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PRESS RELEASE

Spölur ehf has implemented the International Financial Reporting Standards (IFRS) from 1 October 2006, which conforms to the requirements made of companies which have its security bonds listed on European stock exchanges. This Press Release is intended to inform the market about the effect that these changes will have on financial reporting from 2007.

There are two items in particular that will effect the finances and performance of Spölur ehf as a result of implementing IFRS: impact of using the effective interest method and methods of depreciating properties, plants and equipment have changed.

Overall, the profit from operations for year ended 30 September 2006 becomes 568.1 million ISK, which was previously shown as 570.1 million. As a percentage of sales, net profit becomes 0,84%, compared with 1,22%. Net profit for year ended 30 September 2006 decreased from 12.1 million ISK to 8.3 million.

With the change, the company's equity increased on 1 October 2006 by about 35.7 million ISK. On 30 September 2006 it became 452.4 million ISK, while in the previous accounting method equity was 416.7 million. The equity ratio therefore increased from 8.2% to 8.9%.

The figures that are published here have been audited.

The following is a more detailed account of specific items.

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 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.

Equity ratio reconciliation

Shareholders´ equity from previously published financial statements change in the following way:

	1/10 2005	31/3 2006	30/9 2006
Total equity under local GAAP	404.609	323.585	416.770
Borrowing -Impact of using the effective interest method	50.755	49.169	48.092
PPE - changes in depreciation methods	(2.575)	(3.080)	(4.572)
Tax adjustments	(8.672)	(8.296)	(7.834)
Total equity under IFRS	444.116	361.378	452.457

Following are the income statement for the period October 1, 2005 to September 30 2006 and the balance sheet at end of 30 September 2006, before and after the implementation of IFRS. Amounts in thousands of ISK.

	GAAP	Effect of transition to IFRS	IFRS
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	33.532		33.532
Interest expenses, indexation and exchange differences	(588.828)	(2.662)	(591.490)
	(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

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			
Receivables and prepayments	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

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