Stoðir hf.

Condensed Separate
Interim Financial Statements
30 June 2011

Stoðir hf.
Hátún 2B
105 Reykjavík
Iceland

Reg. no. 601273-0129

Contents

Endorsement and Statement by the Board of Directors and the CEO

The interim financial statements comprise the separate financial statements of Stoðir hf. ("Stodir" or "the Company") for the period from 1 January to 30 June 2011. The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard (IFRS) for Interim Financial Statements (IAS 34).

In the first half of the year 2011, Stodir´s Management and the Board of Directors have focused on maintaining and supporting the Company´s assets, with the intention of maximizing value. An effort has also been made to reduce uncertainty in regard to tax matters, dispute claims and guarantees. Stodir´s main assets at mid-year 2011 are a 99% stake in Tryggingamidstodin (TM), the Icelandic insurance company, and a 40% stake in the European private-label fruit juice and soft drinks producer Refresco. In May 2011, Stodir sold all of its shares in Royal Unibrew.

According to the statement of comprehensive income for the first half of 2011, profit for the first half year 2011 amounted to ISK 2,044 million. According to the statement of financial position, equity at 30 June 2011 amounted to ISK 32,280 million. The Company's issued share capital amounted to ISK 21,643 million at 30 June 2011. Own shares amounted to ISK 10 million at 30 June 2011. Three shareholders held more than 10% of voting rights at the end of June 2011. They are Glitnir Bank hf., Landsbanki hf. and Arion banki hf.

Statement by the Board of Directors and the CEO

The Condensed Separate Interim Financial Statements for the six months ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements.

According to our best knowledge, it is our opinion that the Condensed Separate Interim Financial Statements give a true and fair view of the financial performance of the Company for the period from 1 January to 30 June 2011, its assets, liabilities and financial position as at 30 June 2011 and its condensed cash flows for the period then ended.

It is the opinion of the Board of Directors that the fair value of unlisted assets are uncertain due to the situation on financial markets. The valuation of assets at the end of June 2011 is based on the management's estimation and third party valuation.

Further, in our opinion, the Condensed Separate Interim Financial Statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Company´s operations and its financial position and fairly describes the principal risks and uncertainties faced by the Company, as outlined in notes to the financial statements.

The Board of Directors and the CEO have today discussed the Condensed Separate Interim Financial Statements of Stoðir hf. for the six-month period ended 30 June 2011 and confirm them by means of their signatures.

Reykjavík, 29 September 2011.

The Board of Directors:

Eiríkur Elís Þorláksson
Sigurjón Pálsson
Hermann Már Þórisson

CEO:

Júlíus Þorfinnsson

Independent Auditors´ Review Report

To the Board of Stoðir hf.

We have reviewed the accompanying separate statement of financial position of Stoðir hf. as at 30 June 2011 and the related statements of comprehensive income, changes in equity and condensed cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed separate interim financial information in accordance with IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this condensed separate interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Reykjavík, 29 September 2011.

KPMG ehf.

Jón S. Helgason
Sæmundur Valdimarsson

Statement of Comprehensive Income for the Six Months ended 30 June 2011

	Note	2011 1.1.-30.6.	2010 1.1.-30.6.
Net investment income:			
Net income from investment securities and derivatives		2,994	2,960
Interest income		18	8
Interest expense		(70)	(47)
Net foreign exchange gain (loss)		12	(75)
		2,954	2,846
Other income:			
Received reimbursement and other income		152	0
Operating expenses:			
Operating expenses		79	119
VAT expenses	12b	983	0
Impairment and depreciation		0	56
		1,062	175
Profit for the period		2,044	2,671
Total comprehensive income for the period		2,044	2,671

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Statement of Financial Position as at 30 June 2011

	Note	30.6.2011	31.12.2010
Assets			
Cash and cash equivalents		1,433	1,267
Investments	5	35,227	37,521
Trade and other receivables		104	677
Total assets		36,764	39,465
Equity			
Ordinary share capital	6	11,885	11,885
Preference share capital	6	9,748	9,748
Translation reserve		320	320
Retained earnings		10,327	8,283
Total equity		32,280	30,236
Liabilities			
Trade and other payables		525	51
Borrowings	7	3,959	9,178
Total liabilities		4,484	9,229
Total equity and liabilities		36,764	39,465

Amounts are in ISK million

Statement of Changes in Equity for Six Months ended 30 June 2011

	Note	Ordinary share capital	Preference share capital	Translation reserve	Retained earnings	Total equity
1 January to 30 June 2010						
Equity 1.1.2010		11,855	9,748	320	1,528	23,451
Total comprehensive income for the period					2,671	2,671
Capital increase		40				40
Equity 30.6.2010		11,895	9,748	320	4,199	26,162
1 January to 30 June 2011						
Equity 1.1.2011		11,885	9,748	320	8,283	30,236
Total comprehensive income for the period					2,044	2,044
Equity 30.6.2011		11,885	9,748	320	10,327	32,280

Amounts are in ISK million

Condensed Statement of Cash Flows for the Six Months ended 30 June 2011

	Note	2011 1.1.-30.6.	2010 1.1.-30.6.
Net cash provided by (used in) operating activities		299	(265)
Net cash provided by investing activities		5,156	232
Net cash (used in) provided by financing activities		(5,289)	61
Net increase in cash and cash equivalents		166	28
Cash and cash equivalents at 1 January		1,267	1,274
Cash and cash equivalents at 30 June		1,433	1,302

Amounts are in ISK million

Notes

1. Reporting Entity

Stoðir hf.'s registered office is at Hátún 2B in Reykjavík, Iceland. The Condensed Separate Interim Financial Statements of Stoðir hf. ("Stodir" or "the Company") as at and for the six months ended 30 June 2011 comprise the Separate Financial Statements of the Company.

Stodir is a holding company, which owns the Icelandic insurance company Tryggingamiðstöðin hf. (TM) and a significant stake in Refresco, Europe's largest manufacturer of private label fruit juice and soft drinks. Stodir is also a holder of stakes and interests in various companies and projects in Iceland as well as abroad.

2. Statement of compliance

These Condensed Separate 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 separate annual financial statements, and should be read in conjunction with the Separate Financial Statements of the Company as at and for the year ended 31 December 2010.

These Condensed Separate Interim Financial Statements were approved by the Board of Directors on 29 September 2011.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Company in these Condensed Separate Interim Financial Statements are the same as those applied by the Company in its Separate Financial Statements as at and for the year ended 31 December 2010.

The Consolidated Financial Statements for the Group, with the Company as Parent Company, as at and for the year ended 31 December 2010 are available for shareholders upon request from the Company's registered office at Hátún 2B, Reykjavík.

a. *Functional currency*

The Condensed Separate Interim Financial Statements are prepared in Icelandic Krona, which is the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated.

4. Use of estimates and judgements

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

a. *Uncertainty in valuation of assets*

The fair value of unlisted assets are uncertain due to the situation on financial markets. The valuation of these assets at the end of June 2011 are based on management's estimation and third party valuations.

5. Investments

Investments are specified as follows:	**30.6.2011**	**31.12.2010**
Listed on foreign stock exchanges	220	4,857
Total unlisted investments	35,007	32,664
Total investments	35,227	37,521

The Company holds 5 subsidiaries at the end of June 2011.

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6. Equity

At the end of June 2011, share capital amounted to ISK 21,643 million as at the beginning of the year. Own shares amounted to ISK 10 million at the end of June 2011.

Type B shares grant their shareholders preference over A shares for fund distribution if the Company ends its operations, decreases its share capital with payments to its shareholders or if fund distributions are made up to the original sale price. Shareholders of B shares do not hold right to fund distributions in excess of the original sales price.

According to its Articles of Association, share capital amounted to ISK 21,643 million at the end of June 2011. The holders of A shares are entitled to dividends as declared from time to time. A shares are entitled to four votes per share and B shares one vote per share at meetings of the Company.

	Amounts	Ratio	Voting rights
Issued A shares at the end of June	11,895	55.0%	82.9%
Issued B shares at the end of June	9,748	45.0%	17.1%
Share capital according to the Articles of Association	21,643	100.0%	100.0%
Own shares type A	(10)		
Share capital according to the statement of financial position	21,633		

7. Borrowings

Borrowings are specified as follows:

		30.6.2011	31.12.2010
	Currency	Carrying amount	Carrying amount
Bank loan	ISK	3,959	9,178

Investments of the Company are pledged as collateral for the Company's borrowings. Repayments of borrowings during the first half of 2011 amounted to ISK 5,289 million.

Contractual date of maturity of the Company's borrowings is in the year 2016.

8. Financial Guarantees

On 30 June 2011, the Company is aware of one guarantee outstanding, which was provided a few years ago in relation to a lease contract made by former subsidiary of the Company. Uncertainty exists regarding the amount and the probability of the guarantee coming into effect. According to Management estimate, the outstanding guarantee could result in claims of maximum gross value of ISK 500 million. If a claim will be declared, based on above mentioned outstanding guarantee, the claim will fall under the approved and confirmed composition proposal of the Company from June 2009, and will be settled with a cash payment of ISK 1 million and 5% of the remainder of the claim will be paid in form of common shares in Stodir.

9. Settlement with Lehman Brothers International Europe

In accordance with a prime brokerage agreement with Lehman Brothers International Europe (LBIE) signed in the year 2007, the Company invested in listed bonds and equity investments. On 15 September 2008, LBIE filed for bankruptcy. Since then, there has been significant uncertainty about whether the net balance between the Company and LBIE will be positive or negative and the timing of debt set-off. If the final settlement will result in a claim from LBIE towards the Company, the claim will be settled with a cash payment of ISK 1 million and 5% of the remainder of the claim will be paid in the form of common shares in Stodir, as stipulated in the approved and confirmed composition proposal from June 2009.

Amounts are in ISK million

10. Dispute claims

All known dispute claims in relation to Stodir´s composition were settled by year-end 2010, but 5 salary claims were outstanding at that time. These claims were made by former employees who claim that their salary and pension claims should have been settled as priority claims and therefore paid in full. Stodir refused and settled these claims in 2009 and 2010 in accordance to the composition proposal, with cash and shares in Stodir. At 30 June 2011, the Company is aware of 4 outstanding salary claims, as one claim has been a subject to court ruling by the Supreme Court, which in April 2011 ruled in favor of Stodir. Another claim is currently before the District Court of Reykjavik. If these 4 salary claims were to be ruled as priority claims, that could result in maximum cash payment of ISK 196 million.

11. Rescindable transactions

After the completion of Stodir's composition with creditors in July 2009, the Company's new Board of Directors conducted a thorough review of the Company's transaction and operations two years prior to Stodir entering into moratorium on 29 September 2008. This was done in line with laws and regulations that permit rescinding of transactions that are believed to have decreased recovery of creditors, or resulted in distinction between creditors. Two law firms as well as an independent accounting firm reviewed all aspects of the Company's operations six months prior to the moratorium, from 29 March 2008, and all transactions with related parties from 29 September 2006, two years prior to the moratorium. All asset allocations were reviewed, funding and payment of debt, pledging of assets and all operational expense items. With regards to the findings of the comprehensive review, the Board of Directors of Stodir made arrangements to rescind four transactions in September 2009. A settlement has been reached in one case, resulting in a repayment of ISK 19 million to Stodir. The other three cases relate to pledges and asset sales from Stodir to Teymi hf. and Glitnir Bank hf. in the year 2008. The case against Teymi is a subject to court rulings and has not been concluded. Glitnir bank has rejected Stodir´s claims. Significant uncertainty remains whether rescinding of any of these transactions will be successful and if any value will be retrieved.

12. Tax investigation

In the autumn of 2008 the Icelandic Directorate of Tax Investigations started an investigation on the Company taking into consideration the years 2006-2007. The tax issues being dealt with can be categorized in two classes.

a) Income tax issue

The Directorate of Tax Investigations has claimed that the Company was not allowed to defer income tax, which resulted from profits made in the year 2006. The Company has objected this and put forward several arguments and legal opinions that contradict this unprecedented interpretation of the Directorate of Tax Investigations.

As the Company's profit in 2006 were significant, this matter could have a significant financial impact on the Company. However, the Company has obtained legal opinions that confirm that any tax claims that might result from the tax investigation shall be settled under the approved and confirmed composition from June 2009. All potential tax claims are therefore expected to be settled with a cash payment of ISK 1 million and 5% of the remainder of the claim will be paid in the form of common shares in Stodir. If eventual court rulings would conclude that the Company was not allowed to defer income tax which resulted from profits made in the year 2006, and a subsequent tax claim would be settled under the composition agreement, it is estimated that the issue of new shares would result in a approx. 5% dilution for other shareholders of the Company. The Directorate of Tax Investigations is still investigating this matter and the definitive outcome has not been concluded when these separate financial statements are approved.

The Directorate of Tax Investigations did also claim that certain operating expenses incurred in the years 2006-2007 were not deductible from income tax. The Company did object some of these cases, but also accepted that in some cases minor mistakes had been made. Corrected reports were submitted to tax authorities in September 2010 resulting in tax payments of ISK 2 million in addition to interest.

12. Tax investigation, contd.:

b) VAT issue

The Directorate of Tax Investigations claims that the Company should have paid VAT on top of invoices received from foreign parties, mostly foreign subsidiaries of the Company that billed the parent company to cover their operation expenses. The Company has objected this and put forward several arguments and legal opinions that contradict this interpretation of the Directorate of Tax Investigations, which has no precedent. In some cases however, the Company did accept that VAT should have been paid on top of certain foreign invoices. Corrected reports were submitted to tax authorities in September 2010, resulting in VAT payments of ISK 7.5 million in addition to interest.

The Director of Internal Revenue has, in June 2011, confirmed the findings of The Directorate of Tax Investigations regarding the VAT issue. As a result, tax authorities claim that the Company should pay approximately ISK 980 million in VAT. Thereof, tax authorities have seized ISK 460 million of delayed tax refunds from the year 2008, which should have been repaid to the Company in 2010 at latest. The Company has appealed this conclusion to the State Internal Revenue Board and furthermore insisted that tax authorities return the ISK 460 million refund and accept that a tax claim in this case, if ruled valid by courts at a later stage, should be settled under the Company´s composition agreement, with ISK 1 million in cash and approximately ISK 37 million in Stodir shares. In August 2011, tax authorities refused to return the ISK 460 million refund and therefore Stodir will pursue legal action to recover the refund. Stodir has on 2 September 2011 informed tax authorities that the Company will issue new common shares to settle the claim, should it be ruled valid by courts at a later stage. The Company expects to deliver a total of ISK 37,043,008 in shares to settle the VAT claim with interest to 6 April 2009.

In these financial statements as of 30 June 2011, as a precaution, the full VAT claim of ISK 983 million has been expensed, and the tax refund of ISK 460 million has been removed from receivables.