	(4 373)
Depreciation and amortization	18	76 406	84 441
Index and currency fluctuation on loans		6 631	2 654
Effects of affiliated companies		1 571	796
Income tax	22	31 179	86 286
Minority interest		42 890	10 914
Working capital from operation		245 124	140 808
Changes in operating assets and liabilities			
Work in progress, (increase) decrease		(154 860)	110 858
Receivables, (increase)		(49 020)	(314 316)
Current liabilities, (decrease) increase		(260 499)	240 011
		(464 379)	36 553
Net cash from operation		(219 255)	177 361
Cash flow to investing activities			
Investment in property and equipment	18	(45 978)	(54 001)
Sale of property and equipment		4 280	1 181 033
Investment in companies		(750)	(8 771)
Investment in a subsidiary less cash acquired		(2 054)	0
Bond holding, change		115 405	(13 118)
Investing activities		70 903	1 105 143
Cash flow to financing activities			
Treasury shares purchased	20	(57 607)	(224 738)
Dividend paid to minority interest		(2 000)	(3 500)
New long term borrowings		0	158 359
Repayment of borrowings		(45 109)	(640 588)
Bank loans, changes		77 590	(263 960)
Financing activities		(27 126)	(974 427)
(Decrease) increase in cash and cash equivalents		(175 478)	308 077
Cash and cash equivalents at the beginning of the year		512 485	218 907
Effects of exchange rate fluctations on cash held		(21 186)	(14 499)
Cash and cash equivalents at year end		315 821	512 485
Non cash investing and financing activities			
Treasury shares purchased		(94 839)	(57 992)
Bond holding		49 707	13 387
Bond loan		45 132	44 605

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Notes to the Consolidated Financial Statements

Accounting policies

1 Basis of preparation

The consolidated financial statements of Mannvit hf are prepared in accordance with the Icelandic Financial Statements Act and Regulation on the Presentation and Content of Financial Statements and Consolidated Financial Statements The financial statements are based on historical cost basis and have been prepared using the same accounting methods as in the previous year The Company owned 11 operating subsidiaries at year end and the financial statements of all subsidiaries are included in the Consolidated Financial Statements

2 Functional and presentation currency

The financial statements are prepared in Icelandic Krona (ISK), which is the Company's functional currency All financial information has been rounded to the nearest thousand unless otherwise stated

3 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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 such 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

4 Subsidiaries

Subsidiaries are entities controlled by the Company Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

The Consolidated Financial Statements include the Company's share of profit or loss of subsidiaries from the date that control commences until the date that control ceases When the Company's share in the loss of a subsidiary is equal og higher than the share in the subsidiary, including all other unsecured receivables, further loss is not recognised in the consolidated financial statements unless the Company has entered into obligations or made payments on behalf of the subsidiary

Intercompany transactions, balances, realised and unrealised gains and losses on transactions between consolidated companies are eliminated from the consolidated financial statements

5 Revenue recognition

Revenue from the sale of services is recognised in the income statement when the service has been provided Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due

As soon as results from long term work in progress can reliably be estimated, the revenues of work in progress is recognised in the income statement proportionally in relation to the position of the work at the reporting date The potition of the work is measured taking into account work which has been completed Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due Expected losses from work is progress is recognised in the statement of cash flows

6 Intangible assets

Goodwill is the difference between the purchase price and the carrying amount of subsidiaries at the date of the acquisition Goodwill is amortized on a straight line basis over a period of ten years Impairment tests are performed if indications of impairment are present and the book value of the investment is written down in the income statement

Other intangible assets comprise capitalized research and development cost It is the intention to amortize the cost on a straight line basis over a period of five years

7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses Cost base consists of direct cost incurred upon acquisition or construction

Gain from the sale of fixed assets is the difference between the sales price and carrying amount at the date of transaction The gain from the sale of fixed assets is allocated among other income in the Income Statement

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of operating assets until a 10% residual value has been reached The estimated useful lives are specified as follows

Buildings	33 years
Tools and equipment	5 years
Vehicles	7 years

8 Investments

Investments in companies are stated at purchase price if it can reliably be estimated, otherwise they are recognised at cost

9 Work in progress

Work in progress is recognised in the balance sheet net of amounts invoiced on account Where total project expenses are likely to exceed the total turnover from a project, the expected loss is recognised as an expense in the income statement

10 Trade and other receivables

Allowance has been made for doubtful receivable This is not a final write-off but only a reserve to meet possible losses This allowance amounts to ISK 140 million at year end (2014 ISK 144 million) and is deducted from appropriate balance sheet items

11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition Bank overdrafts are included within current liabilities in the balance sheet

12 Deferred tax liability

Income tax recognized in the income statement comprises current tax and deferred tax, which is accounted for as a change in the Company's deferred tax liability

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, in addition to adjustments made to current tax of previous years

The Company's deferred tax liability is recognised in the balance sheet The calculation of the tax liability is based on the difference in the value of balance sheet items according to tax rules and accounting policies These differences are mainly due to the fact that expenses, mainly depreciation, are generally expensed earlier for income tax purposes than in the financial statements

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against the asset Deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised

13 Provision

A provision is recognised when the Company has a legal or constructive obligation due to past events and if it is likely that a cost, which can be measured reliably, will be required to be paid by the Company Provisions are measured by discounting the estimated future cash flows using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to individual provisions

14. Salaries and related expenses

Salaries and related expenses are specified as follows

	2015	2014
Salaries	2 705 529	2 783 674
Accrued vacation, change	9 545	10 763
Social security contributions	244 903	246 740
Pension fund premiums	246 850	245 155
Health and vacation funds	40 486	39 296
Salaries and related expenses total	3 247 312	3 325 628
Average number of employees measured as full time equivalent units	290	309

Salaries and compensation paid to the Company s Board of Directors and CEO amounted to ISK 27 5 million in the year 2015 compared to ISK 24 6 million in the previous year

15. Finance income and expenses

Finance income and expenses are specified as follows

	2015	2014
Interest income	2 504	61 795
Interest expenses and indexation	(57 721)	(86 517)
Foreign exchange difference	(90 385)	(47 365)
Loss on sale of investments in companies	(2 760)	(15 669)
Dividend received	5 396	6 363
Net finance expense total	(142 966)	(81 393)

16 Intangible assets

Items of intangible assets and their depreciation, is specified as follows:

2015	Goodwill	Development cost	Total
Cost			
Balance at 1 1 2015	217 501	91 252	308 753
Additions	0	1 763	1 763
Translation difference	(6 172)	(7 166)	(13 338)
Balance at 31 12 2015	211 329	85 849	297 178
Amortization			
Balance at 1 1 2015	143 042	15 987	159 029
Amortization	20 636	10 309	30 945
Translation difference	(1 040)	(1 331)	(2 371)
Balance at 31 12 2015	162 638	24 965	187 603
Carrying amount 1 1 2015	74 459	75 265	149 724
Carrying amount 31 12 2015	48 691	60 884	109 575
Amortization ratios	10%	20%	
2014			
Cost			
Balance at 1 1 2014	219 728	88 781	308 509
Additions	0	8 771	8 771
Translation difference	(2 227)	(6 300)	(8 527)
Balance at 31 12 2014	217 501	91 252	308 753
Amortization			
Balance at 1 1 2014	122 678	6 813	129 491
Amortization	21 061	11 264	32 325
Translation difference	(697)	(2 090)	(2 787)
Balance at 31 12 2014	143 042	15 987	159 029

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17 Intangible assets, continued

	Goodwill	Development cost	Total
Carrying amounts			
Carrying amount 1 1 2014	97 050	81 968	179 018
Carrying amount 31 12 2014	74 459	75 265	149 724
Amortization ratios	10%	20%	

18 Property and equipment

Items of property and equipment and their depreciation, is specified as follows

2015	Real estate	Equipment	Vehicles	Total
Cost				
Total value 1 1 2015	98 733	537 212	40 065	676 010
Additions	0	45 978	0	45 978
Sold and disposed of	(163)	(1 745)	(117)	(2 025)
Translation difference	0	(4 777)	0	(4 777)
Total value 31 12 2015	98 570	576 668	39 948	715 186
Accumulated depreciation				
Depreciation 1 1 2015	33 912	413 735	27 007	474 654
Depreciated	2 913	38 576	3 972	45 461
Sold and disposed of	0	8	0	8
Translation difference	0	(3 254)	0	(3 254)
Total depreciation 31 12 2015	36 825	449 065	30 979	516 869
Carrying amount 31 12 2015	61 745	127 603	8 969	198 317
2014				
Cost				
Total value 1 1 2014	1 372 203	495 859	40 340	1 908 402
Additions	0	54 001	0	54 001
Sold and disposed of	(1 273 470)	(8 712)	(275)	(1 282 457)
Translation difference	0	(3 936)	0	(3 936)
Total value 31 12 2014	98 733	537 212	40 065	676 010
Accumulated depreciation				
Depreciation 1 1 2014	300 946	392 503	23 022	716 471
Depreciated	14 007	34 124	3 985	52 116
Sold and disposed of	0	(7 354)	0	(7 354)
Translation difference	(281 041)	(5 538)	0	(286 579)
Total depreciation 31 12 2014	33 912	413 735	27 007	474 654
Carrying amount 31 12 2014	64 821	123 477	13 058	201 356
Depreciation ratios	3%	20%	15%	

Depreciation and amortization is specified as follows in the income statement

	2015	2014
Amortization of intangible assets, as per note 16	30 945	32 325
Depreciation of property and equipment	45 461	52 116
Total depreciation	76 406	84 441

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19 Property and equipment, continued

The Company's real estate is specified as follows at year end

	Official real estate valuation	Insurance value	Carrying amount
Armuli 42, Reykjavik	121 500	132 850	51 776
Midvangur 2-4, Egilsstadir	16 520	37 850	9 969
Real estate total	138 020	170 700	61 745

20. Subsidiaries

The subsidiaries of the Company are included in the Consolidated Financial Statements and are specified as follows

	Principle place of operation	Ownership
HRV Holding ehf	Iceland	64%
Mannvit A/S	Norway	100%
Mannvit ApS	Greenland	67%
Mannvit GmbH	Germany	100%
Mannvit Kft	Hungary	100%
Mannvit UK Ltd (id no 06933470)	UK	100%
Mannvit-Verkis ehf	Iceland	50%
Vatnaskil ehf	Iceland	80%
Land and Water Resource Consultants Ltd (id no 01460568)	UK	80%
Fjárfestingarfelagið Brunnur ehf	Iceland	100%
Arctic Oil Terminal ehf	Iceland	80%

Mannvit UK Limited and Land and Water Resources Consultants Limited are exempt from audit under section 479A of the Companies Act 2006

21 Investments

Ownership in companies are specified as follows

	Nominal value	Carrying amount
Loftmyndir ehf, Iceland	236	70 000
Kolufell ehf Iceland	3 244	119 812
CRI ehf, Iceland	17	25 000
Orkey ehf, Iceland	11 357	4 543
Ownership in 15 other companies		51 424
Investments total		270 779

22. Equity

Issued shares at year end amounted to ISK 307 million The Company's outstanding share capital at year end amounts to ISK 252 million according to the balance sheet One vote is attached to each ISK one share in the Company

At the beginning of 2016 the Company issued new shares amounting to a nominal value of ISK 1 0 million in share class B The shareholders holding B shares do not have voting rights but they have priority to dividends equivalent to 20% of net profits

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23 Equity, continued

Equity is further specified as follows

	Share capital	Reserves	Retained earnings	Total
Equity 1 1 2015	275 865	128 258	624 756	1 028 879
Treasury shares purchased	(23 787)		(128 659)	(152 446)
Translation difference		11 410		11 410
Fair value change of investments in other companies		62 253		62 253
Subsidiary acquisition of own shares			(19 610)	(19 610)
Profit for the year			87 024	87 024
Equity 31 12 2015	252 078	201 921	563 511	1 017 509

Reserves are specified as follows	2015	2014
Statutory reserve	77 405	77 405
Translation reserve	62 263	50 853
Fair value change of investments in other companies	62 253	0
Reserves total	201 921	128 258

23 Long term liabilities

Long term liabilities are specified as follows

Indexed loans	131 689	110 197
Unindexed loans	80 042	95 535
Loans in EUR	63 295	61 772
Total long term liabilities, including current maturities	275 026	267 504
Current maturities	(115 785)	(121 501)
Total long term liabilities	159 241	146 003

Maturities on long term liabilities at year end are specified as follows over the next years

Year 2015	0	121 501
Year 2016	115 785	59 729
Year 2017	45 528	52 906
Year 2018	45 528	21 061
Year 2019	39 413	12 307
Year 2020	26 189	0
Later	2 583	0
Total long term liabilities	275 026	267 504

Interest bearing short term liabilities amount to ISK 522 million which comprises two lines of credit which mature in 2016 At the end of 2015 the Company had access to lines of credit amounting to ISK 800 million The Company is currently negotiating with its bank concerning refinancing of credit lines until the end of 2016

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Notes continued:

24 Deferred tax liability

Deferred tax liability at year end is specified as follows

	2015	2014
Deferred tax liability at the beginning of the year	142 019	67 507
Income tax for the year	31 179	86 286
Income tax paid on activities of foreign branches	(13 539)	0
Acquired during the year and other changes	(3 067)	(6 533)
Income tax payable for the year	(38 145)	(5 241)
Deferred tax liability at year end	118 447	142 019
The following are the major deferred tax items recognised		
Property, plant and equipment	138 923	141 193
Trade receivables	(15 177)	(17 535)
Work in progress	2 895	16 033
Deferred foreign exchange differences	(11 671)	(2 664)
Other items	3 477	4 992
Deferred tax liability at year end	118 447	142 019

25 Current liabilities

Other current liabilities are specified as follows

Accrued vacation allowance	259 287	263 965
Salary and related expenses	214 743	233 922
Unpaid VAT	107 365	97 721
Other current liabilities	127 081	369 166
Total other current liabilities	708 476	964 774

26 Related parties

Related parties consist of board members and CEO, who are also shareholders of the Company and close family members of theirs, and companies controlled by them Pricing in transactions with related parties are comparable to other transactions of the Company

The Company has granted loans to shareholders and a company owned by shareholders to purchase shares in the Company and the balance at year end is ISK 669 million The loans are secured with a collateral in shares in the Company

27. Shareholders

10 largest shareholders are

	Nominal value	Ownership
M2015 ehf	71 626 905	23,35%
Eggert Aðalsteinsson	6 415 814	2,09%
Gunnar Sverrir Gunnarsson	6 295 713	2,05%
Sigurður Sigurjónsson	6 295 713	2 05%
Skapti Valsson	6 295 713	2,05%
Tryggvi Jónsson	6 295 713	2,05%
Þrostur Helgason	6 295 713	2,05%
Gunnar Herbertsson	6 055 511	1,97%
Jón M Halldórsson	6 055 511	1 97%
Valgeir Kjartansson	6 055 511	1,97%

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28 Leases of real estate and other issues

The Company has concluded long term lease contracts for real estate Obligations due from these contracts, which are not recognized in the balance sheet, amount to up to ISK 194 million a year

Furthermore, the Company has committed to increase its stake in GTN from 55% to 74% before the end of August 2017 The purchase price will take into account the operating results and financial position of the company when the acquisition will be made