LAND AND WATER RESOURCE CONSULTANTS LTD 1460568

Mannvit hf.

Consolidated Financial Statements 2014

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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 consulting and servicing company in the spectrum of knowledge and technology These financial statements include the Consolidated Financial Statements of the Company and its subsidiaries

Operations in 2014

Profit on the Company's operation during the year amounted to ISK 146 million Equity at year end amounted to ISK 1 029 million according to the balance sheet The Company's outstanding share capital at year end amounted to ISK 276 million During the year treasury shares of ISK 34 million were acquired At year end, shareholders numbered 106 compared to 117 at the beginning of the year At year end 21 shareholders held 1,82% each or 5 575 106 shares, we draw attention to note 25 regarding list of 21 largest shareholders at year end The Board of Directors proposes that no dividend will be paid to shareholders in the year 2015 Reference is made to the Consolidated Financial Statements for further information on allocation of profit and other changes in equity

Corporate Governance

The Company's corporate governance policy is based on "the Guidelines on Corporate Governance" issued in March 2012 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and Confederation of Icelandic Employers In 2014, Mannvit hf underwent a formal assessment of the Board and management practices and passed this comprehensive evaluation process and received the acknowledgement "Exellence in Corporate Governance"

Statement by the Board of Directors and the CEO

It is our opinion that the accounting policies used are appropriate and that these Financial Statements present all the information necessary to give a true and fair view of the Company's assets and liabilities, financial position as of 31 December 2014 and operating performance, of the year 2014

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 We recommend that the Consolidated Financial Statements to be adopted and endorsed at the Annual General Meeting

Kópavogur, 21 May 2015

The Board of Directors

Jón Már Halldórsson
Chairman of the Board

Anna Þórunn Bjornsdóttir

Gunnar Herbertsson

Pálína Gísladóttir

Sigurður Sigurjónsson

Sigurhjortur Sigfusson
CEO

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

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, 2014, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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, 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 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 December 31, 2014, 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

Kópavogur, 21 May 2015

KPMG ehf.

Sigurður Jónsson

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

Consolidated Income Statement for the year 2014

	Notes	2014	2013
Operating revenue			
Sales		5 151 459	4 977 888
Other income		18 255	6 277
		5 169 714	4 984 165
Operating expenses			
Salaries and related expenses	14	3 325 628	3 588 519
Services purchased		441 987	731 892
Other expenses		1 178 376	1 140 566
Depreciation	17	84 441	113 680
		5 030 432	5 574 657
Operating profit (loss)		139 282	(590 492)
Finance income and expenses	15	(81 393)	(152 711)
Gain from sale of fixed assets		186 559	0
Effects of affiliated companies		(796)	(1 876)
		104 370	(154 587)
Profit (Loss) before income tax		243 652	(745 079)
Income tax	22	(86 286)	70 127
Profit (Loss) before minority interest		157 366	(674 952)
Minority interest		(10 914)	100 573
Profit (loss) for the year		146 451	(574 379)

Consolidated Financial Statements of Mannvit hf 2014 5 Amounts are in ISK thousand

Consolidated Balance Sheet at 31 December 2014

	Notes	2014	2013
Assets			
Fixed assets			
Intangible assets	16	149 724	179 018
Property and equipment	17	201 356	1 193 721
Investments	19	214 321	91 335
Bonds	24	840 553	829 243
Fixed assets		1 405 954	2 293 317
Current assets			
Work in progress		293 600	404 458
Trade receivables	10	1 130 212	813 777
Other short term receivables		100 650	100 230
Cash and cash equivalents		512 485	218 907
Current assets		2 036 947	1 537 372
Total assets		3 442 901	3 830 689
Equity and liabilities			
Equity			
Share capital	20	275 865	309 615
Reserves		198 903	99 471
Retained earnings		554 110	598 647
Equity	20	1 028 878	1 007 733
Non-current liabilities			
Minority interest		(38 723)	(53 101)
Borrowings	21	146 003	615 503
Deferred income tax liability	22	142 019	67 507
Non-current liabilities		249 299	629 909
Current liabilities			
Bank loan		570 917	809 304
Trade payables		502 291	379 356
Current maturities on borrowings	21	121 501	132 197
Taxes for the year	22	5 241	17 355
Other short term liabilities	23	964 774	854 835
Current liabilities		2 164 724	2 193 047
Total liabilities		2 414 023	2 822 956
Total equity and liabilities		3 442 901	3 830 689

Consolidated Financial Statements of Mannvit hf 2014 6 Amounts are in ISK thousand

Consolidated Statement of Cash Flows for the year 2014

	Notes	2014	2013
Cash flow from operating activities			
Profit (loss) for the year		146 649	(574 379)
Adjustment for			
Profit from sale of property and equipment		(186 559)	(5 946)
Depreciation and Amortization	17	84 441	113 680
Loss from sale of investments		(4 373)	100 906
Index and currency fluctuation on loans		2 654	(18 227)
Effects of affiliated companies		796	1 876
Change in deferred tax liability	22	86 286	(70 127)
Minority interest		10 914	(100 573)
Working capital from (to) operation		140 808	(552 790)
Changes in operating assets and liabilities			
Work in progress, decrease (increase)		110 858	(147 809)
Receivables, decrease (increase)		(314 316)	397 551
Current liabilities, increase (decrease)		240 011	(127 619)
		36 553	122 123
Net cash from (to) operation		177 361	(430 667)
Cash flow to investing activities			
Investment in property and equipment	17	(54 001)	(19 002)
Proceeds from sale of property and equipment		1 181 033	15 335
Investment in intangible assets	16	(8 771)	(54 497)
Investment in other companies		0	(18 662)
Bond holding, change		(13 118)	(52 870)
Investing activities		1 105 143	(129 696)
Cash flow to financing activities			
Treasury shares purchased	20	(224 738)	(120 659)
Dividend paid to minority interest		(3 500)	(3 600)
Repayments of borrowings		(640 588)	(134 805)
Proceeds from borrowings		158 359	10 392
Bankloans, changes		(263 960)	732 622
Financing activities		(974 427)	483 950
Increase (decrease) in cash and cash equivalents		308 077	(88 019)
Cash and cash equivalents at the beginning of the year		218 907	311 216
Effects of exchange rate fluctations on cash held		(14 499)	(4 290)
Cash and cash equivalents at year end		512 485	218 907

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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 the historical cost basis and have been prepared using the same accounting methods as in the previous year The Company owned 9 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 results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition and to the effective date of disposal, as appropriate

Intercompany transactions, balances, realised and unrealised gains and losses on transactions between consolidated companies are eliminated

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

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 to 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

Notes continued..

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

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 184 million at year end (2013 ISK 98 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

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

Notes continued .

14. Salaries and related expenses

Salaries and related expenses are specified as follows

	2014	2013
Salaries	2 783 674	3 029 648
Accrued vacation, (decrease) increase	10 763	(28 559)
Social security contributions	246 740	287 508
Pension fund premiums	245 155	266 592
Other	39 296	33 330
Salaries and related expenses total	3 325 628	3 588 519
Average number of employees measured as full time equivalent units	309	365

Salaries and compensation paid to the Company's Board of Directors and CEO amounted to ISK 24,6 million in the year 2014 compared to ISK 24 0 million in the previous year

15. Finance income and expenses

Finance income and expenses are specified as follows

	2014	2013
Interest income	61 795	76 990
Interest expenses and indexation	(86 517)	(103 639)
Foreign exchange difference	(47 365)	(42 494)
Impairment and loss on sale of investments in other companies	(15 669)	(89 868)
Dividend received	6 363	6 300
Financial income and expenses total	(81 393)	(152 711)

16. Intangible assets

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

2014	Goodwill	Development cost	Total
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
2013			
Cost			
Balance at 1 1 2013	225 131	37 104	262 235
Additions	0	54 497	54 497
Translation difference	(5 403)	(2 820)	(8 223)
Balance at 31 12 2013	219 728	88 781	308 509
Amortization			
Balance at 1 1 2013	89 748	2 207	91 955
Amortization	33 116	4 833	37 949
Translation difference	(186)	(227)	(413)
Balance at 31 12 2013	122 678	6 813	129 491
Carrying amounts			
Carrying amount 1 1 2013	135 383	34 897	170 280
Carrying amount 31 12 2013	97 050	81 968	179 018
Carrying amount 31 12 2014	74 459	75 265	149 724
Amortization ratios	10%	20%	

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17 Property and equipment

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

2014	**Real estate**	**Equipment**	**Vehicles**	**Total**
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	(281 041)	(7 354)	0	(288 395)
Translation difference	0	(5 538)	0	(5 538)
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
2013				
Cost				
Total value 1 1 2013	1 366 603	573 426	38 883	1 978 912
Additions	5 600	11 602	1 800	19 002
Sold and disposed of	0	(74 057)	(343)	(74 400)
Translation difference	0	(6 259)	0	(6 259)
Total value 31 12 2013	1 372 203	504 712	40 340	1 917 255
Accumulated depreciation				
Depreciation 1 1 2013	279 014	418 479	18 964	716 457
Depreciated	21 932	49 475	4 324	75 731
Sold and disposed of	0	(64 744)	(266)	(65 010)
Translation difference	0	(3 644)	0	(3 644)
Total depreciation 31 12 2013	300 946	399 566	23 022	723 534
Carrying amount 31 12 2013	1 071 257	105 146	17 318	1 193 721
Depreciation ratios	3%	20%	15%	

Depreciation and Amortization is specified as follows in the Income Statement

	2014	**2013**
Amortization of intangible assets	32 325	37 949
Depreciation of property and equipment	52 116	75 731
Total depreciation	84 441	113 680

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

	Official real estate valuation	**Insurance value**	**Carrying amount**
Armúli 42, Reykjavík	0	0	0
Midvangur 2-4, Egilsstadir	105 146	17 318	1 193 721
	105 146	17 318	1 193 721

In July 2014 the Company finalized sale of its real estate Grensásvegur 1 in Reykjavík and in combination with the sale made 20 year lease for office space in Urðarhvarf 6 in Kópavogur

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18 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 GmbH	Germany	100%
Mannvit Kft	Hungary	100%
Mannvit UK Ltd	UK	100%
Mannvit-Verkís ehf	Iceland	50%
Vatnaskil ehf	Iceland	80%
Land and Water Resource Consultants Ltd	UK	80%
Fjárfestingarfelagið Brunnur ehf	Iceland	100%

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

19. Investments

Ownership in companies are specified as follows	Nominal value	amount
Loftmyndir ehf, Iceland	236	70 000
Kolufell ehf, Iceland	3 244	44 324
CRI ehf, Iceland	17	25 000
Orkey ehf, Iceland	11 357	17 778
Ownership in other 13 companies		57 219
Investments total		214 321

20 Equity

Issued shares at year end totaled ISK 307 million The Company's outstanding share capital at year end amounts to ISK 276 million according to the financial statement One vote is attached to each ISK one share in the Company

20. Statement of equity

	Share capital	Reserves	Retained earnings	Total
Treasury shares purchased	(33 750)		(190 988)	(224 738)
Treasury shares sold				0
Translation difference		28 788		28 788
Fair value change of investments in other companies		70 644		70 644
Profit for the year			146 451	146 451
Equity 31 12 2014	275 865	198 903	554 110	1 028 878

Reserves are specified as follows	2014	2013
Statutory reserve	77 405	77 405
Translation reserve	50 854	22 066
Fair value change of investments in other companies	70 644	0
Fair value change of investments in other companies	198 903	99 471

Consolidated Financial Statements of Mannvit hf 2014 12 Amounts are in ISK thousand

Notes continued.:

21. Long term liabilities

Long term liabilities are specified as follows by currency and indexation

	2014	2013
Liabilities in foreign currencies		
Loans in CHF	0	31 576
Loans in USD	0	28 053
Loans in JPY	0	22 425
Loans in EUR	61 772	26 903
Loans in GBP	0	8 241
	61 772	117 198
Liabilities in Icelandic Krona		
Indexed loans	110 197	45 276
Unindexed loans	95 535	585 226
Total long term liabilities, including current maturities	267 504	747 700
Current maturities	(121 501)	(132 197)
Total long term liabilities	146 003	615 503

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

Year 2014	0	132 197
Year 2015	121 501	105 337
Year 2016	59 729	107 964
Year 2017	52 906	104 103
Year 2018	21 061	107 190
Year 2019	12 307	107 190
Later	0	83 719
Total long term liabilities	267 504	747 700

22 Deferred tax liability

The change in deferred tax liability during the year is specified as follows

	2014	2013
Deferred tax liability at the beginning of the year	67 507	154 063
Income tax for the year	86 286	(70 127)
Acquired during the year and other changes	(6 533)	926
Income tax payable for the year	(5 241)	(17 355)
Deferred tax liability at year end	142 019	67 507

The following are the major deferred tax items recognised

Property, plant and equipment	141 193	131 671
Trade receivables	(17 535)	(5 745)
Tax loss carry-forwards	0	(58 974)
Other items	18 361	555
Deferred tax liability at year end	142 019	67 507

23 Current liabilities

The parent company's other current liabilities are specified as follows

Accrued vacation allowance	263 965	264 300
Salary related expenses	233 922	266 785
Unpaid VAT	97 721	137 848
Other	369 166	185 902
Total other current liabilities	964 774	854 835

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24. 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 to related parties are comparable to other transactions of the Company

The Company has granted loans to shareholders to purchase shares in the Company and the balance at year end are ISK 841 million

25. Shareholders

21 largest shareholders are

	Nominal value	Ownership
Birgir Þór Karlsson	5 575 106	1,82%
Eggert Aðalsteinsson	5 575 106	1,82%
Einar Ragnarsson	5 575 106	1,82%
Eyjólfur Árni Rafnsson	5 575 106	1,82%
Friðberg Stefánsson	5 575 106	1,82%
Gunnar Herbertsson	5 575 106	1,82%
Gunnar Sverrir Gunnarsson	5 575 106	1,82%
Johann Garðar Einarsson	5 575 106	1,82%
Jóhann Þór Magnusson	5 575 106	1,82%
Jón M Halldórsson	5 575 106	1,82%
Kristinn Ingason	5 575 106	1,82%
Kristján Knutsson	5 575 106	1,82%
Matthías Loftsson	5 575 106	1,82%
Sigurður Sigurjónsson	5 575 106	1 82%
Sigurgeir Þórarinsson	5 575 106	1,82%
Skapti Valsson	5 575 106	1,82%
Torfi G Sigurðsson	5 575 106	1,82%
Tryggvi Jónsson	5 575 106	1,82%
Valgeir Kjartansson	5 575 106	1,82%
Viðar Jónsson	5 575 106	1,82%
Þrostur Helgason	5 575 106	1,82%

26. Leases of real estate and other issues

The company has concluded lease contracts for real estate Commitments from these contracts, which are not recognized in the balance sheet, amounts to 192 million kr a year

Furthermore, the company has been involved committed to increase its stake in GTN from 55% to 74% for 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

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