

Tryggingamiðstöðin hf.

**Condensed Consolidated Interim Financial Statements
for the period 1 January to 31 March 2008**

Tryggingamiðstöðin hf.
Aðalstræti 6-8
101 Reykjavík
Iceland

Reg no. 660269-2079

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period 1 January to 30 March have been prepared in accordance with International Financial Reporting Standard (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. and Nemi Forsikring ASA, Tryggingar hf., TM fé ehf., Líftryggingamiðstöðin hf. and Fjárvíðing hf.

According to the Consolidated Interim Income Statement, net loss for the period amounted to ISK 3,271 million. According to the Consolidated Interim Balance Sheet, equity at the end of the period amounted to ISK 23,748 million.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the three months ended 31 March 2008 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 of listed companies.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Company for the three-month period ended 31 March 2008, its assets, liabilities and consolidated financial position as at 31 March 2008 and its consolidated cash flows for the period then ended.

Further, in our opinion the consolidated financial statements and the endorsement of the Board of Directors and the CEO give a 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 condensed consolidated interim financial statements of Tryggingamiðstöðin hf. for the period from 1 January to 31 March 2008 and confirm them by means of their signatures.

Reykjavík, 8 May 2008

Board of Directors:

Árni Hauksson
Gunnar Karl Gunnarsson
Pétur Guðmundarson

CEO:

Sigurður Viðarsson

Independent Auditor's Review Report

To the board of Tryggingamiðstöðin hf.

We have reviewed the accompanying condensed consolidated financial statements of Tryggingamiðstöðin hf, which comprise the consolidated balance sheet as at 31 March 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the three-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 International Financial Reporting Standards as adopted by the EU. 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 31 March 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 8 May 2008

KPMG hf.

Jón S. Helgason

Helgi F. Arnarson

Consolidated Interim Income Statement for the period 1 January to 31 March 2008

	Notes	2008 1.1.-31.3.	2007 1.1.-31.3.
Premiums, earned		5,519,741	4,322,619
Insurance premiums ceded to reinsurers .....	(	2,343,883)	(1,944,815)
Net insurance premium revenue	10	3,175,858	2,377,804
Interest and dividend income		748,618	533,341
Net realised gains on financial assets		10,033	9,185
Fair value through profit and loss .....	(	2,899,319)	1,355,895
Investment income		(2,140,668)	1,898,421
Total income		1,035,190	4,276,225
Insurance claims expenses .....	(	5,149,006)	(3,617,601)
Insurance claims expenses recovered from reinsurers		1,821,979	1,255,838
Net insurance claims	11	(3,327,027)	(2,361,763)
Other operating expenses .....	(	876,765)	(540,875)
Total expenses		(4,203,792)	(2,902,638)
Result of operating activities		(3,168,602)	1,373,587
Financial expenses .....	(	359,799)	(324,197)
Impairments losses on loans .....	(	202,859)	(4,587)
Profit share from associated companies		4,177	3,922
(Loss) profit before income tax .....	(	3,727,084)	1,048,725
Income tax		455,689	(162,421)
(Loss) profit for the period		(3,271,395)	886,304
Attributable to:			
Equity holders of the Company .....	(	3,287,718)	882,524
Minority interest		16,323	3,780
(Loss) profit for the period .....	(	3,271,395)	886,304
(Loss) earnings per share:	12		
Basic (loss) earnings per share .....	(	3.04)	0.82
Diluted (loss) earnings per share .....	(	3.04)	0.82

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet as at 31 March 2008

	Notes	31.3.2008	31.12.2007
Assets:			
Operating assets		595,265	544,173
Goodwill		6,387,683	4,769,192
Other intangible assets		1,353,526	1,031,002
Investment in associated companies	5	161,738	184,576
Assets available for sale		1,725,319	1,836,731
Investment designated at fair value	6	12,864,685	17,193,296
Investment held to maturity		4,995,909	3,750,335
Short term receivables		9,775,814	5,730,516
Loans		7,644,024	7,878,794
Deferred tax assets		1,301,845	904,661
Reinsurance assets	8	19,825,549	13,936,552
Cash and cash equivalents		9,226,202	12,684,064
		Total assets	70,443,892
		75,857,559	70,443,892
Equity:			
Share capital		1,081,639	1,081,639
Share premium and legal reserve	7	6,827,135	6,827,135
Other reserve		3,940,230	437,838
Retained earnings		11,564,334	16,950,432
Total equity attributable to equity holders of the company		23,413,338	25,297,044
Minority interest		334,957	318,634
		Total equity	25,615,678
		23,748,295	25,615,678
Liabilities:			
Insurance provision	8	40,147,660	29,626,338
Borrowings	9	3,626,158	8,808,941
Accounts payable and other liabilities		7,713,783	5,867,008
Deferred income tax		602,989	519,596
Income tax payable		18,676	6,330
		Total liabilities	44,828,214
		52,109,264	44,828,214
		Total equity and liabilities	70,443,892
		75,857,559	70,443,892

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Consolidated Interim Statement of Changes in Equity for the period 1 January to 31 March 2008

	Share capital	Share premium and legal reserve	Other reserve	Retained earnings	Minority interest	Total equity
1 January to 31 March 2008:						
Equity 1.1.2008	1,081,639	6,827,135	437,838	16,950,432	318,634	25,615,678
Fair value changes			(22,345)			(22,345)
Translation difference			3,524,737			3,524,737
Net loss recognised directly in equity			3,940,230	16,950,432	318,634	29,118,070
Loss for the period				(3,287,718)	16,323	(3,271,395)
Total loss for the period			3,940,230	13,662,714	334,957	25,846,675
Dividend to shareholders				(2,098,380)		(2,098,380)
Equity 31.3.2008	1,081,639	6,827,135	3,940,230	11,564,334	334,957	23,748,296
1 January to 31 March 2007:						
Equity 1.1.2007	1,081,639	6,614,725	485,971	13,638,497	151,549	21,972,381
Translation difference			(583,425)			(583,425)
Profit for the period				882,524	3,780	886,304
Total profit for the period			(97,454)	14,521,021	155,329	22,275,260
Dividend to shareholders				(998,529)		(998,529)
Equity 31.3.2007	1,081,639	6,614,725	(97,454)	13,522,492	155,329	21,276,731

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Cash Flows

	Notes	2008 1.1.-31.3.	2007 1.1.-31.3.
Net cash used in operating activities .....	(	1,611,490)	(366,007)
Net cash used in investing activities .....	(	34,631)	(36,958)
Net cash used in financing activities .....	(	<u>2,098,380)</u>	<u>(998,529)</u>
Decrease in cash and cash equivalents .....	(	3,744,501)	(1,401,494)
Effect of exchange rate fluctuations on cash held		286,639	(57,134)
Cash and cash equivalents at beginning of the year		<u>12,684,064</u>	<u>8,701,700</u>
Cash and cash equivalents at the end of the period		<u><u>9,226,202</u></u>	<u><u>7,243,072</u></u>

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Notes

1. Significant accounting policies

a. *Reporting Entity*

Tryggingamiðstöðin hf. ("the company") registered office is at Aðalstræti 6, Reykjavík, Iceland. The condensed consolidated interim financial statements of Tryggingamiðstöðin hf. ("the Company") as at and for the three months ended 31 March 2008 comprise the Company and its subsidiaries, together referred to as the "Group".

The Group operates in the insurance business as well as in financial business. The Group mainly operates business in Iceland and Norway.

b. *Statement of compliance*

These condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period from 1 January to 31 March have been prepared in accordance with International Financial Reporting Standard (IFRS) for *Interim Financial Statements* (IAS 34). They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the Consolidated Financial Statements for the Company as at and for the year ended 31 December 2007.

The Consolidated Interim Financial Statements were approved by the Board of Directors on 8 of May 2008.

c. *Basis of preparation*

The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2007. The consolidated financial statements for the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Aðalstræti 6, Reykjavík or at www.tm.is or at The OMX Nordic Exchange website, www.omxnordicexchange.com

The condensed interim consolidated 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.

d. *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.

Notes, contd.:

2. Segment reporting

Segments 1.1. - 31.3. 2008	Property and casualty insurance	Life insurance	Financial operation	Group
Net insurance premium revenue	3,123,863	51,995	0	3,175,858
Investment income	539,706	11,109	(2,691,484)	(2,140,668)
Total income	<u>3,663,569</u>	<u>63,104</u>	<u>(2,691,484)</u>	<u>1,035,190</u>
Net insurance claims	(3,317,435)	(9,592)	0	(3,327,027)
Other operating expenses	(687,850)	(29,324)	(159,592)	(876,765)
Total expenses	<u>(4,005,285)</u>	<u>(38,916)</u>	<u>(159,592)</u>	<u>(4,203,792)</u>
Result of operating activities	(341,716)	24,188	(2,851,076)	(3,168,602)
Financial expenses			(359,799)	(359,799)
Impairments losses on loans			(202,859)	(202,859)
Profit share from associated companies			4,177	4,177
Loss before income tax			<u>(3,409,557)</u>	<u>(3,727,084)</u>
Income tax				455,689
Loss for the period				<u>(3,271,395)</u>
Attributable to:				
Equity holders of the Company				(3,287,718)
Minority interest				16,323
				<u>(3,271,395)</u>
Segments 1.1. - 31.3. 2007				
Net insurance premium revenue	2,345,364	32,440	0	2,377,804
Investment income	433,048	1,640	1,463,733	1,898,421
Total income	<u>2,778,412</u>	<u>34,080</u>	<u>1,463,733</u>	<u>4,276,225</u>
Claims incurred	(2,358,454)	(3,309)	0	(2,361,763)
Other operating expenses	(428,623)	(26,823)	(85,429)	(540,875)
Total expenses	<u>(2,787,077)</u>	<u>(30,132)</u>	<u>(85,429)</u>	<u>(2,902,638)</u>
Result of operating activities	(8,665)	3,948	1,378,304	1,373,587
Financial expenses			(324,197)	(324,197)
Impairments losses on loans			(4,587)	(4,587)
Profit share from associated companies			3,922	3,922
Profit (loss) before income tax			<u>1,053,442</u>	<u>1,048,725</u>
Income tax				(162,421)
Profit for the period				<u>886,304</u>
Attributable to:				
Equity holders of the Company				882,524
Minority interest				3,780
				<u>886,304</u>

Notes, contd.:

3. Geographical segment breakdown of revenues for the period:	Iceland	Norway
Premiums	2,131,885	1,043,973
Investment income	(1,625,112)	(515,556)
Net income	<u>506,773</u>	<u>528,417</u>

4. The Group

Companies in the Group at March 31st 2008 are specified as follows:

	Share
Nemi Forsikring ASA, Norway	100%
Líftryggingamiðstöðin hf., Iceland	51%
Trygging hf., Iceland	100%
TM fé ehf., Iceland	100%
Fjárvíar hf., Iceland	66%

5. Investment in associated companies

Investments in associated companies are specified as follows:

	Share	Book value
Íslensk endurtrygging hf.	38,32%	<u>161,738</u>

6. Financial assets

Investment designated at fair value at March 31st. are specified as follows:

	Book value
Shares	3,415,958
Mutual-fund certificate	1,883,648
Equity securities abroad	5,068,376
Debt securities abroad	<u>2,496,703</u>
	<u>12,864,685</u>

7. Reserves

	31.3.2008	31.12.2007
Legal reserves	270,710	270,710
Share premium	<u>6,556,425</u>	<u>6,556,425</u>
	<u>6,827,135</u>	<u>6,827,135</u>

Notes, contd.:**8. Insurance liabilities and reinsurance assets**

	31.3.2008	31.12.2007
Insurance liabilities:		
Provision for unearned premiums	12,043,229	6,147,042
Claims provisions	28,104,431	23,479,296
	<u>40,147,660</u>	<u>29,626,338</u>
Reinsurance assets:		
Reinsurers share of insurance liabilities:		
Provision for unearned premiums	4,374,578	2,635,283
Claims provisions	14,502,090	11,015,832
Reinsurance receivables and retention money.....	948,881	285,437
	<u>19,825,549</u>	<u>13,936,552</u>
Net liability due to insurance contracts		
Provision for unearned premiums	7,668,651	3,511,759
Claims provisions	13,602,341	12,463,464
Reinsurance receivables and retention money.....	(948,881)	(285,437)
	<u>20,322,111</u>	<u>15,689,786</u>

9. Borrowings

Borrowings are specified as follows:	31.3.2008
Subordinated bonds.....	3,365,792
Loans from credit institutions.....	260,366
	<u>3,626,158</u>

10. Net insurance premium revenue

	2008 1.1.-31.3	2007 1.1.-31.3
Premiums, earned.....	9,843,457	8,674,842
Change in the gross provision for unearned premiums	(4,323,716)	(4,352,223)
Insurance premiums written	<u>5,519,741</u>	<u>4,322,619</u>
Reinsurer's share of premium written	(3,604,060)	(3,850,270)
Changes in reinsurers share in provision for unearned premium.....	1,260,177	1,905,455
Changes in insurance premiums ceded to reinsurers.....	(2,343,883)	(1,944,815)
Net insurance premium revenue.....	<u>3,175,858</u>	<u>2,377,804</u>

Notes, contd.:

11. Net insurance claims expenses

	2008 1.1.-31.3	2007 1.1.-31.3
Claims paid	5,050,103	3,271,976
Change in the provision for claims	98,903	345,625
Insurance claims.....	<u>5,149,006</u>	<u>3,617,601</u>
Reinsurers share in claims.....	(2,001,935)	(1,107,496)
Changes in reinsurers share in claims provisions.....	179,956	(148,342)
Insurance claims recovered from reinsurers.....	<u>(1,821,979)</u>	<u>(1,255,838)</u>
Net insurance claims.....	<u>3,327,027</u>	<u>2,361,763</u>

12. Earnings per share

Earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

(Loss) profit attributable to the Company's equity holders.....	(3,287,718)	882,524
Weighted average number of ordinary shares in issue.....	1,081,639	1,081,639
Earnings per share.....	<u>(3.04)</u>	<u>0.82</u>

13. Quarterly overview

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net insurance premium revenue	3,175,858	2,769,418	2,741,552	2,653,829	2,377,804
Investment income	(2,140,669)	(432,199)	254,741	2,175,946	1,898,421
Total income	<u>1,035,189</u>	<u>2,337,219</u>	<u>2,996,293</u>	<u>4,829,775</u>	<u>4,276,225</u>
Net insurance claims	(3,327,027)	(2,598,484)	(2,408,224)	(2,176,231)	(2,361,763)
Other operating expenses	(876,765)	(856,120)	(789,352)	(773,953)	(540,875)
Total expenses	<u>(4,203,792)</u>	<u>(3,454,604)</u>	<u>(3,197,576)</u>	<u>(2,950,184)</u>	<u>(2,902,638)</u>
Result of operating activities	<u>(3,168,603)</u>	<u>(1,117,385)</u>	<u>(201,283)</u>	<u>1,879,591</u>	<u>1,373,587</u>
Financial expenses	(359,799)	(428,039)	(428,506)	(272,358)	(324,197)
Impairments losses on loans	(202,859)	14,130	(24,709)	(3,375)	(4,587)
Profit share from associated companies	4,177	10,346	4,748	5,892	3,922
(Loss) profit before income tax	<u>(3,727,084)</u>	<u>(1,520,948)</u>	<u>(649,750)</u>	<u>1,609,750</u>	<u>1,048,725</u>
Income tax	455,689	4,023,701	94,335	(68,135)	(162,421)
(Loss) profit for the period	<u>(3,271,395)</u>	<u>2,502,753</u>	<u>(555,415)</u>	<u>1,541,615</u>	<u>886,304</u>