

Auður Capital hf.
Financial statements 2009

Auður Capital hf.
Borgartún 29
105 Reykjavík

ID No.640507-0390

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Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Auður Capital hf. and its subsidiaries for the year 2009 have been prepared in accordance with the Icelandic Act on Financial Statements and rules on the financial statements of securities companies and securities brokerages.

The Company provides services in the areas of wealth management, pension savings, private equity and corporate advisory.

At year end the Company's employees were 33, at year end 2008 they were 16.

As illustrated in the income statement, loss for the year amounted to ISK 88,1 million. The Company's total assets amounted to ISK 1.222,8 million at year-end and its equity amounted to ISK 1.134,8 million. Changes in total equity are further explained in the Financial Statements. The Board of Directors does not propose a payment of dividend to shareholders in 2009.

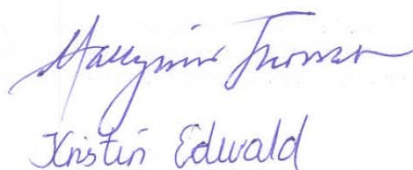
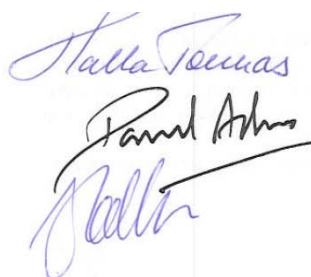
At year end the shareholders were 28, ownership of shares is as follows:

	Issued shares	Voting right
HT Capital ehf.	16,75%	24,19%
KP Capital ehf.	16,75%	24,19%
Gudbjorg Edda Eggertsdottir	10,00%	7,22%
Other	56,50%	44,40%

The Company's Board and CEO confirm that, to the best of their knowledge, the financial statements of Auður Capital for the year 2009 give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. The Board of Directors and CEO of Auður Capital hf. hereby approve the Financial Statements of Auður Capital hf. for the year 2009.

Reykjavík, February 11, 2010

Board of Directors



Independent Auditors' Report

To the Board of Directors and Shareholders of Auður Capital hf.

We have audited the accompanying consolidated financial statements of Auður Capital hf. and its subsidiaries (the Company), which comprise the report by the Board of Directors, the consolidated balance sheet as at December 31, 2009, and the consolidated income statement and consolidated 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 financial statements.

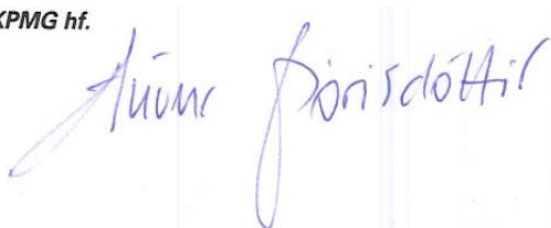
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Auður Capital hf. as at December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Icelandic Financial Statements Act.

Reykjavík, February 11, 2010

KPMG hf.

A handwritten signature in blue ink, reading "Auður Þorisdóttir", is written over a faint, light blue grid background.

Consolidated Income Statement for the year 2009

	Notes	2009	2008
Fee and commission income	16	263.271.881	122.428.410
Interest income		89.269.354	154.709.820
Net financial income		74.137.680	113.432.191
Total income		<u>426.678.915</u>	<u>390.570.421</u>
Fee and commission expense	16	(27.080.309)	(16.126.676)
Interest expense		(1.812.019)	(873.814)
Total operating income		<u>397.786.586</u>	<u>373.569.932</u>
Salaries and related expenses	17	290.199.720	200.289.497
Administration expenses		194.127.840	106.385.296
Depreciation	22	18.007.097	3.690.138
Total operating expenses		<u>502.334.657</u>	<u>310.364.931</u>
(Loss) profit before income tax		(104.548.071)	63.205.000
Income tax	18	16.490.445	(7.353.049)
(Loss) profit for the year		<u>(88.057.626)</u>	<u>55.851.951</u>

The notes on page 8 - 14 are an integral part of these consolidated financial statements

Consolidated Balance Sheet December 31, 2009

	Notes	2009	2008
Assets			
Goodwill	20	31.522.452	0
Securites with variable income		814.280.904	947.034.778
Receivables on related parties	19	19.715.041	23.122.767
Other receivables		68.558.954	37.369.488
Equipment	21	53.270.401	11.644.209
Investment in shares		93.527.207	11.815.190
Deferred tax asset		17.633.733	592.656
Cash and cash equivalent		124.247.477	203.147.515
Total assets		<u>1.222.756.169</u>	<u>1.234.726.603</u>
 Equity			
Share capital		80.000.000	74.600.000
Share premium		1.130.322.170	1.042.176.900
Retained earnings		(75.498.604)	40.515.103
Total equity	23	<u>1.134.823.566</u>	<u>1.157.292.003</u>
 Liabilities			
Accounts payable and other liabilities		84.613.610	71.223.937
Obligation under financial lease		3.318.993	6.210.662
Total liabilities		<u>87.932.603</u>	<u>77.434.599</u>
Total liabilities and equity		<u>1.222.756.169</u>	<u>1.234.726.603</u>

The notes on page 8 - 14 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flow for the year 2009

	Notes	2009	2008
Operating activities			
Net (loss) profit		(88.057.626)	55.851.951
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciations	22	18.007.097	3.690.138
Currency fluctuations		221.642	2.968.315
Change in deferred tax asset		(17.041.077)	(592.656)
Changes in operating assets and liabilities:			
Securities with variable income, changes		132.753.874	(947.034.778)
Investment in shares, changes		(81.662.017)	(11.815.190)
Other receivables, changes		(25.087.607)	(34.318.389)
Other liabilities, changes		9.110.836	57.029.991
Net cash used in operating activities		<u>(51.754.878)</u>	<u>(874.220.617)</u>
Investing activities			
Purchase of operating assets	21	(55.692.983)	(8.722.723)
Purchase of shares in subsidiaries, net of cash acquired		(33.884.136)	0
Investing activities		<u>(89.577.119)</u>	<u>(8.722.723)</u>
Financing activities:			
Proceeds from issue of share capital	23	43.322.170	315.000.000
Purchase of treasury shares	23	(206.000.000)	(50.223.100)
Sale of treasury shares	23	256.223.100	
Dividends paid		(28.000.000)	0
Obligation under finance lease		(3.113.311)	457.881
Financing activities		<u>62.431.959</u>	<u>265.234.781</u>
Net decrease in cash and cash equivalent		(78.900.038)	(617.708.559)
Cash and cash equivalent at 1 January		203.147.515	820.856.074
Cash and cash equivalent at 31 December		<u>124.247.477</u>	<u>203.147.515</u>

The notes on page 8 - 14 are an integral part of these consolidated financial statements

Notes

1. Reporting entity

Auður Capital hf. is a company incorporated and domiciled in Iceland. The address of the company's registered office is Borgartún 29, Reykjavík, Iceland. The Consolidated Financial Statements of the company for the year 2009 comprise Auður Capital hf. (the Parent) and its subsidiaries Auður GP 1 ehf., Auður GP 2 ehf., Auður fjárfesting ehf., Rekstrarfélag Auðar Capital ehf. and Strada Partners ehf. (together referred to as "the Company"). The Company provides investment services in the areas of wealth management, pension savings, private equity and corporate finance. In addition, the Company is engaged in managing private equity funds.

2. Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the Icelandic Act on Financial Statements and rules on the financial statements of securities companies and securities brokerages. The Consolidated Financial Statements are prepared on the historical cost basis except for securities with variable income, which are measured at fair value. The Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the Company's functional currency.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

4. Basis of consolidation

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control usually exists when the Parent holds more than the 50% of the voting power of the subsidiary. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intragroup balances, unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Statements.

a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

b) Income and Expense

(i) Interest income and expense

Interest income and expense are recognised in the Income Statement as they accrue, using the effective interest method.

(ii) Fee and commission income and expense

The Company provides investment services in the areas of wealth management, pension savings, private equity and corporate advisory and earns income there from. Fee earned from services that are provided over a certain period of time are recognised as the services are provided. Fees earned from transaction-type services are recognised when the service has been completed.

(iii) Net financial income

Net financial income comprises net gain on securities with variable income and net gain on investment in shares.

Notes, continued

4. Basis of consolidation, contd.:

b) Income and Expense, contd.:

(iv) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant period rate of interest on the remaining balance of liability.

(v) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

5. Goodwill

Goodwill arises upon the acquisition of subsidiaries. The Company measures goodwill as the fair value of the consideration transferred, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date, less accumulated depreciation and impairment losses. Consideration transferred also includes the fair value of any contingent consideration. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each cash-generating unit. The goodwill of the Company has been allocated to one cash-generating unit with the estimated useful life of three years.

6. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Notes, continued

7. Securites with variable income

Securites with variable income are acquired principally for the purpose of investing the company's equity. They are held at fair value with fair value changes recognised in the Income Statement as Net financial income. These assets are quoted in an active market and the determination of fair value of the assets is based on quoted prices.

8. Receivables

Receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost applying the effective interest method less any impairment losses.

9. Equipment

Items of equipment are measured at cost less accumulated depreciation and impairment losses. The cost of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred. The depreciable amount of equipment is determined after deducting its residual value. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each equipment. The estimated useful life is three years for most of the equipments.

10. Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability is included in the Balance Sheet as an obligation under finance leases. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the lease term if shorter. Other leases are classified as operating leases and the leased assets are not recognised in the Company's Balance Sheet.

11. Investment in shares

Investment in shares is recognised and subsequently measured at fair value in the balance sheet. All changes in fair value are recognised in profit or loss.

12. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Cash Flows consist of cash and demand deposits with credit institutions.

13. Employee benefits

a) Defined contribution plan

Obligations for contribution to defined contribution pensions are recognised as an expense in the Income Statement when they are due.

b) Stock option plan

The Company has a stock option plan with its management and employees. Arrangements have been made to meet these commitments. The fair value of share appreciation rights has not been measured nor included in the Financial Statements.

14. Share capital

Acquired treasury shares are deducted from equity. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of treasury shares. Consideration paid or received is recognised directly in equity.

Dividends on shares are recognised in the period which they are approved by the company shareholders.

Notes, continued

15. Financial risk management

The principal objective of financial risk management is to monitor the Company's aggregated financial risk arising from its day-to-day operations and to initiate actions to limit exposure and enhance financial stability. The Company follows strict financial risk management rules, which cover solvency ratio, currency risk, market risk and liquidity risk and have been adopted by the Board of Directors.

16. Fee and commission

	2009	2008
Fee and commission income		
Asset management fee	110.013.999	57.169.036
Other fee and commission income	153.257.882	65.259.374
Fee and commission income	<u>263.271.881</u>	<u>122.428.410</u>
Fee and commission expence	(27.080.309)	(16.126.676)
Net fee and commission income	<u>236.191.572</u>	<u>106.301.734</u>

17. Salaries

Salaries	239.806.798	163.626.998
Salary-related expenses	<u>50.392.922</u>	<u>36.662.499</u>
	290.199.720	200.289.497
Average number of employees (full year equivalents)	24,7	13,8

Remuneration of the board of directors and the CEO:

Kristín Pétursdóttir, CEO	17.940.000	17.930.850
Halla Tómasdóttir, Chairman of the board	17.940.000	17.930.850
Hallgrímur Snorrason, Board member	200.000	0
Kristín Edwald, Board member	240.000	0
Guðrún Pétursdóttir, Alternate Board member	30.000	0
Gunnar Þór Pétursson, Alternate Board member	0	30.000
	<u>36.350.000</u>	<u>35.891.700</u>

The directors and the CEO held no stock options on the Company's shares at the end of 2009 and 2008. The directors and the CEO received no bonus payments in 2009 and 2008. The Executive Chairman of the board whose salary is disclosed above is the sole director who is also a shareholder who receives remuneration from the company. The independent directors who are not shareholders receive a payment for each attended meeting.

The consultancy firm, New Solutions ApS, which is owned by the director David Adams provided consultancy services for the Company:

Consultancy fee	2.774.319	2.719.886
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Notes, continued

18. Income tax

Current year (income) expense	(15.343.224)	10.205.944
Tax loss from previous year	0	(2.260.239)
Current tax (income) expense	(15.343.224)	7.945.705
Origination and reversal of temporary differences	1.791.735	(592.656)
Increase in tax rate	(2.938.956)	0
Total income tax (income) expense in the income statement	(16.490.445)	7.353.049

In December 2009, the Icelandic Parliament approved to increase the income tax ratio for corporations from 15% to 18% as of 1 January 2010 and the change comes into effect for the tax assessment in the year 2011. The effect thereof has been recognised in the financial statements for the year 2009 and the increase in deferred income tax asset amounts to ISK 2.939 thousand.

19. Receivables on related parties

	31.12.2009	31.12.2008
Loans to employees, for the acquisition of shares in the Company	19.715.041	23.122.767

20. Goodwill

	31.12.2009	31.12.2008
Balance at 1 January 2009	0	0
Addition due to acquisition of a subsidiary	35.462.758	0
Depreciation for the year	(3.940.306)	0
Goodwill at year end	31.522.452	0

21. Equipment

Balance at 1 January 2008	6.611.624
Additions	8.722.723
Depreciation for the year	(3.690.138)
Balance at 31 December 2008	11.644.209
Balance at 1 January 2009	11.644.209
Additions	55.692.983
Depreciation for the year	(14.066.791)
Balance at 31 December 2009	53.270.401
Depreciation rates	30-50%

Insurance value of equipment was 52 million at year end.

22. Depreciation

	2009	2008
Depreciation of Goodwill	3.940.306	0
Depreciation of Equipment	14.066.791	3.690.138
	18.007.097	3.690.138

Notes, continued

23. Equity

At 31 December 2009 the authorised share capital comprised ISK 30.0 million A shares and ISK 50 million B shares, a total of ISK 80 million shares. The holders of A shares are entitled to two votes per share at share holders meetings and holders of B shares are entitled to one vote per share.

Equity at the end of the year amounted to ISK 1,134,824 thousand. The Company's adequacy ratio, calculated in accordance with the Act on Financial Undertakings, is 117.94%. The ratio is calculated as follows:

	31.12.2009	31.12.2008
Total equity	1.134.823.566	1.157.292.003
Intangible assets	(31.522.452)	0
	<u>1.103.301.114</u>	<u>1.157.292.003</u>
Total capital requirements for:		
Credit risk	23.323.000	16.949.000
Market risk under standardised approaches (SA)	8.377.000	6.570.000
Operational risk (Opr)	43.140.000	30.651.000
	<u>74.840.000</u>	<u>54.170.000</u>
Surplus of own funds	1.028.461.114	1.103.122.003
Capital adequacy ratio	117.94%	170,91%

Total equity at the end of the period is specified as follows:

	Share capital	Premium account	Retained earnings	Total
Balance at 1 January 2009	74.600.000	1.042.176.900	40.559.023	1.157.335.923
Issue of share capital	2.200.000	41.122.170		43.322.170
Purchase of treasury shares	(8.900.000)	(197.100.000)		(206.000.000)
Sale of treasury shares	12.100.000	244.123.100		256.223.100
Dividends paid			(28.000.000)	(28.000.000)
Loss for the period			(88.057.627)	(88.057.627)
Balance at 31 December 2009	<u>80.000.000</u>	<u>1.130.322.170</u>	<u>(75.498.604)</u>	<u>1.134.823.566</u>

24. Assets under management and under custody

	31.12.2009	31.12.2008
Assets under management	17.671.235.535	10.837.632.950
Assets under custody	1.288.074.067	1.824.089.476

The Company provides asset management and asset custody to its clients. These assets are not reported in the Company's accounts.

Notes, continued

25. Off balance sheet information

In 2008 the Company committed to invest in Auður I, a private equity fund, amounting to ISK 450.0 million. The outstanding balance of the commitment amounted to ISK 416,9 million at 31 December 2009.

During the year the Company entered into a rental agreement, expiring in June 2012. At year-end the liability amounted to ISK 44.9 million and is subject to changes in the consumer price index.