

Glitnir HoldCo ehf.  
Financial Statements  
31 December 2021

Glitnir HoldCo ehf.  
Langholtsvegur 111  
104 Reykjavík  
Iceland

Reg. no. 550500-3530

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# Endorsement by the Board of Directors and the CEO

The Financial Statements of Glitnir HoldCo ehf. ("Glitnir" or the "Company") for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

## Operations during the reporting period

The purpose of Glitnir's operation is to realise its remaining assets and pay all considerations received to its noteholders, net of any cash needed for its daily operations. Substantially all assets have now been realised and the key activities of the Company have been to resolve outstanding claims.

Total payments to Glitnir's noteholders during 2016 and 2017 were € 1,328.9 million. No payments have been made to noteholders since December 2017.

On 5 October 2018 the Company was served a subpoena by the liquidator of Mainsee Holding ehf., a private limited liability company, of which the Company has been 100% share owner since 2009. Mainsee Holding ehf. was taken into bankruptcy on 7 February 2018. On 1 July 2020, the District Court of Reykjavik ruled in the dispute in favor of Glitnir and dismissed all claims against Glitnir. The liquidator of Mainsee appealed the ruling to the Appeal Court. On 26 November 2021 the Appeal Court ruled in favor of Glitnir and confirmed the ruling of the District Court. The liquidator of Mainsee requested a permission from the Supreme Court of Iceland to appeal the ruling of the Appeal Court, which was rejected by a decision of the Supreme Court on 21 January 2022. This decision now brings this matter to an end in line with the expectations of the Board.

Apart from the assets presented in the balance sheet, the Company is also holding in escrow €3.4 million (off balance sheet) representing unclaimed amounts due to 69 creditors arising from the payments due on Composition and subsequent distributions to Noteholders. Considerable effort has been made to track down creditors and the amount held in escrow has significantly reduced since composition. By way of comparison, the amount held in escrow at 31 December 2020 was €5.0 million due to 98 creditors and at 31 December 2019 the amount was €9.0 million due to 172 creditors.

In accordance with the Composition (and the declaration relating to the Custody Arrangements as described in the Explanatory Memorandum) these unclaimed amounts must be held for ten years from the date of Composition, i.e. until January 2026. Any cash at Custody at the end of the ten years period will revert to the Company. The Company will therefore not be liquidated until after that time.

## Share capital and shareholders

The total nominal value of shares issued as at 31 December 2021 is € 47.3 million. Glitnir's own shares are € 0.001 million.

The number of shareholders as of 31 December 2021 is 1,202, compared to 1,209 at the beginning of the year. The ten largest shareholders and their ownership is as follows:

	No. of shares	Ownership
Deutsche Bank AG, Frankfurt.....	15.675.581	33,2%
TCA Opportunity Investments S.A.R.L. (and related parties).....	9.467.871	20,0%
Morgan Stanley & Co International PLC.....	4.821.893	10,2%
Barclays Bank PLC.....	3.813.986	8,1%
Burlington Loan Management Limited.....	3.041.762	6,4%
Merrill Lynch International.....	2.452.487	5,2%
Icelandic Holdings Limited.....	1.819.530	3,9%
Citigroup Global Markets Limited.....	1.132.376	2,4%
Credit Agricole Vita S.p.A.....	748.011	1,6%
Aristeia Master, LP.....	675.419	1,4%
Total 10 largest shareholders.....	43.648.916	92,4%

## Endorsement by the Board of Directors and the CEO, contd.

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### **Statement by the Board of Directors and the CEO**

To our best knowledge, these Financial Statements for the year 2021 have been prepared in accordance with IFRS.

The Board of Directors and the CEO have today discussed and approved the Financial Statements of Glitnir HoldCo ehf. for 2021 and confirm them by means of their signature.

Reykjavík, 9 February 2022.

The Board of Directors

Mike Wheeler  
Steen Parsholt  
Tom Gröndahl

Chief Executive Officer:

Ingólfur Hauksson

# Independent Auditor's Report

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To the Board of Directors and Shareholders of Glitnir HoldCo ehf.

## **Report on the Audit of the Financial Statements**

We have audited the financial statements of Glitnir HoldCo ehf. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act no. 3/2006.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the Board of Directors and CEO for the Financial Statements**

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU, additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act no. 3/2006 and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's Financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditors' Report, contd.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the financial statements.

Reykjavík, 9 February 2022.

**KPMG ehf.**

Sæmundur Valdimarsson

# Income Statement

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	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Financial income and expenses .....	5	20	43
Net income from financial instruments at fair value .....	6	227	681
Changes in valuation of notes .....		1	(261)
		<u>247</u>	<u>462</u>
Administrative expenses .....	7	<u>(247)</u>	<u>(462)</u>
<b>Profit for the year</b> .....		<u>0</u>	<u>0</u>

# Balance Sheet 31 December 2021

	Notes	2021	2020
<b>Assets</b>			
Cash and cash equivalents .....	10	3.793	3.831
Restricted cash .....	11	324	313
Other assets .....		39	1
<b>Total assets</b>		4.156	4.145
<b>Liabilities</b>			
Notes .....	12	4.141	4.142
Other liabilities .....	13	15	3
<b>Total liabilities</b>		4.156	4.145
<b>Equity</b>			
Share capital .....	14	47.270	47.270
Accumulated deficit .....		(47.270)	(47.270)
<b>Total equity</b>		0	0
<b>Total liabilities and equity</b>		4.156	4.145



## Statement of Changes in Equity

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	<b>Share capital</b>	<b>Accumulated deficit</b>	<b>Total</b>
Equity as at 1 January 2020 .....	47.270	(47.270)	0
Profit for the year .....		0	0
Equity as at 31 December 2020 .....	47.270	(47.270)	0
Profit for the year .....		0	0
Equity as at 31 December 2021 .....	47.270	(47.270)	0

# Statement of Cash Flows

	Notes	2021	2020
<b>Cash inflow</b>			
Interest income .....		0	63
Dividend and sale of equity .....		0	690
Restricted cash .....	11	324	0
Other inflow .....		227	191
<b>Total cash inflow</b>		<u>551</u>	<u>943</u>
<b>Cash outflow</b>			
Administrative expenses .....		(270)	(452)
Other liabilities .....		(3)	(161)
<b>Total cash outflow</b>		<u>(273)</u>	<u>(612)</u>
<b>Increase in cash and cash equivalents</b> .....		278	331
<b>Effect of exchange rate fluctuations on cash</b> .....		7	11
<b>Cash and cash equivalents at the beginning of the year</b> .....		<u>3.832</u>	<u>3.490</u>
<b>Cash and cash equivalents at the end of the year</b> .....		<u>4.117</u>	<u>3.831</u>

# Notes

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## 1. Reporting entity

Glitnir HoldCo ehf. ('Glitnir' or the 'Company'), is a company domiciled in Iceland. The address of the Company's registered office is Langholttsvegur 111, 104 Reykjavík, Iceland.

Glitnir HoldCo will have a limited life, as its purpose is to realise its remaining assets and pay all considerations received to its noteholders, net of cash needed for its daily operations. When all recoverable assets have been realised the Company will cease operations.

## 2. Basis of preparation

### a. Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the EU. They were authorised for issue by the Board of Directors and the CEO on 9 February 2022.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, and have not been applied in preparing these financial statements. These new standards and amendments do not affect the financial statements of the Company.

### b. Relevance and importance of notes to the reader

In order to enhance the informational value of the Financial Statements, the notes are prepared based on relevance and importance for the reader. This can result in information that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

### c. Basis of measurement

The majority of the Company's assets and liabilities are measured at fair value with fair value changes recognised in profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company measures the fair value of an instrument using a quoted price in an active market for that instrument. If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. The following is a description of the Company's classes of assets and liabilities and their valuation basis.

#### Balance sheet item

#### Valuation methodology

Cash, cash equivalents and restricted cash .....	Recognised at amortised cost, applying the effective interest rate method.
Other assets .....	Recognised at cost except for claims on bankrupt companies which are recognised based on best estimate of recoverability.
Notes .....	Recognised at fair value. Their fair value is measured by reference to the value of the Company's assets since the value of the notes (i.e. ultimate payments made to noteholders) are directly linked to the recoverability of the Company's assets.
Other liabilities .....	Recognised at cost.

## 3. Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise indicated.

## Notes, contd.:

### 4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### 5. Financial income and expenses

	2021	2020
Cash and cash equivalents, interest .....	0	40
Cash and cash equivalents, FX changes .....	7	11
Other assets and liabilities, FX changes .....	13	(8)
Total financial income and expenses .....	<u>20</u>	<u>43</u>

### 6. Income from financial instruments at fair value

	2021	2020
Shares and equity investments, fair value change .....	0	490
Other assets, fair value change .....	227	191
Total income from financial instruments at fair value .....	<u>227</u>	<u>681</u>

### 7. Administrative expenses

	2021	2020
Directors fee .....	73	75
Domestic legal services .....	95	333
International legal services .....	0	1
Domestic advisors .....	55	96
International advisors .....	0	2
IT cost and other operational cost .....	24	71
Previously charged expenses - (reversed) .....	0	(116)
Total administrative expenses .....	<u>247</u>	<u>462</u>

### 8. Directors fee:

	2021	2020
Directors fee .....	70	70
Related expenses .....	3	5
Total directors fee and related expenses .....	<u>73</u>	<u>75</u>

The amount of compensation to the Board of Directors was € 70 thousand (2020; €70 thousand). The number of employees for the year 2021 was 0 (2020; 0).

### 9. Income tax

The Company is subject to income tax in Iceland as a private limited company. At year-end 2021 the Company's tax losses amount to approximately € 810.3 million. Due to the uncertainty regarding the possible use of carry-forward tax losses against taxable income in the future no deferred tax asset is recognised in the balance sheet.

## Notes, contd.:

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### 10. Cash and cash equivalents

	2021	2020
Cash and balances with banks (other than ISK) .....	3.773	3.779
ISK balances with banks .....	20	52
Total cash and cash equivalents .....	<u>3.793</u>	<u>3.831</u>

### 11. Restricted cash

	2021	2020
Restricted cash in escrow accounts due to disputed claims at composition .....	<u>324</u>	<u>313</u>

In November 2021 the Appeal Court of Iceland ruled in favor of Glitnir in a legal dispute between Glitnir and Reykjavík Energy (OR). The economic effect of that ruling is that cash that was restricted was released.

### 12. Notes

The notes are directly linked to the Company's assets according to its provisions. Therefore the payments to be made on the notes will be determined by the cash realised from the Company's assets.

#### a. Key terms of the notes and payment to noteholders

The initial aggregate principal amount of the notes on their issue date was €1,586 million. The notes are zero-coupon and convertible (see b). The final maturity date of the notes is 31 December 2030. In accordance with the provisions of the notes Glitnir is to make quarterly payments on the notes. Payments to noteholders at each quarterly redemption date shall consist of all cash and cash equivalents held by the Company that its Board of Directors believe is prudent to distribute to the noteholders on that date. Payments to noteholders will reduce the nominal value of the notes. When all the recoverable assets of the Company have been realised and paid to noteholders the balance of the notes will be converted into equity. That is expected to happen well before the final maturity date of the notes. The Company will then subsequently be liquidated. In accordance with the Company's articles of association the notes are stapled to its share capital so one of the instruments (notes or shares) can not be transferred without simultaneous transfer of the other.

#### b. Conversion

On the final maturity date of the notes or the relevant optional redemption date or the conversion date, both specified in the notes contract, Glitnir will issue redemption shares or conversion shares (as applicable) to the noteholders.

The notes may be converted to equity by the issue of A-shares at a rate of "P/N", where "P" equals the aggregate outstanding principal amount of the notes being converted and "N" equals the nominal value of one A-share multiplied by 100. Alternatively the notes can be converted into A-shares by a resolution of the holders of the notes, as set out in the notes contract, which resolution cannot be passed any later than the date falling 50 days before the final maturity of the notes.

## Notes, contd.:

### c. Balance of the notes

	<b>2021</b>	<b>2020</b>
Balance of the notes 1 January .....	4.142	3.881
Fair value changes .....	(1)	261
Balance of the notes 31 December .....	4.141	4.142

### 13. Other liabilities

	<b>2021</b>	<b>2020</b>
Accounts payable .....	15	0
Other current liabilities .....	0	3
Total other liabilities .....	15	3

### 14. Equity

The share capital is denominated in euro and each share is in the nominal amount of €0.03. The nominal value of shares issued 31 December 2021 is €47.3 million. The Company own shares are €0.001 million.

### 15. Breakdown by currencies

The table below summarises Glitnir's assets by currency of denomination.

#### At 31 December 2021

	<b>EUR</b>	<b>ISK</b>	<b>NOK</b>	<b>USD</b>	<b>GBP</b>	<b>Total</b>
Cash and cash equivalents .....	3.889	20	67	108	34	4.117
Other assets .....		39				39
<b>Total Assets</b> .....	3.889	59	67	108	34	4.156
<b>Total in %</b> .....	93,6%	1,4%	1,6%	2,6%	0,8%	100,0%

#### At 31 December 2020

	<b>EUR</b>	<b>ISK</b>	<b>NOK</b>	<b>USD</b>	<b>GBP</b>	<b>Total</b>
Cash and cash equivalents .....	3.674	52	26	67	12	3.831
Restricted cash .....	161		30	92	31	313
Other assets .....		1				1
<b>Total Assets</b> .....	3.834	53	56	160	42	4.145
<b>Total in %</b> .....	92,5%	1,3%	1,4%	3,8%	1,0%	100,0%

## Notes, contd.:

### 16. Risk management

The Company's holdings of financial assets give rise to market risk, being interest rate risk, foreign currency risk and other price risk. Interest rate changes affect interest bearing assets on a floating rate of interest. Foreign currency risk arises from changes in the exchange rate between the functional currency of euro and other currencies. Approximately 6% of Glitnir's assets are denominated in currencies other than euro (see note 15) and therefore exposed to currency risk. Most of Glitnir's assets are carried at fair value and fair value changes are recognised in profit or loss.

It should be noted that the notes issued by the Company are directly linked to the Company's assets (see note 2.c). Therefore any adverse (or favorable) changes to the valuation of assets due to the aforementioned risk variables will have a direct effect on the carrying amount of the notes, i.e. their fair value. Therefore the profit or loss impact of changes in market risk is minimal to Glitnir. However, the Company's noteholders are affected by those risk factors since changes in market risk affect the recoverability of Glitnir's assets.

A weakening of 1.0% of the euro against foreign currencies at the reporting date would increase the carrying amount of the Company's foreign currency assets recognised at fair value by € 2 thousand. A strengthening of the euro would have the same effect but in the opposite direction.

### 17. Classification of financial assets and liabilities

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

#### 31 December 2021

	<b>Designated at fair value</b>	<b>Amortised cost</b>	<b>Total carrying amount</b>
Cash and cash equivalents .....		3.793	3.793
Other assets .....		39	39
Total financial assets .....	0	4.156	4.156
Notes .....	4.141		4.141
Other liabilities .....		15	15
Total financial liabilities .....	4.141	15	4.156

#### 31 December 2020

	<b>Designated at fair value</b>	<b>Amortised cost</b>	<b>Total carrying amount</b>
Cash and cash equivalents .....		3.831	3.831
Restricted cash .....		313	313
Other assets .....		1	1
Total financial assets .....	0	4.145	4.145
Notes .....	4.142		4.142
Other liabilities .....		3	3
Total financial liabilities .....	4.142	3	4.145

## Notes, contd.:

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### 18. Financial instruments - Fair value hierarchy

The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The following table analyses financial instruments, both those measured at fair value at the reporting date as well as financial instruments measured at amortised cost, by the level in the fair value hierarchy into which the fair value measurement is categorised.

#### 31 December 2021

	Level 1	Level 2	Level 3	Carrying amount
Notes .....			4.141	4.141
Total financial liabilities .....	0	0	4.141	4.141

#### 31 December 2020

	Level 1	Level 2	Level 3	Carrying amount
Notes .....			4.142	4.142
Total financial liabilities .....	0	0	4.142	4.142