

Auður Capital hf.
Consolidated Interim
Financial Statements
30 June 2010

Auður Capital hf.
Borgartúni 29
105 Reykjavík

ID No.640507-0390

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Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Interim Financial Statements of Audur Capital hf. and its subsidiaries for the six months 2010 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 and pension savings, private equity and corporate advisory. Audur Property is a new subsidiary offering real estate management service and advice.

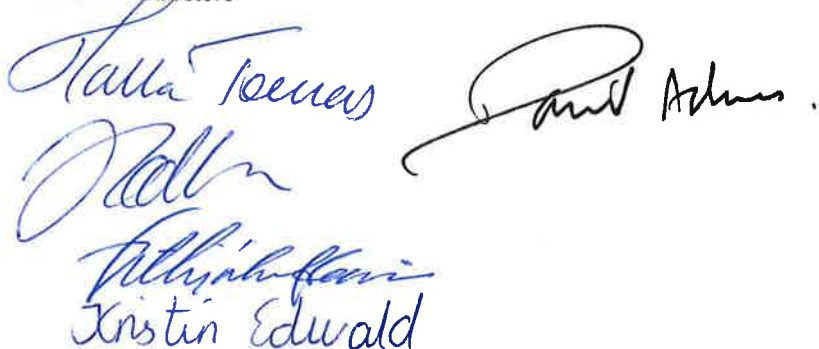
At year end 2009 the Company's employees were 32 and on 30 June 2010, they were 37.

As shown in the interim income statement, loss for the six months amounted to ISK 26 million. The Company's total assets amounted to ISK 1,283 million at June 30, 2010 and shareholders' equity amounted to ISK 1,109 million. Changes in equity are further explained in the Financial Statements.

The Company's Board and CEO confirm that, to the best of their knowledge, the Interim Financial Statements of Auður Capital for the six months 2010 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 Interim Financial Statements of Auður Capital hf. for the period 1 January to 30 June 2010.

Reykjavík, 24 August, 2010

Board of Directors

The image shows five handwritten signatures in blue ink. From top to bottom, they are: 1. Stalla Þórunn, 2. Paul Adnan, 3. An unrecognizable signature, 4. Pálhildur, and 5. Kristín Edvöld.

CEO

The image shows a single handwritten signature in blue ink, which reads Kristín Þórusdóttir.

Independent Auditor's Review Report

To the Board of Directors of Auður Capital hf.

We have reviewed the accompanying financial statements of Auður Capital hf, which comprise the balance sheet as at 30 June 2010 and the income statement, statement of cashflow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Icelandic Financial Statements Act. Our responsibility is to express a conclusion on this 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 interim financial information does not give a true and fair view of the financial position of the entity as at June 30, 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with the Icelandic Financial Statements Act.

Reykjavík, 24 August, 2010

KPMG hf.

A handwritten signature in blue ink that reads "Auður Jónsdóttir". The signature is written in a cursive style with a large initial 'A'.

Consolidated Interim Income Statement for the six months ended 30 June

	Notes	2010 1.1-30.6	2009 1.1-30.6
Fee and commission income	4,15	202.115	98.675
Interest income	4	38.995	54.325
Net financial income	4	74.298	24.831
Total income		<u>315.408</u>	<u>177.831</u>
Fee and commission expense	4,15	(10.194)	(5.682)
Interest expense	4	(9.178)	(1.676)
Total operating income		<u>296.037</u>	<u>170.473</u>
Salaries and related expenses	16	196.431	127.891
Administration expenses		113.277	99.974
Depreciation	20	17.752	5.073
Total operating expenses		<u>327.460</u>	<u>232.938</u>
(Loss) before income tax		(31.423)	(62.465)
Income tax	4,17	5.251	7.278
(Loss) for the period		<u>(26.172)</u>	<u>(55.187)</u>

The notes on page 8 - 13 are an integral part of these consolidated financial statements

Consolidated Interim Balance Sheet

as of 30 June

	Notes	30.6.2010	31.12.2009
Assets			
Cash and cash equivalents	5	722.635	124.247
Bonds and debt instruments	6,18	24.455	814.281
Investment in shares	7	201.901	93.527
Loans to related parties	19	26.266	19.715
Equipment	8,20	46.409	53.270
Intangible assets	9,21	73.549	31.522
Deferred tax assets	22	22.885	17.634
Other receivables	10	165.153	68.559
Total assets		<u>1.283.252</u>	<u>1.222.756</u>
Equity			
Share capital		80.000	80.000
Share premium		1.130.322	1.130.322
Unsettled losses		(101.671)	(75.499)
Total equity	23	<u>1.108.652</u>	<u>1.134.824</u>
Liabilities			
Accounts payable and other liabilities		173.207	84.614
Obligation under financial lease		1.394	3.319
Total liabilities		<u>174.601</u>	<u>87.933</u>
Total liabilities and equity		<u>1.283.252</u>	<u>1.222.756</u>

The notes on page 8 - 13 are an integral part of these consolidated financial statements

Consolidated Interim Statement of Cash Flow

for the six months ended 30 June

	Notes	2010 1.1-30.6	2009 1.1-30.6
Operating activities			
Net loss		(26.172)	(55.187)
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciations	20	17.752	5.073
Currency fluctuations		(431)	19
Change in deferred tax assets	22	(5.251)	(7.564)
Changes in operating assets and liabilities:			
Bonds and debt instruments, changes		789.826	307.183
Investment in shares, changes		(108.424)	(1.400)
Other receivables, changes		(104.003)	(30.767)
Other liabilities, changes		89.502	102.353
Net cash from operating activities		652.799	319.711
Investing activities			
Purchase of operating assets	20	(4.167)	(29.166)
Purchase of intangible assets		(48.750)	0
Investing activities		(52.917)	(29.166)
Financing activities			
Dividends paid	23	0	(28.000)
Obligation under finance lease		(1.494)	(1.223)
Financing activities		(1.494)	(29.223)
Net increase in cash and cash equivalents		598.387	261.321
Cash and cash equivalents at 1 January		124.247	203.148
Cash and cash equivalents at 30 June		722.635	464.469

The notes on page 8 - 13 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 company's registered office is at Borgartún 29, Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the company for the period 1 January to 30 June 2010 comprise Auður Capital hf. (the Parent) and its subsidiaries Auður GP 1 ehf., Auður GP 2 ehf., Auður fjárfesting ehf., Auður Property ehf. and Rekstrarfélag Auðar Capital ehf. (together referred to as "the Company"). The Company provides investment services in the areas of wealth management, pension savings and corporate finance. In addition, the Company is engaged in managing private equity funds.

2. Basis of preparation

The Consolidated Interim 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 Interim Financial Statements are prepared on the historical cost basis except for securities with variable income, which are measured at fair value. The Consolidated Interim 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 Interim 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 Interim 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 Interim 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, pensions 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.

Notes, continued

b) Income and Expense, contd.:

(iii) Net financial income

Net financial income comprises net gain on bonds and debt instruments and impairment on investment in shares.

(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.

5. Cash and cash equivalents

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

6. Bonds and debt instruments

Bonds and debt instruments 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.

7. Investment in shares

Investment in shares comprise unlisted domestic shares. The shares are recognised and subsequently measured at fair value in the balance sheet. Impairment losses are recognised in the Income Statement but other changes are recognised directly in equity. The fair value is determined by using valuation techniques. Valuation techniques include recent arm's length transaction between knowledgeable, willing parties, if available, reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis. The estimated investment period for the shares is 3-5 years.

8. 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 and three years for most of the equipments.

9. Intangible assets

Intangible assets arise on acquisition of business connections. The Company recognises and subsequently measures the intangible assets at fair value in the balance sheet. Depreciation of the intangible assets is charged to the Income Statement on a straight-line basis over the estimated useful life which is three to ten years.

Notes, continued

10. 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.

11. 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.

12. 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 granted stock options to 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.

13. Share Capital

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

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

14. 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.

15. Fee and commission

	2010	2009
Fee and commission income	1.1-30.6	1.1-30.6
Asset management fee	75.031	51.060
Other fee and commission income	127.084	47.615
Fee and commission income	<u>202.115</u>	<u>98.675</u>
Fee and commission expense	(10.194)	(5.682)
Net fee and commission income	<u>191.921</u>	<u>92.993</u>

Notes, continued

16. Salaries

	2010	2009
	1.1-30.6	1.1-30.6
Salaries	154.267	101.454
Salary-related expenses	42.164	26.437
	<u>196.431</u>	<u>127.891</u>
Average number of employees (full year equivalents)	34,6	20,9

17. Income tax

Reconciliation of effective tax rate

Loss before income tax	(31.423)	(62.465)
Income tax using the Company's domestic tax rate	5.656	9.370
Non-deductible expenses	(405)	(2.092)
	<u>5.251</u>	<u>7.278</u>

18. Bonds and debt instruments

	30.6.2010	31.12.2009
Government bonds	4.600	793.683
Other	19.855	20.598
	<u>24.455</u>	<u>814.281</u>

19. Loans to related parties

Loans to employees, for the acquisition of shares in the Company	26.266	19.715
	<u>26.266</u>	<u>19.715</u>

20. Equipment

	30.6.2010
Balance at 1 January 2009	11.644
Additions	55.693
Depreciation for the period	(14.067)
Balance at 31 December 2009	<u>53.270</u>
Balance at 1 January 2010	53.270
Additions	4.167
Depreciation for the period	(11.029)
Balance at 30 June 2010	<u>46.409</u>
Depreciation rates	30-50%
	2010
	1.1-30.6
Depreciation:	
Depreciation of Intangible assets	6.723
Depreciation of Equipment	11.029
Balance at 30 June 2010	<u>17.752</u>
	2009
	1.1-30.6
Depreciation:	
Depreciation of Intangible assets	0
Depreciation of Equipment	5.073
Balance at 30 June 2010	<u>5.073</u>

Notes, continued

21. Intangible assets

	30.6.2010
Additions	35.463
Depreciation for the period	(3.940)
Balance at 31 December 2009	<u>31.522</u>
Balance at 1 January 2010	31.522
Additions	48.750
Depreciation for the period	(6.723)
Balance at 30 June 2010	<u>73.549</u>
Depreciation rates	10 - 33%

22. Deferred tax assets

The changes in deferred tax asset is specified as follows:

Deferred income tax asset at 1 January	17.634
Calculated income tax	5.089
Deferred income tax asset at 30 June	<u>22.723</u>

The deferred income tax asset is attributable to the following balance sheet ite	30.6.2010	31.12.2009
Investment in shares	1.209	627
Other receivables	(913)	(280)
Equipment	(4.017)	(1.786)
Carry-forward losses	26.607	19.073
Deferred income tax asset at 31 December	<u>22.885</u>	<u>17.634</u>

23. Equity

At 30 June 2010 the authorised share capital comprised ISK 30 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 period amounted to ISK 1,108,652 thousand. The Company's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, is 85,05 %. The ratio is calculated as follows:

Total equity	1.108.652	1.134.824
Deferred tax asset	(22.885)	0
Intangible asset	(73.549)	(31.522)
	<u>1.012.217</u>	<u>1.103.301</u>

Notes, continued

23. Equity contd.:

	30.6.2010	31.12.2009
Total capital requirements for:		
Credit risk	47.849	23.323
Market risk under standardised approaches (SA)	7.937	8.377
Operational risk (Opr)	39.421	43.140
	<u>95.207</u>	<u>74.840</u>
Surplus of own funds	917.010	1.028.461
Capital adequacy ratio	85,05%	117,94%

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

	Share capital	Premium account	Retained earnings (Unsettled losees)	Total
Balance at 1 January 2009	74.600	1.042.177	40.559	1.157.336
Issue of share capital	2.200	41.122		43.322
Purchase of treasury shares	(8.900)	(197.100)		(206.000)
Sale of treasury shares	12.100	244.123		256.223
Dividends paid			(28.000)	(28.000)
Loss for the period			(88.058)	(88.058)
Balance at 31 December 2009	<u>80.000</u>	<u>1.130.322</u>	<u>(75.499)</u>	<u>1.134.824</u>
Balance at 1 January 2010	80.000	1.130.322	(75.499)	1.134.824
Loss for the period			(26.172)	(26.172)
Balance at 30 June 2010	<u>80.000</u>	<u>1.130.322</u>	<u>(101.671)</u>	<u>1.108.652</u>

24. Assets under management and under custody

	30.6.2010	31.12.2009
Assets under management	27.384.560	17.671.236
Assets under custody	1.355.431	1.288.074

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

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 272.6 million at 30 June 2010.

In 2009 the Company entered into a rental agreement expiring in June 2012. At 30 June the liability amounted to ISK 43.2 million and is subject to change with the consumer price index.

The Company has guaranteed payments to The Depositors' and Investors' Guarantee Fund as is required by law, amounting to ISK 966 thousand.