Landic Property hf.

Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2008
ISK

Landic Property hf.
Kringlan 4-12
IS-103 Reykjavík
Iceland
Reg.no. 450599-3529

Key figures

Million ISK

	2008 1.1.-30.6.	2007 1.1.-31.12.	2007 1.1.-30.6.
Revenue	16,775	16,588	4,162
Operating profit	15,390	15,842	3,626
Net financials	-10,089	-11,005	1,029
Profit before tax	5,301	4,837	4,655
Non-current assets	539,083	399,130	162,991
Current assets	52,925	52,945	7,328
Total assets	**592,008**	**452,075**	**170,319**
Share capital	5,394	5,394	2,721
Equity	72,987	70,596	34,077
Subordinated loans	29,048	2,040	2,021
Long-term liabilities other than subordinated loans	397,686	278,754	101,022
Short-term liabilities other than subordinated loans	92,287	100,685	33,199
Total equity and liabilities	**592,008**	**452,075**	**170,319**
Ratios			
Solvency ratio *)	17.2%	16.1%	21.2%
Number of employees at period end	208	219	23

*) Calculated as equity including subordinated loans in % of total assets.

Endorsement and Signatures of the Board of Directors and the CEO

Landic Property hf. is a real estate company and its main operations are investment in and leasing of assets in Iceland, Denmark, Sweden and Finland. The interim financial statements comprise the consolidated interim financial statements of Landic Property hf. and its subsidiaries ("the Group").

According to the income statement, profit for the period amounted to ISK 435 million. The Company's equity amounted to ISK 72,987 million at 30 June 2008 according to the balance sheet, including share capital amounting to ISK 5,394 million.

The condensed consolidated interim financial statements, which are unaudited, have been prepared in accordance with IAS 34, Interim financial reporting as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

We consider the applied accounting policies appropriate for the condensed consolidated interim financial statements to provide a true and fair view of the Group's assets, liabilities and financial position at 30 June 2008 as well as of the results of the Group's activities and cash flows for the period 1 January to 30 June 2008.

Further, in our opinion, the interim statements and the endorsement by the Board of Directors and the CEO give a true and fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the interim statements of Landic Property hf. for the period 1 January to 30 June 2008 and confirm them by means of their signatures.

Reykjavík, 29 August 2008

Board of Directors:

Kristín Jóhannesdóttir
Eiríkur S. Jóhannsson

Ingibjörg Pálmadóttir
Gunnar Jónsson
Pétur Már Halldórsson

Elín Þórðardóttir
Einar Þorsteinsson

CEO

Skarphéðinn Berg Steinarsson

Consolidated Income Statement

Notes		Supplementary information*) Million EUR 2008 1.1.-30.6.	2007 1.1.-30.6.	Million ISK 2008 1.1.-30.6.	2007 1.1.-30.6.
	Continuing operations				
6	**Revenue**	**150**	**42**	**16,775**	**4,162**
6	Operating expenses	(48)	(9)	(5,374)	(901)
9	Value adjustments, investment properties, derivatives and debt, net	56	2	6,264	236
	Realised profits on sale of investment properties, net	(2)	0	(199)	0
	Gross profit	**156**	**35**	**17,466**	**3,497**
	Selling costs and administrative expenses	(18)	(3)	(2,065)	(336)
	Profit/(loss) from associates	(0)	5	(11)	465
	Operating profit	**138**	**37**	**15,390**	**3,626**
7	Financial income	53	45	5,975	4,427
8	Financial expenses	(144)	(35)	(16,064)	(3,398)
	Profit before tax	**47**	**47**	**5,301**	**4,655**
	Income tax expense	1	(3)	61	(319)
	Profit for the year from continuing operations	**48**	**44**	**5,362**	**4,336**
	Discontinued operations				
	Loss for the year from discontinued operations	(44)	0	(4,927)	0
	Profit for the year	**4**	**44**	**435**	**4,336**

Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share	0.08	1.73
Diluted earnings per share	0.08	1.73
From continuing operations:		
Basic earnings per share	0.99	1.73
Diluted earnings per share	0.99	1.73
Earnings per share before impairment of goodwill	0.99	1.73

**) Currency rates ISK/EUR (p6 2008 Income Statement) 111.733 (p6 2008 Balance Sheet) 125.427 (p6 2007) 99.0 (p12 2007) 91.3128*

Consolidated Balance Sheet

Notes		Supplementary information*) Million EUR 30.06.08	31.12.07	Million ISK 30.06.08	31.12.07
	ASSETS				
	Non-current assets				
	Goodwill	444	446	55.742	40.766
	Intangible assets	**444**	**446**	**55.742**	**40.766**
9	Investment properties	3.499	3.740	438.900	341.527
	Property and equipment for own use	7	8	827	729
	Property, plant and equipment	**3.506**	**3.748**	**439.727**	**342.256**
	Investments in associates	44	20	5.574	1.817
	Other securities and investments	34	72	4.248	6.619
	Other long-term receivables	178	16	22.373	1.378
	Derivatives	92	69	11.419	6.294
	Other non-current assets	**348**	**177**	**43.614**	**16.108**
	Total non-current assets	**4.298**	**4.371**	**539.083**	**399.130**
	Current assets				
	Receivables from tenants	3	5	377	445
	Other receivables	79	47	10.001	4.333
	Receivables due from related parties	15	4	1.825	331
	Receivables	**97**	**56**	**12.203**	**5.109**
	Assets classified as held for sale	236	403	29.575	36.771
	Cash and cash equivalents	89	121	11.147	11.065
	Total current assets	**422**	**580**	**52.925**	**52.945**
	TOTAL ASSETS	**4.720**	**4.951**	**592.008**	**452.075**

**) Currency rates ISK/EUR (p6 2008 Income Statement) 111.733 (p6 2008 Balance Sheet) 125.427 (p6 2007) 99.0 (p12 2007) 91.3128*

Consolidated Balance Sheet

Notes		Supplementary information*) Million EUR 30.06.08	Supplementary information*) Million EUR 31.12.07	Million ISK 30.06.08	Million ISK 31.12.07
	EQUITY AND LIABILITIES				
	Share capital	43	59	5,394	5,394
	Share premium	349	480	43,799	43,799
	Other reserves	2	19	311	1,719
	Retained earnings	186	215	23,483	19,684
	Total equity	**580**	**773**	**72,987**	**70,596**
	Non-current liabilities				
10	Mortgage debt	1,233	1,340	154,659	122,388
10	Bond debt	426	573	53,454	52,329
10	Bank debt	1,248	876	156,488	80,006
10	Subordinated loans	232	22	29,048	2,040
	Other long-term debt	88	60	11,030	5,449
	Deferred tax	122	169	15,289	15,436
	Provisions	54	34	6,766	3,146
	Total non-current liabilities	**3,403**	**3,074**	**426,734**	**280,794**
	Current liabilities				
10	Current portion of non-current loans	420	552	52,666	50,428
10	Subordinated loan	0	25	0	2,295
	Acquisition price payable	2	6	202	512
	Trade payables	12	13	1,449	1,229
	Corporation tax	2	2	264	174
	Deferred income	44	41	5,465	3,738
	Other payables	82	107	10,238	9,708
	Provisions	0	22	16	1,995
	Liabilities directly associated with assets classified as held for sale	175	336	21,987	30,606
	Total current liabilities	**737**	**1,104**	**92,287**	**100,685**
	Total liabilities	**4,140**	**4,178**	**519,021**	**381,479**
	TOTAL EQUITY AND LIABILITIES	**4,720**	**4,951**	**592,008**	**452,075**

**) Currency rates ISK/EUR (p6 2008 Income Statement) 111.733 (p6 2008 Balance Sheet) 125.427 (p6 2007) 99.0 (p12 2007) 91.3128*

Consolidated Statement of Changes in Equity

Million ISK			Other reserves				
2008	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**	**Inv. prop. value adj. reserve**	**Retained earnings**	**Total equity**
Equity at 01.01.2008	5,394	43,799	1,226	493	0	19,684	**70,596**
Currency translation difference			(1,691)				(1,691)
Hedging reserve of net investment				283			283
Changes during the year, net of income taxes						3,364	3,364
Income and expenses recognised directly in equity	**0**	**0**	**(1,691)**	**283**	**0**	**3,364**	**1,956**
Profit for the year						435	435
Total recognised income and expenses	**0**	**0**	**(1,691)**	**283**	**0**	**3,799**	**2,391**
Dividend paid (ISK per share 0.00)						0	0
Equity at 30.06.2008	**5,394**	**43,799**	**(465)**	**776**	**0**	**23,483**	**72,987**
2007							
Equity at 01.01.2007	2,200	2,067	(20)	311	17,157	1,002	**22,717**
Currency translation difference			(895)				(895)
Hedging reserve of net investment			839				839
Changes during the year, net of income taxes				288			288
Reversal of value adjustment on sale					(754)	754	
Income and expenses recognised directly in equity	**0**	**0**	**(56)**	**288**	**(754)**	**754**	**232**
Profit for the year					194	4,142	4,336
Total recognised income and expenses	**0**	**0**	**(56)**	**288**	**(560)**	**4,896**	**4,568**
Dividend paid (ISK per share 0.37)						(999)	(999)
Own shares acquired	(1)	(4)					(5)
Issued share capital	522	7,274					7,796
Equity at 30.06.2007	**2,721**	**9,337**	**(76)**	**599**	**16,597**	**4,899**	**34,077**

Consolidated Statement of Cash Flows

	Supplementary information*)			
	Million EUR		Million ISK	
	2008	2007	2008	2007
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Profit for the year before tax	47	47	5,300	4,655
Adjustments	25	(17)	2,712	(1,716)
	72	30	8,012	2,939
Working capital changes	(2)	13	(153)	1,354
	70	43	7,859	4,293
Financial income, received	1	3	163	218
Financial expenses, paid	(77)	(37)	(8,665)	(3,641)
Corporation taxes, paid	0	0	0	0
Cash flows from operating activities	**(6)**	**9**	**(643)**	**870**
Acquisition of investment properties	(54)	(104)	(6,112)	(10,341)
Sale of investment properties	2	0	190	0
Acquisition of property and equipment	(1)	(0)	(58)	(8)
Sale of property and equipment	0	0	26	11
Sale of companies	0	19	0	1,939
Investment in subsidiaries held for sale, net	(43)	0	(4,784)	0
Investment in financial assets, net	0	15	0	1,439
Cash flows from investing activities	**(96)**	**(70)**	**(10,738)**	**(6,960)**
Proceeds received from capital increase	0	79	0	7,796
Dividend distributed	0	(10)	0	(999)
Acquisition of own shares	0	(0)	0	(5)
Proceeds from borrowings	284	135	31,766	13,372
Repayment of borrowings	(212)	(107)	(23,695)	(10,546)
Cash flows from financing activities	**72**	**97**	**8,071**	**9,618**
Cash flows for the year	**(30)**	**36**	**(3,310)**	**3,528**
Cash and cash equivalents at the beginning of the year	121	2	11,065	453
Effect of exchange rate fluctuations	(2)	(0)	3,392	(29)
Cash and cash equivalents at year-end	**89**	**38**	**11,147**	**3,952**

Note 1. Reporting entity

Landic Property hf. "the Company" is domiciled in Iceland. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries and the Group's interest in associates.

The Group's condensed consolidated interim financial statements are presented in million ISK and EUR. The functional currency for the parent company, Landic Property hf., is DKK, which has been translated to ISK for presentation purposes following the method determined by the International Financial Reporting Standards (IFRS).

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2008.

Note 2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Groups as at and for the year ended 31 December 2007.

Note 3. Significant accounting policies

The accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007. The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office.

Note 4. Significant judgements and accounting estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statement as at end for the year ended 31 December 2007.

Goodwill impairment test
A provisional update has been made of the impairment test on goodwill. The test included an update of the discount factor due to economical changes, changes in the portfolios and inflation. A ten year cash flow forecast has been made for each cash generating unit; cash generating unit (CGU) being each business area.
The recoverable amount of each CGU is determined on the basis of its value in use which is derived from discounted cash flow calculations. The calculated recoverable amount has been compared to the carrying amount of the CGU's to test if a loss has occured in case the recoverable amount does not cover the carrying amount.
Based on the update there should not be a need for recognising impairment losses at 30 June 2008.

Note 4. Significant judgements and accounting estimates - continued

Keops Development
Since the acquisition of the former Keops group, it has been the intention to divest Keops Development. Keops Development does not fit into Landic Property's business model.

On 21 May 2008 Landic Property signed a Sale and Purchase Agreement with Stones Invest A/S on the sale of Keops Development (including its subsidiaries).

On 14 August 2008 without any foregoing notice Stones Invest A/S annulled the agreement made with Landic.
Having complied with its obligations according to the sale and purchase agreement, Landic Property strongly refuted Stones Invest A/S' right to annul the agreement and the claims put forward by Stones Invest A/S.
Despite the agreement, Stones Invest A/S did not release Landic Property from substantial guarantees nor has it honoured a cash flow plan securing payments to Keops Development's banks and project partners.
In order to protect its financial interests, the value of Keops Development, its projects and the interests of Keops Development's business partners - and regardless of the fact that Stones Invest A/S was not entitled to annul the agreement - Landic Property has resumed effective control and entitlement over Keops Development.
As a result of the above, Keops Development remains in Landic Property's accounts as assets held for sale accounted for at the estimated fair value of the company. When estimating the fair value of Keops Development, Management have looked at the fair value of ongoing project activities in Keops Development, possible exit opportunities and obligations arising from Stones Invest A/S' unfounded actions.

Landic Property will have a claim against Stones Invest A/S as a result on the unrightful withdrawal from the signed agreement. However, due to uncertainty relating to the ability of Stones Invest A/S to honour their financial obligations, Landic Property has not included the possible compensation from Stones Invest A/S in the interim financial statements 2008.

The claim against Landic Property that Stones Invest A/S have mentioned in their public statements has never been documented or even specified to Landic Property, and it is Management's opinion that there are no and there will be no grounds for such alleged claims.

Valuation of investment properties
In accordance with the Company's accounting policies, that remains unchanged from the publication of the consolidated financial statements of 2007, Landic Property values its investment properties at fair value using a discounted cash flow model based on future cash flows from the ownership of the investment properties.

The valuation of the properties as at 30 June 2008 has been carried out internally. The valuation of significant investment property portfolios has been done by looking at changes in cash flows, market yields and other relevant factors that affect the valuation of investment properties.

Based on the above, Management has estimated the effect on the fair value of the investment properties. The effect on the segments within which Landic property operates is as follows:

In *Sweden* there are slightly higher yield requirements in the market at 30 June 2008 than at year end 2007, which has had negative effect on the property value in Sweden of in average around 1 %.

In *Iceland* cash flows from investment properties are according to tenant contract adjusted for inflation. Inflation in Iceland is currently at a level significantly above the level included in the previous assumptions. As a consequence of this the fair value of the properties in Iceland has increased. Only a prudent positive value adjustment has been included in the half year accounts due to the pressure on financial markets in Iceland.

In *Denmark* and *Finland* market indicators states that the values of Landic Property's portfolios have remained unchanged for the first half of 2008.

Note 6. Segment information

Million ISK	Investment Properties								Investment and Funds		Corporate and eliminations		Consolidated	
	Iceland		Denmark		Sweden		Finland		Denmark					
	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6	2008 1.1-30.6	2007 1.1-30.6
Total revenue	**3,540**	**2,796**	**2,922**	**1,366**	**9,628**		**404**		**184**		**98**		**16,775**	**4,162**
Value adjustment, investment properties, derivatives and debt, net	4,598	236	680		985								6,264	236
Realised profits on sale of inv. properties, net	(29)				(128)						(42)		(199)	0
Selling costs and administrative expenses	(228)	(192)	(143)	(94)	(425)		(34)		(300)		(935)		(2,065)	(336)
Segment results	**6,954**	**2,099**	**3,041**	**1,062**	**6,676**	**0**	**221**	**0**	**(496)**	**0**	**(995)**	**0**	**15,401**	**3,161**
Goodwill			8,629	1,996	30,828		502		15,783				55,742	1,996
Investment properties	106,564	88,124	119,715	64,098	203,524		8,930		167				438,900	152,222
Segment assets total	**128,727**	**104,225**	**130,852**	**66,094**	**295,704**	**0**	**10,130**	**0**	**37,496**	**0**	**(10,901)**	**0**	**592,008**	**170,319**
Segment liabilities total	**105,833**	**85,850**	**112,121**	**58,355**	**234,528**	**0**	**9,731**	**0**	**20,198**	**0**	**36,610**	**(7,963)**	**519,021**	**136,242**

	Million ISK	
	2008 1.1.-30.6.	2007 1.1.-30.6.
Note 7. Financial income		
Interest income from deposits in credit institutions	228	340
Profits from sale of shares	928	215
Exchange gains, net	2,158	3,389
Other financial income	2,661	483
Total financial income	**5,975**	**4,427**
Note 8. Financial expenses		
Interest expenses to credit institutions	(5,953)	(2,487)
Interest bond loans	(5,573)	(509)
Indexation	(2,052)	(304)
Other financial expenses	(2,486)	(98)
Total financial expenses	**(16,064)**	**(3,398)**

	2008 1.1-30.06	2007 1.1-31.12
Note 9. Investment properties		
Cost at 01.01.	316,303	123,796
Exchange adjustment	89,127	4,305
Additions via enterprise acquisition	0	170,902
Additions on acquisition of properties	6,112	28,096
Disposals	(737)	(2,284)
Reclassified to another account	0	(3,200)
Reclassified to assets held for sale	0	(5,312)
Cost at 31.12.	**410,805**	**316,303**
Revaluation at 01.01.	25,224	20,924
Exchange adjustment	296	45
Revaluation for the year	2,575	5,399
Disposals	0	(844)
Reclassified to another account	0	(300)
Revaluation at 31.12.	**28,095**	**25,224**
Carrying amount at 31.12.	**438,900**	**341,527**

	Million ISK	
	2008	**2007**
	30.06	**31.12**
Note 10. Mortgage, bond debt and secured bank loans		
Total non-current loans	364,601	256,763
Current portion of non-current loans	52,666	52,723
	417,267	**309,486**
Bonds	53,454	54,829
Secured bank loans	310,150	230,131
Unsecured loans	24,615	20,191
Total interest-bearing loans	**388,219**	**305,151**
Subordinated loans	29,048	4,335
	417,267	**309,486**

Financial risks

The Group's activities expose it to a variety of financial risks; market risk (including price risk and cash flow interest rate risk).

The Group's main exposure to changes in interest rates through loans taken out for the finance of property acquisitions. Assuming a correlation between interest rates and yields (even though there may be some time lag) increasing interest rates will result in lower market value of debt and also a lower valuation of properties.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity position is monitored on a daily basis by Management and is reviewed quarterly by the Board of Directors. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and montage debt.

The Group guideline is to raise long-term loans to reduce this risk. Going forward, the aim is to create a smooth maturity profile in order to minimize the exposure to refinancing conditions at any given point in time. Furthermore, in order to reduce refinancing risk, the Group's funding is mainly based on bank loans with reputable banks. Secondly, the Group has issued bonds on OMX Nordic Exchange Copenhagen.

Note 11. Related parties

The companies and individuals considered related parties are unchanged since the announcement of the full-year financial statements.
Shareholder with significant influence during the first half was Stodir hf. (formerly FL Group hf.)

No changes in the extent of transactions between related parties have occurred since the announcement of the full-year financial statements for 2007.

Note 12. Subsequent events

Please refer to the description of Keops Development note 4, significant judgements and accounting estimates.

Other than that, no subsequent events have occurred.