Spölur ehf

Financial Statements for the year
October 1, 2006 to September 30, 2007

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The Board of Director's and the CEO Report

Spölur ehf´s purpose is to take care of the preparation, financing and execution of a road/tunnel construction near the mouth of Hvalfjordur as well as the operation of the tunnel until all debt has been repaid as laid down by Act No. 45/1990 on the Hvalfjordur Road Shortcut Project in accordance with an agreement with the Icelandic Ministry of Transport on behalf of the Icelandic Government.

The year's operation

The period from October 1st 2006 to September 30th 2007 is the ninth complete fiscal year of operation of the Company. Altogether 1,996,500 paid toll when traveling through the tunnel which is about 9% in crease from the previous fiscal year. This corresponds to an average per day of 5470 cars. The average net income from each car keeps getting lower, both in real and nominal terms, especially as more and more customers are using the various discount terms on offer.

The number of personnel was 16 as the previous year and the number of positions was 14,3.

Net revenue, after deducting VAT was MISK 1,034 compared to 995 during the same period the previous year. The profit of the year was MISK 282 compared to a profit of MISK 8,3 the year before. Operating expenses of the year was MISK 229,1 compared to MISK 204,7 the year before.

The board of directors of the Company believes that all the information needed to form a fair view of the company’s position at the end of September 2007 and of its activities during the accounting year is embedded in the accounts.

Appropriation of income

The board of directors suggests that a dividend amounting to 40 MISK, 0.46 per share, to be paid in the year 2008, but refers to the financial statements regarding appropriation of the year’s net profit and changes in shareholders equity.

Ownership

The shares of the company MISK 86 are wholly owned by Eignarhaldsfélagið Spölur hf.

The Board of Directors and the Chief Executive Officer of Spölur ehf hereby confirm the Financial Statements of Spölur ehf for the period October 1st 2006 to September 30th 2007 with their signature.

Reykjavik, November 20 2007.

Board of Directors of Spölur ehf

Gísli Gíslason, chairman

Gunnar Gunnarsson

Hafsteinn Hafsteinsson

Hallfreður Vilhjálmsson

Þórður Magnússon

Chief Executive Officer of Spölur ehf

Gylfi Þórðarson

Independent auditor's report

To the Shareholders and Board of Directors of Spölur ehf.

We have audited the accompanying financial statements of Spölur ehf which comprise the balance sheet as of 30 September 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Spölur ehf as of 30 September 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, November 20 2007.

PricewaterhouseCoopers hf

Hjalti Schiöth

Arna G. Tryggvadóttir

Income statement

	Notes	Q4 1/7 07 - 30/9 07	Q4 1/7 06 - 30/9 06	YTD 1/10 06 - 30/9 07	YTD 1/10 05 - 30/9 06
Toll		348.252	342.788	1.033.851	995.082
Maintenance and operation of tunnel		(36.736)	(35.174)	(125.225)	(120.536)
Office and administrative expenses		(27.763)	(23.003)	(103.895)	(84.187)
Depreciation	9	(57.977)	(56.411)	(229.499)	(222.229)
Profit from operations		225.776	228.200	575.232	568.130
Interest revenues	7	17.877	11.665	70.244	35.598
Interest expenses, indexation and exchange differences	7	(106.971)	(52.296)	(301.543)	(593.557)
		(89.094)	(40.631)	(231.299)	(557.959)
Profit before tax		136.682	187.569	343.933	10.171
Income tax expense	8	(24.603)	(33.763)	(61.908)	(1.831)
Net profit (loss)		112.079	153.807	282.025	8.341
Earnings per share, basic and diluted	17	1,30	1,79	3,28	0,10
Income statement by quarters	6				

The notes on pages 8-21 are an integral part of the financial statements.

Spölur ehf. Financial Statements for the year October 1 2006 to September 30 2007. Amounts in thousands of ISK

Balance sheet

Assets	Notes	30/9 2007	30/9 2006
Non-current assets	9		
Hvalfjordur Tunnel project, start-up and construction costs		4.496.360	4.634.196
Motor vehicles, transponders and office equipment		97.698	111.704
		4.594.057	4.745.900
Current assets			
Trade and other receivables	10	258.471	101.927
Cash and cash equivalents	11	255.582	220.936
		514.053	322.862
Total assets		5.108.110	5.068.762
Shareholders' equity			
Ordinary shares	12	86.000	86.000
Legal reserve		21.500	19.761
Retained earnings		595.481	346.696
Total shareholders' equity		702.981	452.457
Liabilities			
Non-current liabilities			
Borrowings	14	3.572.596	3.861.097
Deferred income tax liabilities	15	164.284	102.376
Provision due to transponders	16	69.874	58.739
		3.806.755	4.022.212
Current liabilities			
Trade and other payables	13	42.083	69.090
Borrowings	14	336.160	322.836
Deferred income		220.131	202.167
		598.374	594.093
Total liabilities		4.405.129	4.616.305
Total equity and liabilities		5.108.110	5.068.762

The notes on pages 8-21 are an integral part of the interim financial statements.

Spölur ehf. Financial Statements for the year October 1 2006 to September 30 2007. Amounts in thousands of ISK

Statement of changes in shareholders' equity

	Notes	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 October 2005		86.000	19.153	338.963	444.116
Net profit				8.340	8.340
Allocate to legal reserve			608	(608)	0
		0	608	7.733	8.340
Balance at 30 September 2006/ Balance at 1 October 2006		86.000	19.761	346.696	452.457
Net profit				282.025	282.025
Dividend	19			(31.500)	(31.500)
Allocate to legal reserve			1.739	(1.739)	0
		0	1.739	248.786	250.525
Balance at 30 September 2007		86.000	21.500	595.481	702.981

The notes on pages 8-21 are an integral part of the financial statements.

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Cash flow statement

	Notes	1/10 2006-30/9 2007	1/10 2005-30/9 2006
Cash flows from operating activities			
Cash generated from operations	20	819.929	864.527
Interest received (paid)		(91.529)	(156.094)
Net cash from operating activities		728.400	708.434
Cash flows from (to) investing activities			
Purchase of property, plant and equipment	9	(77.657)	(55.855)
Loans made		(169.649)	(15.310)
Proceeds from sale of PPE		0	1.000
Net cash used in investing activities		(247.306)	(70.165)
Cash flows from (to) financing activities			
Repayments of borrowings		(414.472)	(612.393)
Dividends paid to the Company's shareholders		(31.500)	0
Net cash used in financing activities		(445.972)	(612.393)
Net increase in cash and cash equivalents		35.121	25.875
Exchange gains/(losses) on cash		(476)	11.752
Cash and cash equivalents at beginning of year		220.936	183.309
Cash and cash equivalents at end of year		255.582	220.936

	Notes	1/10 2006-30/9 2007	1/10 2005-30/9 2006
Cash generated from operations	20		
Net profit		282.025	8.340
Adjustments for items not affecting cash		522.706	805.180
Changes in working capital		15.198	51.007
		819.929	864.527

The notes on pages 8-21 are an integral part of the interim financial statements.

Spölur ehf. Financial Statements for the year October 1 2006 to September 30 2007. Amounts in thousands of ISK

Notes to the interim financial statements

1. General information

Spölur ehf´s purpose is to take care of the preparation, financing and execution of a road/tunnel construction near the mouth of Hvalfjordur as well as the operation of the tunnel until all debt has been repaid as laid down by Act No. 45/1990 on the Hvalfjordur Road Shortcut Project in accordance with an agreement with the Icelandic Ministry of Transport on behalf of the Icelandic Government.

The company has its security bonds listed on the OMX Nordic Exchange in Iceland.

The financial statements are presented in Icelandic krona (ISK), rounded to thousand.

These financial statements have been approved for issue by the board of directors on 20 November 2007.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of Spölur ehf have been prepared in accordance with International Financial Reporting Standards as adopted by EU. They are covered by IFRS 1, International Financial Reporting Standards, First-time Adoption of IFRS, because they are the Company´s first IFRS financial statements.

The accounting policies, as adopted by the EU, depart from full IFRS in few standards, interpretations and amendments that will have minor effects on future reporting of the group.

Spölur financial statements were prepared in accordance with Icelandic Generally Accepted Accounting Principles (GAAP) until 30 September 2006. GAAP differs in some areas from IFRS. In preparing Spölur 2006-2007 financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005-2006 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Company’s equity and its net income are provided in note 5.

At date of authorisation of these financial statements, the following standards were in issue but not effective:

	Effective date for annual periods beginning
IFRS 7 Financial Instruments: Disclosure	on or after 1 January 2007
IFRS 8 Operating Segments	on or after 1 January 2009

Adoptions of these standards will have no material impact on the financial statements of the Company.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. See note 4.

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Notes to the interim financial statements

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. At 30 September 2007, the Company is organised on a national basis into one business segments: (1) toll. No segment results are therefore presented.

2.3 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.4 Property, plant and equipment

Property, plant and equipment comprise mainly of Hvalfjordur tunnel, its start-up and construction costs. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Hvalfjord tunnel project, start-up and construction cost	35 years
Motor vehicles, transponders and equipment.	5-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the interim financial statements

2.6 Receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.8 Share capital

Ordinary shares are classified as equity.

2.9 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.11 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provision relate to return fee of transponders.

Notes to the interim financial statements

2.13 Deffered income

Deffered income is front-end fees received from customers as a prepayment for traveling through the tunnel. These amounts are non-refundable and are released to income as the tunnel are traveled through.

2.14 Revenue recognition

Income from toll is stated in the income statement as net of sales expense of transponders and value added tax. The revenue recognition is on delivered services.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the interim financial statements in the period in which the dividends are approved by the Company's shareholders meeting.

2.16 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including Currency risk, fair value interest rate risk and cash flow interest rate risk) and credit risk.

(a) Market risk

(i) Foreign exchange risk

The Company has certain borrowings in foreign currency whose are exposed to foreign Currency translation risk. Currency exposure arising from them is managed primarily through keeping them in mininum as part of borrowings and in several currencys.

(b) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and services not provided until payments are secured.

(c) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company policy is to maintain approximately 90-95% of its borrowings in fixed rate instruments. During 2007 and 2006, the Company's borrowings at variable rate were denominated in following currencys: USD, CHF, JPY and EUR.

Notes to the interim financial statements

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

3.2 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

5. Transition to IFRS

5.1 Basis of transition to IFRS

5.1.1 Application of IFRS 1

The Company's financial statements for the year ended 30 September 2007 will be the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in note 2.1. The Company has applied IFRS 1 in preparing these financial statements.

Spölur transition date is 1 October 2005. The Company prepared its opening IFRS balance sheet at that date. The Company's IFRS adoption date is 1 October 2006.

In preparing these financial statements in accordance with IFRS 1, the Company has not applied the mandatory exceptions and the optional exemptions from full retrospective application of IFRS.

5.2 Reconciliations between IFRS and Icelandic GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 October 2005 and 30 September 2006. The following reconciliations provide details of the impact of the transition on:

a) Equity at 1 October 2005 and 30 September 2006.
b) Net income 30 September 2006.

5.2.1 Summary of equity	**1/10 2005**	**30/9 2006**
Total equity under local GAAP	404.609	416.770
Borrowing -Impact of using the effective interest method	50.755	48.092
PPE - changes in depreciation methods	(2.575)	(4.572)
Tax adjustments	(8.672)	(7.834)
Total equity under IFRS	444.116	452.457

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Notes to the interim financial statements

5.2.2 Reconciliation of equity at 1 October 2005

Assets	GAAP	Effect of transition to IFRS	IFRS
Non-current assets			
Hvalfjordur Tunnel project, start-up and construction costs	4.818.037	(890)	4.817.147
Motor vehicles and office equipment	97.383	(1.685)	95.698
	4.915.420	(2.575)	4.912.845
Current assets			
Trade and other receivables	106.942		106.942
Cash and cash equivalents	183.309		183.309
	290.251		290.251
Total assets	5.205.671	(2.575)	5.203.096
Shareholders' equity			
Ordinary shares	86.000		86.000
Legal reserve	19.153		19.153
Retained earnings	299.456	39.507	338.963
Total shareholders' equity	404.609	39.507	444.116
Liabilities			
Non-current liabilities			
Borrowings	4.119.989	(50.755)	4.069.234
Deferred income tax liabilities	91.873	8.672	100.545
Provisions due to transponders	41.788		41.788
	4.253.650	(42.082)	4.211.568
Current liabilities			
Trade and other payables	82.712		82.712
Borrowings	289.886		289.886
Deferred income	174.814		174.814
	547.412		547.412
Total liabilities	4.801.062	(42.082)	4.758.980
Total equity and liabilities	5.205.671	(2.575)	5.203.096

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Notes to the interim financial statements

5.2.4 Reconciliation of equity at 30 September 2006

Assets	GAAP	Effect of transition to IFRS	IFRS
Non-current assets			
Hvalfjordur Tunnel project, start-up and construction costs	4.635.307	(1.111)	4.634.196
Motor vehicles and office equipment	115.165	(3.461)	111.704
	4.750.471	(4.572)	4.745.900
Current assets			
Trade and other receivables	101.927		101.927
Cash and cash equivalents	220.936		220.936
	322.862		322.862
Total assets	5.073.334	(4.572)	5.068.762
Shareholders' equity			
Ordinary shares	86.000		86.000
Legal reserve	19.761		19.761
Retained earnings	311.009	35.687	346.695
Total shareholders' equity	416.770	35.687	452.457
Liabilities			
Non-current liabilities			
Borrowings	3.909.189	(48.092)	3.861.097
Deferred income tax liabilities	94.543	7.834	102.376
Provisions due to transponders	58.739		58.739
	4.062.471	(40.259)	4.022.212
Current liabilities			
Trade and other payables	69.090		69.090
Borrowings	322.836		322.836
Deferred income	202.167		202.167
	594.093		594.093
Total liabilities	4.656.564	(40.259)	4.616.305
Total equity and liabilities	5.073.334	(4.572)	5.068.762

Spölur ehf. Financial Statements for the year October 1 2006 to September 30 2007. Amounts in thousands of ISK

Notes to the interim financial statements

5.2.7 Reconciliation of net income for year ended 30 September 2006

Toll	995.082		995.082
Maintenance and operation of tunnel	(120.536)		(120.536)
Office and administrative expenses	(84.187)		(84.187)
Depreciation	(220.232)	(1.997)	(222.229)
Profit from operations	570.127	(1.997)	568.130
Interest revenues	35.598		35.598
Interest expenses, indexation and exchange differences	(590.895)	(2.662)	(593.557)
	(555.297)	(2.662)	(557.959)
Profit before tax	14.830	(4.659)	10.171
Income tax expense	(2.669)	839	(1.830)
Net profit	12.161	(3.820)	8.341

Explanation of the effect of the transition to IFRS

At 31 May 2007, Spölur informed the market about the effect of transition to IFRS by press release. Particularly, the following areas in the financial statements will affect the income statement and balance sheet of Spölur:

Borrowings - net of transaction cost

In accordance with IAS 39, borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The effect of changes to the income statement in 2006 is such that charged transaction cost is 2.6 million ISK. Borrowings in revalued financial statements of 30 September 2006 includes the net of transaction cost which will be recognised over the period of the borrowings using the effective interest method.

Depreciation of fixed assets

Methods for depreciating properties, plants and equipment have changed in that they are depreciated during their estimated lifetime/service life down to their residual value. The depreciation base will therefore be the difference between the purchase price and the estimated residual value, instead of purchase price. The effect of this is that depreciation, particularly tunnel, increases in the revalued financial statements from 220 million ISK to 222 million ISK.

Spölur ehf. Financial Statements for the year October 1 2006 to September 30 2007. Amounts in thousands of ISK

Notes to the interim financial statements

6. Quarterly results

	Q4 1/7 07 - 30/9 07	Q3 1/4 07 - 30/6 07	Q2 1/1 07 - 31/3 07	Q1 1/10 06 - 31/12 06	Q4 1/7 06 - 30/9 06
Toll	348.252	286.659	196.621	202.320	342.788
Maintenance and operation of tunnel	(36.736)	(31.775)	(35.153)	(21.561)	(35.174)
Office and administrative expenses	(27.763)	(23.960)	(24.005)	(28.168)	(23.003)
Depreciation	(57.977)	(57.922)	(56.976)	(56.623)	(56.410)
Profit from operations (EBIT).....	225.776	173.002	80.487	95.968	228.201
Finance costs - net	(89.094)	(74.431)	1.759	(69.533)	(40.631)
Profit before tax.....	136.682	98.571	82.245	26.435	187.570
Income tax expense	(24.603)	(17.743)	(14.804)	(4.758)	(33.763)
Net profit	112.079	80.828	67.441	21.676	153.807
Operating profit before depreciation (EBITDA)	283.753	230.924	137.463	152.591	284.611

7. Finance income and costs

	1/10 06 - 30/9 07	**1/10 05 - 30/9 06**
Interest expense:		
- bank borrowings	(173.279)	(180.603)
- other interest expenses	(22)	(3.011)
	(173.302)	(183.614)
Interest income	70.244	35.598
Net foreign exchange transaction gains/(losses) and indexation	(128.241)	(409.943)
Net finance cost	(231.299)	(557.959)

8. Income tax expense

Deferred tax (Note 15)	61.908	1.831
Profit (loss) before tax	343.933	10.171
Tax calculated at domestic tax rates applicable to profit (loss)	61.908	1.831
Tax charge	61.908	1.831

The weighted average applicable tax rate was 18% (2006: 18%).

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Notes to the interim financial statements

9. Property, plant and equipment

	Start-up and construction cost of road tunnel	Motor vechicles, transponders and office equipments	Total
At 1 October 2005			
Cost	6.673.405	196.496	6.869.901
Accumulated depreciation	(1.856.258)	(100.798)	(1.957.056)
Net book amount	4.817.147	95.698	4.912.845
Year ended 30 September 2006			
Opening net book amount at 1 October 2005	4.817.147	95.698	4.912.845
Additions	7.836	48.019	55.855
Disposals	0	(572)	(572)
Depreciation charge	(190.788)	(31.441)	(222.229)
Closing net book amount	4.634.196	111.704	4.745.900
At 30 September 2006			
Cost	6.681.241	243.943	6.925.184
Accumulated depreciation	(2.047.045)	(132.239)	(2.179.285)
Net book amount	4.634.196	111.704	4.745.900
Year ended 30 September 2007			
Opening net book amount	4.634.196	111.704	4.745.900
Additions	53.892	23.765	77.657
Depreciation charge	(191.728)	(37.771)	(229.499)
Closing net book amount	4.496.360	97.698	4.594.057
At 30 September 2007			
Cost	6.735.134	266.199	7.001.333
Accumulated depreciation	(2.238.774)	(168.501)	(2.407.275)
Net book amount	4.496.360	97.698	4.594.057

10. Trade and other receivables

	30/9 2007	**30/9 2006**
Current receivables and prepayments:		
Trade receivables	73.305	73.346
Less: Provision for impairment of receivables	(5.595)	(12.253)
Trade receivables – net	67.710	61.092
Receivables from related parties (note 21)	286	217
Receivables from parent	169.345	26.345
Other receivables and prepayments	21.131	14.272
	258.471	101.927

11. Cash and cash equivalents

Cash at bank and on hand	255.582	220.936

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Notes to the interim financial statements

12. Share capital

	Number of shares (thousands)	Ordinary shares	Treasury shares	Total
At 1 October 2006	86.000	86.000	0	86.000
At 30 September 2007	86.000	86.000	0	86.000

The total authorised number of ordinary shares is 86 million shares (2006 : 86 million shares) with a par value of ISK 1 per share (2006 : ISK 1 per share). All issued shares are fully paid.

13. Trade and other payables

Trade payables	13.022	22.947
Accruals	5.134	2.225
Other payables	23.927	43.918
	42.083	69.090

14. Borrowings

Non-current:		
Bank borrowings	3.572.596	3.861.097
Current:		
Bank borrowings	336.160	322.836
Total borrowings	3.908.756	4.183.933

Bank borrowings are secured by trade receivables, shares and cash.

Liabilities in currency:	Total 30/9 2007	Total 30/9 2006
Liabilities in ISK, index linked, fixed 3,75% interest	2.678.074	2.802.614
Liabilities in ISK, index linked, fixed 4,65% interest	976.766	1.023.330
Liabilities in EUR, 3 months LIBOR plus fixed premium	122.598	163.283
Liabilities in USD, 3 months LIBOR plus fixed premium	46.380	90.623
Liabilities in CHF, 3 months LIBOR plus fixed premium	52.820	62.204
Liabilities in JPY, 3 months LIBOR plus fixed premium	32.118	41.879
	3.908.756	4.183.933
Current maturates	(336.160)	(322.836)
	3.572.596	3.861.097

Annual maturates of non-current liabilities:

Year 2008 / 2007	336.160	322.836
Year 2009 / 2008	336.160	322.836
Year 2010 / 2009	336.160	322.836
Year 2011 / 2010	336.160	322.836
Later	2.564.117	2.892.589
	3.908.756	4.183.933

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Notes to the interim financial statements

15. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

1 October 2005	100.545
Income statement charge (note 8)	1.831
At 30 September 2006	102.376
1 October 2006	102.376
Income statement charge (Note 8)	61.908
At 30 September 2007	164.284

Deferred income tax liability (assets) analyses on the following items:

Non-current assets	292.941	257.345
Taxable loss carried forward	(130.007)	(154.969)
	162.934	102.376

16. Provisions

Provision due to transponders:

At 1 October 2005	41.788
Changes entered into income statement	16.951
At 30 September 2006	58.739
At 1 October 2006	58.739
Changes entered into income statement	11.135
At 30 September 2007	69.874

	30/9 2007	30/9 2006
Analysis of total provisions:		
Non-current	69.874	58.739

17. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of outstanding shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	1/10 06 - 30/9 07	**1/10 05 - 30/9 06**
Net profit attributable to shareholders	282.025	8.341
Weighted average number of outstanding shares in issue (thousands)	86.000	86.000
Earnings per share, basic and diluted	3,28	0,10

18. Insurance

The assets of the Company are insured for ISK 4.750 million and a cover for loss of revenue up to ISK 1.493 million has been arranged, the same amounts apply for insurance for terror regarding assets and cover for loss of revenue. A General Liability Insurance cover of ISK 1.716 million is in place.

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Notes to the interim financial statements

19. Dividends per share

The dividend paid in 2007 was ISK 31.5 million (ISK0.37 per share). No dividend was paid 2006.

20. Cash generated from operations

	1/10 06 - 30/9 07	1/10 05 - 30/9 06
Net profit	282.025	8.340
Adjustments for:		
Tax	61.908	1.831
Depreciation	229.499	222.229
Loss/(gain) on sale of property, plant and equipment	0	(428)
Interest expense and foreign exchange rate differences	231.299	581.548
Changes in working capital:		
Trade receivables and prepayments	13.105	20.325
Payables	(9.043)	13.731
Provisions due to transponders	11.136	16.950
Cash generated from operations	819.929	864.527

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount	0	572
Profit / (loss) on sale of property, plant and equipment	0	428
	0	1.000

21. Related-party transactions

The company is controlled by Eignarhaldsfélagið Spölur hf. The ultimate controlling parties of Eignarhaldsfélagið Spölur hf. are Associated Icelandic Ports, State Treasury, Icelandic Alloys, Icelandic Road Administration and Hvalfjardarsveit . Each hold more than 10% of the share capital in Eignarhaldsfélagið Spölur hf.

The following transactions were carried out with related parties:

(a) Toll	1/10 06 - 30/9 07	1/10 05 - 30/9 06
Toll:		
– Members of the board and managing director	327	351
– Owners in its parent	3.424	2.674
	3.751	3.025

Toll are sold based on the price lists in force and terms that would be available to third parties.

(b) Key management compensation

Salaries	13.748	16.359

(c) Year-end balances arising from sales of toll

Receivables from related parties (note 10):		
– Owner in its parent	286	217

The receivables from related parties arise mainly from sale transactions and are due 10 days after the date of sales.

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