

Landic Property's Results for the first half of 2008

29 August 2008

Landic Property's profit from continuing operations ISK 5.4 billion
Total assets of ISK 592 billion

Key results for the first half of 2008:

- Profit for the year from continuing operations is ISK 5.4 billion (EUR 48 million)
- Profit for the period ISK 435 million (EUR 4 million)
- Total revenue of ISK 16.8 billion (EUR 150 million)
- Total assets ISK 592 billion (EUR 4.7 billion) at the end of June, increasing by 31% in ISK but down by 5% in Euro from the beginning of 2008. The depreciation of the ISK has had a significant effect on Landic Property's accounts increasing the ISK amounts
- Total equity together with deferred tax and subordinated loans amounted to ISK 117.3 billion, increasing by 30% in the first half of 2008, representing a ratio to total assets of 20% as at 30 June 2008

Operational highlights for first half of 2008:

- Landic Property acquired stakes in five international property funds in February. The transaction value is ISK 20.3 billion and is financed with a five year subordinated convertible loan
- Keops Development was sold in May to Stones Invest but the agreement was annulled in August
- Opening of Helsinki office in February. Provides a opportunity to increase growth in Finland and the Baltic region
- Re-branded Keops Investment to Landic Investment
- Landic Funds established, broadening Landic Property's investment services. This department is in the process of launching two funds, the Landic Nordic Fund 1 and Landic Hotel Fund 1
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Significant events after the end of reporting period

- On 21 May 2008 Landic Property signed Agreement with Stones Invest for the sale of Keops Development. On 14 August 2008 Stones Invest annulled the agreement made with Landic Property without any warning. Having complied with its obligations according to the sale and purchase agreement Landic Property strongly refuted Stones Invest right to cancel the agreement and the claims put forward by Stones Invest. Stones Invest 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 Landic Property has resumed effective control and entitlement over Keops Development as per 19 August 2008.

Skarphéðinn Berg Steinarsson, CEO:

„The financial statement shows that Landic Property's core business is performing well. It is clear that the financial environment is challenging. Like all companies operating internationally, Landic Property has been affected by this turmoil. However, we have been able to meet these demanding times and guard the company's assets and stay on track. Our balance sheet illustrates the size and scope of the company, both in Iceland and internationally. The financial statement shows that the issue of Keops Development has been challenging and it is unfortunate that the sale of the company did not go through. We are currently making a detailed overview of Keops Development's current operations, projects and obligations and will take the necessary action to protect the value of Keops Development.“

Further information

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About Landic Property

Landic Property specializes in leasing services of commercial property to public and corporate customers. Landic Property offers to let prime location office and retail premises from one of the largest property portfolios in the Nordic countries. Landic Property is one of the largest property companies in the Nordic countries. The company has substantial market shares in Sweden, Denmark and Iceland. Landic Property has six business units:

- Four geographical real estate management units in Sweden, Iceland, Denmark and Finland
- Landic Investment - Mediation of investment properties in Northern Europe
- Landic Funds - Offering investment opportunities in real-estate for institutional investors

Landic Property was formed in July 2007 when the property company Stoðir, founded in 1999 by Baugur Group and Kaupthing Bank, acquired Keops A/S - a Danish listed property company in operation from 1998 until 2007. Stoðir already owned the property company Atlas Ejendomme which was acquired in January 2006. The company has approx. 200 employees and about 500 properties in Sweden, Denmark, Iceland and Finland. The property portfolio totals 2.6 million square metres of rental space, more than 3,200 tenants and total assets of €4.7 billion.

Accounts overview

The effect of the depreciation of the ISK on Landic Property's accounts

Landic Property functional currency is the Danish krona (DKK) but the presentation currency of the consolidated accounts is in Icelandic Krona (ISK) in accordance with Icelandic law. The ISK depreciated by 33.7% in the first half of 2008. The depreciation of the ISK has had a significant effect on Landic Property's accounts as majority of the group's assets and activities are outside of Iceland. The depreciation has increased the ISK amounts for income and expenses as well as assets and liabilities.

Income Statement

Income Statement - Key Figures					
All numbers in ISK million					
	6M 2008	6M 2007	6M 2006	6M 2005	6M 2004
Income Statement					
Revenue	16,775	4,162	2,778	1,711	1,516
Operating expenses	-5,374	-901	-589	-323	-311
Value adjustments and realised profit on sale of properties	6,065	236	7,403	783	1,214
Gross profit	17,466	3,497	9,592	2,171	2,419
Selling costs and administrative expenses	-2,065	-336	-249	-93	-114
Profit/(loss) from associates	-11	465	-45	-292	-3
Operating profit	15,390	3,626	9,298	1,786	2,302
Financial expenses, net	-10,089	1,029	-4,245	-873	-996
Profit before tax	5,301	4,655	5,053	913	1,306
Income tax expense	61	-319	-867	-138	-223
Profit for the year for continuing operations	5,362	4,336	4,186	775	1,083
Discontinued operations	-4,927	0	0		
Profit for the year	435	4,336	4,186	766	1,071

Revenue

Total revenues amounted to ISK 16.8 billion in the first half of 2008, against ISK 4.2 billion in the previous year. This significant increase in revenue is largely related the inclusion in the 2008 figures of the full impact of the expanded portfolio resulting from the acquisition of Keops. Furthermore, higher inflation, higher market rental levels and lower vacancies have also had positive impact on Landic Property's revenue.

Earnings

Landic Property's gross profit for the period totalled ISK 17.5 billion, against ISK 3.5 billion for the same period in 2007. Profit for the first half of the year for continuing operations totalled ISK 5.4 billion as compared with ISK 4.3 billion in the previous year. Profit for the period amounted to ISK 435 million (EUR 4 million).

Other income statement items

Changes in the value of investment properties and financial instruments in the period amounted to ISK 6.3 billion compared to ISK 236 million in 2007. Landic Property uses financial instruments in order to hedge interest rate, inflation and foreign exchange exposure. As an effect of changes in the market interest rate, the value has changed by ISK 3.7 billion during the period. Value changes on properties amounted to ISK 2.6 billion for the first half of 2008.

Operating expenses include costs for energy, property operations and property administration.

Operating expenses totalled ISK 5.4 billion during the period, against ISK 0.9 billion for the same period in the previous year. This increase in cost is mainly due to the increased scale of the company's operations after the acquisition of Keops.

Financial income and expenses

Net financial expenses amounted to ISK 10.1 billion for the period compared to ISK 1.0 billion in the previous year. This increase in financial expenses is mostly related to the larger real estate portfolio but also due to inflation and the increase in the average interest rate level during the period.

Reporting of discontinued operations and tax

Keops Development is classified as discontinued operations because Landic Property intends to divest the company. Landic Property's loss due to discontinued operations amounts to ISK 4.9 billion for the first half of 2008.

Income tax was positive by ISK 61 million for the first half of 2008, compared with a charge of ISK 319 million for the first half of 2007. This tax income is due to a change in tax legislation in Iceland as corporate income tax was lowered from 18% to 15%.

Balance sheet

Balance Sheet - Key Figures

All numbers in ISK million

Balance Sheet	30/06/2008	31/12/2007	31/12/2006	31/12/2005	31/12/2004
Total non-current assets	539,083	399,130	151,800	58,921	39,982
Total current assets	52,925	52,945	4,834	13,617	5,468
Total assets	592,008	452,075	156,634	72,538	45,450
Equity	72,987	70,596	22,717	10,832	9,452
Subordinated loan	29,048	4,335	2,303	1,684	1,743
Deferred tax	15,289	15,436	10,136	2,250	2,158
Total equity, subordinated loan and deferred tax	117,324	90,367	35,156	14,766	13,353
Long term debt, excluding subordinated loan and deferred tax	382,397	263,318	98,546	41,894	26,265
Current debt, excluding subordinated loan	92,287	98,390	22,932	15,878	5,832
Equity and liabilities	592,008	452,075	156,634	72,538	45,450

Assets

Landic Property's total assets on 30 June 2008 amounted to ISK 592 billion, an increase of ISK 140 billion or 31% during the year. The company's total assets decreased by 5% during the first half in euros.

Investment properties totalled ISK 438.9 billion at the end of June 2008. This is an increase of ISK 97.4 billion, or 28%, since the beginning of the year.

The Group's goodwill amounted to ISK 55.7 billion (EUR 444 million) at the end of June 2008 compared to ISK 40.8 billion (EUR 446) at the beginning of the year. The increase in ISK terms is due to the depreciation of the ISK during the period.

Cash and cash equivalents amounted to ISK 11.1 billion at the end of June and remained unchanged from the beginning of the year.

Equity and liabilities

Landic Property's equity totalled ISK 73.0 billion as of 30 June 2008, and has increased by ISK 2.4 billion since the beginning of the year.

Equity together with deferred tax and subordinated loans amounted to ISK 117.3 billion, representing a ratio to total assets of 20.0% as at 30 June 2008.

Landic Property's total liabilities amounted to ISK 519 billion as of 30 June 2008, an increase of ISK 137.5 billion since the beginning of the year as a result of the depreciation of the ISK.

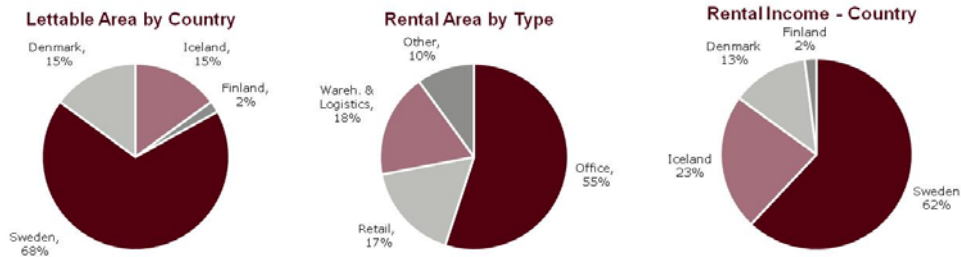
Included in liabilities are subordinated loans that totalled ISK 29 billion at the end of June, an increase of ISK 24.7 billion. This increase relates to the financing of international property funds acquired by Landic Property in February.

Total non-current liabilities totalled ISK 426.7 billion at the end of June 2008. Included in non-current liabilities is the Group's deferred tax liability amounting to ISK 15.3 billion at the end June. Total current liabilities totalled ISK 92.3 billion at the end of June decreasing by ISK 8.4 billion during the period.

Landic Property's Business Units - Overview

Landic Property divides its operations into six business units: Four geographical real estate management units in Sweden, Iceland, Denmark and Finland, Landic Investment which handles mediation of investment properties in Northern Europe and finally the newly established Landic Funds department that offers investment opportunities in real-estate for institutional investors.

Overview of Landic Property's portfolio



	Denmark	Finland	Iceland	Sweden	Total
Number of Properties	44	10	132	305	491
Total Lettable Area (Sq M)	390,502	47,376	395,000	1,745,927	2,578,805
No of Tenants	410	105	333	2314	3,162
Economic Occupancy	97.0%	98.0%	98.3%	92.0%	

Landic Sweden

The largest portion of Landic Property's portfolio lies in Sweden. The portfolio comprises a wide variety of property types, with office buildings especially prominent, and the tenant base includes government agencies as well as large international companies. Landic Property's largest tenants in the country are the Swedish Police Force and TeliaSonera and Stockholm's County Council.

Highlights for the first half of 2008

- Negotiation of 16,000 square metres lease agreement with Försäkringskassan completed
- New lease agreement with West Götaland Region's IT department for 5,750 square metres of office space in the Södra Porten area just outside Gothenburg
- Landic Property and Landic Property Facility Management combined in one company: Landic Sweden AB
- Mats Sterner appointed as Managing Director of Landic Sweden
- Part of Nordic Light Portfolio and Landic IX sold
- The occupancy rate increased to 92% (from 91.3%)

Landic Denmark

The Danish portfolio consists of about 400,000 square metres under rent, chiefly within central Copenhagen. The portfolio comprises many beautiful and historic buildings, with approximately 40 properties and around 400 tenants. Landic Denmark's portfolio is divided between office space and retail space at prime locations particularly on Slotsholmen, the 'castle island' in Copenhagen harbour. Landic Denmark's largest tenants are SAS Airlines, the retail group Magasin and Illums department store.

Highlights for the first half of 2008

- Local plan has been approved on Amager Strandvej for development of 45,000 sqm. of offices and hotel/conference centre near Kastrup International Airport.
- Negotiation completed on 7,000 square metres of office space in Copenhagen
- Letter of intent signed on leasing 9,000 square metres in Kolding

- Vacancy rates have maintained at satisfactory low levels in Copenhagen. The occupancy rate increased to 97 % (96.3%)

Landic Iceland

Landic Iceland is the largest real estate company in Iceland and owns more than 130 commercial properties throughout the country, many of them in the greater Reykjavik area. They include some of the most elegant hotels and offices, high-profile industrial premises and one of the nation's leading shopping centers. The assets are diverse in terms of location, function and tenant type.

Landic Iceland has a wide client base; tenants include the Icelandic government, the City of Reykjavik, the retail company Hagar, Kaupthing Bank, Landsbanki, Icelandair Hotels.

Highlights for the first half of 2008

- Grand opening of refurbished and extended Holtagarðar, retail center in April totaling 20,000 square metres of new retail space. 97% of the premises was leased out at its opening
- Grand opening of Fitjar retail center in May. 6,800 square metres of retail space, 100% leased out at its opening
- Landic Iceland sold all of its residential properties Atthagar portfolio in June but the sale was finalized in July
- The occupancy rate remains high at 98.3 % (99.3%)

Landic Finland

The Finland office was opened in February this year. However, Landic Property had already been managing 10 the Finnish properties, comprising nearly 50 thousand square metres. They include office and retail premises in addition to some residential and storage properties. They are situated throughout the country, chiefly in provincial centres that have strong positive growth potential. Landic Finland's most significant tenant is Nordea Bank plc.

Highlights for the first half of 2008

- Office opened in February
- Participation in a development project in the city of Jyväskylä and Oulu
- New services introduced to tenants e.g. re-designing office spaces
- The occupancy rate increased to 98 % (97.2%)

Landic Investment

Landic Investment handles the acquisition, mediation and divestment of investment properties in Northern Europe for wealthy individuals and professional bodies (investment funds, etc). As part of Landic Property, Landic Investment has strengthened its access to the most lucrative properties in Northern Europe. This, among other things, ensures that Landic Investment can still develop and offer attractive, tailored investment projects that meet the investors' requirements on return, security and savings. Furthermore, focus is strengthened on utilisation of synergies by leveraging Landic Property's international competences within, for example, property management and development with the goal of increasing service levels.

Landic Investment continues to strive to be the preferred partner within property investments. A 20-year history is clear evidence of this. In the past 10 years, almost all of the mediated property projects have outperformed their forecasts. Investor satisfaction is demonstrated by 2/3 of new purchases being made by existing clients. Landic Investment presently manages properties worth more than DKK 7 billion on behalf of our investors.

Highlights for the first half of 2008

- Rebranded to Landic Investment and the company is now fully integrated into Landic Property
- Continuous activities on optimisation and streamlining of the organisation to meet current market conditions

About the annual financial accounts

The financial statements for Landic Property hf. are prepared in accordance with the International Financial Reporting Standards (IFRS).

To facilitate comparison between years, it is appropriate to point out the primary changes made in Landic Property's operations between 2007 and 2008. Landic Property and the Danish company Keops A/S merged on 3 September 2007. The acquired Keops A/S operation is therefore part of the consolidated financial statements for 2008 but not 2007.

Consolidated Income Statement		
Million ISK	1/1-30/6 2008	1/1-30/6 2007
CONTINUING OPERATIONS		
Revenue	16,775	4,162
Operating expenses	-5,374	-901
Value adjustments, investment properties, derivatives and debt, net	6,264	236
Realised profits on sale of investments properties, net	-199	0
Gross profit	17,466	3,497
Selling costs and administrative expenses	-2,065	-336
Profit/(loss) from associates	-11	465
Operating profit	15,390	3,626
Financial Income	5,975	4,427
Financial expenses	-16,064	-3,398
Profit before tax	5,301	4,655
Income tax expense	61	-319
Profit for the year for continuing operations	5,362	4,336
Discontinued operations		
Loss for the year from discontinued operations	-4,927	0
Profit for the year	435	4,336

Consolidated Balance Sheet

Million ISK	30/06/2008	31/12/2007
Assets		
Non-current assets		
Goodwill	55,742	40,766
Intangible assets	55,742	40,766
Investment properties	438,900	341,527
Property and equipment for own use	827	729
Property, plant and equipment	439,727	342,256
Investments in associates	5,574	1,817
Other securities and investments	4,248	6,619
Other long term receivables	22,373	1,378
Derivatives	11,419	6,294
Other non-current assets	43,614	16,108
Total non-current assets	539,083	399,130
Current assets		
Receivables from tenants	377	445
Other receivables	10,001	4,333
Receivables due from related parties	1,825	331
Receivables	12,203	5,109
Assets classified as held for sale	29,575	36,771
Cash and cash equivalents	11,147	11,065
Total current assets	52,925	52,945
TOTAL ASSETS	592,008	452,075

Consolidated Balance Sheet

Million ISK	30/06/2008	31/12/2007
Equity and Liabilities		
Share capital	5,394	5,394
Share premium	43,799	43,799
Other reserves	311	1,719
Retained earnings	23,483	19,684
Total Equity	72,987	70,596
Non-current liabilities		
Mortgage debt	154,659	122,388
Bond debt	53,454	52,329
Bank debt	156,488	80,006
Subordinated loan	29,048	2,040
Other long term debt	11,030	5,449
Deferred tax	15,289	15,436
Provisions	6,766	3,146
Total non-current liabilities	426,734	280,794
Current liabilities		
Current portion of non-current loans a	52,666	50,428
Subordinated loan		2,295
Acquisition price payable	202	512
Trade payables	1,449	1,229
Corporation tax	264	174
Deferred income	5,465	3,738
Other payables	10,238	9,708
Provisions	16	1,995
Liabilities directly associated with assets classified as held for sale	21,987	30,606
Total current liabilities	92,287	100,685
Total liabilities	519,021	381,479
TOTAL EQUITY AND LIABILITIES	592,008	452,075