



Earnings release  
Reykjavík, 8 May 2007

## TM reports profit of ISK 886 m

### Principal figures for Q1 2007

- Profit for Q1 came to ISK 886 m, against ISK 626 m for the same period last year.
- Premiums written in Iceland grew by 18%.
- Written premiums more than doubled to reach ISK 8,675 m, compared with ISK 4,082 m during Q1 2006.
- Losses on the quarter's insurance operations came to ISK 5 m, compared with a loss of ISK 215 m in Q1 2006. Losses on insurance operations in Iceland came to ISK 113 m.
- Earnings per share for the quarter came to ISK 0.82.
- Investment income came to ISK 1,894 m during the quarter, compared with ISK 1,711 m in Q1 2006.
- TM's total assets stood at ISK 73,812 m on 31 March 2007, having grown by 6% from ISK 69,379 m at the beginning of the year.
- The Norwegian insurance company Nemi became part of the consolidation as of 1 September 2006, which complicates direct comparison of Income Statement and Balance Sheet figures with those from the previous year.

### Comments

Óskar Magnússon, President & CEO of TM, says growth continues to characterise the company's insurance operations in Iceland. Written premiums grew by 18% during the first quarter, premiums earned for own account growing by 22%. In Norway, written premiums remained unchanged, while there was a growth of nearly 10% in premiums earned for own account. Nemi's profit came to ISK 153 m during Q1.

The trend in claims in two insurance categories in Iceland continues to give cause for concern. Seamen's accident insurance has continued to yield losses, and the strategies adopted in 2006 have not produced their full effect. Continuing losses in this sector are the object of particular concern. Motor hull insurance has yielded a loss, but measures were taken towards the end of last year to reverse this trend. Insurance operations in Norway, on the other hand, yielded a profit of ISK 108 m.

Market conditions were favourable during Q1 this year, and investment income came to ISK 1,894 m. Work continued on the diversification of the asset portfolio, with investments made in some companies in Scandinavia. On 2 May this year, TM received from Standard & Poor's BBB long-term counterparty credit and insurer financial strength rating, which is very positive news and opens up market opportunities for the company. The TM subsidiary Nemi, which also holds a BBB rating from S&P, has achieved considerable success, for example in the international marine insurance market.

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For further information, please contact Óskar Magnússon, President & CEO, tel. 515 2609.



### Key figures from the operations of Tryggingamiðstöðin hf.

| In ISK thousands                     | Q1 2007     | Q4 2006     | Q3 2006     | Q2 2006     | Q1 2006     |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Net insurance premium revenue        | 2.377.804   | 2.149.252   | 1.733.702   | 1.386.083   | 1.382.764   |
| Investment income                    | 1.893.834   | 1.292.049   | 2.126.418   | (321.933)   | 1.711.194   |
| Net Income                           | 4.271.638   | 3.441.301   | 3.860.120   | 1.064.150   | 3.093.957   |
| Net insurance claims                 | (2.361.763) | (1.967.219) | (1.509.538) | (1.377.761) | (1.521.756) |
| Other operating expenses             | (540.875)   | (924.711)   | (474.237)   | (443.446)   | (421.215)   |
| Expenses                             | (2.902.639) | (2.891.930) | (1.983.776) | (1.821.207) | (1.942.972) |
| Results of operating activities      | 1.368.999   | 549.370     | 1.876.344   | (757.057)   | 1.150.986   |
| Finance costs                        | (324.197)   | (306.096)   | (402.799)   | (71.320)    | (6.594)     |
| Share of profit (loss) of associates | 3.922       | 5.813       | (124.614)   | (721.366)   | (413.664)   |
| Profit (loss) before tax             | 1.048.725   | 249.088     | 1.348.931   | (1.549.743) | 730.728     |
| Income tax                           | (162.421)   | (17.469)    | (260.592)   | 299.840     | (104.684)   |
| Profit (loss) for the period         | 886.304     | 231.618     | 1.088.339   | (1.249.903) | 626.043     |
| Attributable to:                     |             |             |             |             |             |
| Equity holders of the Company        | 882.524     | 230.744     | 1.085.411   | (1.254.862) | 625.742     |
| Minority interest                    | 3.780       | 874         | 2.928       | 4.959       | 301         |
|                                      | 886.304     | 231.618     | 1.088.339   | (1.249.903) | 626.043     |

### Principal ratios and information

|  | 2007       | 2006       |
|--|------------|------------|
|  | 1Q         | 1Q         |
|  | %          | %          |
| Ratios from insurance operations                             |            |            |
| 1. Net insurance claims from net insurance premiums.....     | 99,3       | 110,1      |
| 2. Other operating expenses from net insurance premiums..... | 19,2       | 24,6       |
| 3. Investment income from net insurance premiums.....        | 18,3       | 19,1       |
| 4. Ratios 1 + 2 - 3 .....                                    | 100,2      | 115,5      |
| Other ratios   |            |            |
| 5. Return on equity.....                                     | 16,3       | 15,8       |
| 6. Equity ratio.....   | 28,8       | 42,8       |
|  | <b>kr.</b> | <b>kr.</b> |
| 7. Earnings per share (ISK per share).....                   | 0,82       | 0,69       |
| 8. Average number of shares outstanding (1kr '000).....      | 1.081.639  | 904.341    |



## Key figures from the balance sheet

| In ISK thousands                             | 31.3.2007         | 31.12.2006        | Change |
|--|-------------------|-------------------|--------|
| Total assets                                 | <u>73.811.779</u> | <u>69.379.324</u> | 6,4%   |
| Total equity of the Parent Company's holders | 21.121.403        | 21.820.831        | -3,2%  |
| Minority interest                            | 155.329           | 151.549           | 2,5%   |
| Total liabilities                            | 52.535.047        | 47.406.944        | 10,8%  |

## Income Statement

Profit for the quarter came to ISK 886 m, against ISK 626 m for the same period last year. Operating profit for the period, before financial expenses and interest in subsidiaries, came to ISK 1,369 m, compared with ISK 1,151 m in Q1 2006.

Profit per share in Q1 2007 came to ISK 0.82; in Q1 2006 it was ISK 0.69.

## Revenues

Written premiums during the quarter amounted to ISK 8,675 m, compared with ISK 4,081 m for the same period last year, an increase of 113%. Allowing for the influence of the inclusion of Nemi in the consolidation, the increase was 18%. Written premiums at Nemi remained unchanged during the quarter, compared with the same period in 2006. Premiums earned for own account for the quarter came to ISK 2,378 m, a rise of 72% over the corresponding figure of ISK 1,383 m for Q1 2006. Discounting the influence of Nemi, the increase was 22%. Earned premiums for own account at Nemi rose by 10% compared with the previous year.

Investment income for the quarter amounted to ISK 1,894 m, against ISK 1,711 m for the same period in 2006.

## Expenses

Claims paid by TM in Q1 2007 totalled ISK 3,272 m, compared with ISK 1,251 m in Q1 2006, an increase of 162%. There was a great increase in paid claims, both in Iceland and in Norway. Claims incurred for own account during the quarter totalled ISK 2.362 m in 2007, against ISK 1,522 m in Q1 2006, an increase of 55%. If Nemi is excluded, the increase was 20%. Claims incurred for Nemi's account rose by 18% compared with the same quarter in 2006.

Operating expenses during Q1 2007 amounted to ISK 541 m in 2006, against ISK 421 m in Q1 2006. Expenses at Nemi in Q1 2007 came to 83 m.

## Financial items

Capital expenses came to ISK 324 m in Q1 2007, compared with ISK 7 m in the same quarter of 2006. This is accounted for by changes in the company's financing.

## Balance Sheet

### Assets

TM's total assets as of 31 March 2007 stood at ISK 73,812 m. The figure at the end of 2006 was ISK 69,379 m. Thus, assets have risen by just over 6% since the beginning of the year.

### Equity and Liabilities

TM's equity stands at ISK 21,277 m, and has fallen by ISK 696 m since the beginning of the year. Dividend of about ISK 1,000 m was paid out during the quarter.

Liabilities stood at ISK 52,535 m on 31 March 2007, having risen by ISK 5,128 since the beginning of the year. This is explained mainly by increases in insurance liability and accounts payable and other liabilities.



## Cash Flow

Cash to operations came to ISK 1,566 m during the quarter; the corresponding figure for Q1 2006 was ISK 895 m, from operations.

Cash on hand fell by ISK 1,459 m since the beginning of the year, and stood at ISK 7,243 m on 31 March 2007.

## Operational trends

Here follows a survey of performance by the individual segments of the company's operations and the changes that occurred, with a comparison, of results for Q1 2007 and Q1 2006. Operations are divided into three segments: Non-life insurance, life insurance and financial business.

### Results of operational segments in the first quarter 2007

| In ISK thousands                       | Non-life insurance |                    | Life insurance  |                 | Financial business |                  | Group              |                    |
|--|--------------------|--------------------|-----------------|-----------------|--------------------|------------------|--------------------|--------------------|
|  | 1Q                 | 1Q                 | 1Q              | 1Q              | 1Q                 | 1Q               | 1Q                 | 1Q                 |
|  | 2007               | 2006               | 2007            | 2006            | 2007               | 2006             | 2007               | 2006               |
| Net insurance premium revenue          | 2.345.364          | 1.366.653          | 32.440          | 16.111          |                    |                  | 2.377.804          | 1.382.764          |
| Investment income                      | 433.048            | 263.450            | 1.640           | 970             | 1.459.146          | 1.446.774        | 1.893.834          | 1.711.194          |
| <b>Net income</b>                      | <b>2.778.412</b>   | <b>1.630.103</b>   | <b>34.080</b>   | <b>17.081</b>   | <b>1.459.146</b>   | <b>1.446.774</b> | <b>4.271.638</b>   | <b>3.093.958</b>   |
| Net insurance claims                   | (2.358.454)        | (1.515.462)        | (3.309)         | (6.294)         |                    |                  | (2.361.763)        | (1.521.756)        |
| Other operating expenses               | (428.623)          | (326.444)          | (26.823)        | (13.518)        | (85.429)           | (81.253)         | (540.875)          | (421.215)          |
| <b>Expenses</b>                        | <b>(2.787.077)</b> | <b>(1.841.906)</b> | <b>(30.132)</b> | <b>(19.812)</b> | <b>(85.429)</b>    | <b>(81.253)</b>  | <b>(2.902.639)</b> | <b>(1.942.972)</b> |
| <b>Results of operating activities</b> | <b>(8.665)</b>     | <b>(211.803)</b>   | <b>3.948</b>    | <b>(2.731)</b>  | <b>1.373.717</b>   | <b>1.365.521</b> | <b>1.369.000</b>   | <b>1.150.986</b>   |
| Finance costs                          |                    |                    |                 |                 | (324.197)          | (6.594)          | (324.197)          | (6.594)            |
| Share of profit (loss) of associates   |                    |                    |                 |                 | 3.922              | (413.664)        | 3.922              | (413.664)          |
| <b>Profit (loss) before tax</b>        | <b>(8.665)</b>     | <b>(211.803)</b>   | <b>3.948</b>    | <b>(2.731)</b>  | <b>1.053.442</b>   | <b>945.263</b>   | <b>1.048.724</b>   | <b>730.728</b>     |
| Income tax                             |                    |                    |                 |                 |                    |                  | (162.421)          | (104.684)          |
| <b>Profit (loss) for the period</b>    |                    |                    |                 |                 |                    |                  | <b>886.304</b>     | <b>626.043</b>     |
| <b>Attributable to:</b>                |                    |                    |                 |                 |                    |                  |                    |                    |
| Equity holders of the Company          |                    |                    |                 |                 |                    |                  | 882.524            | 625.742            |
| Minority interest                      |                    |                    |                 |                 |                    |                  | 3.780              | 301                |
|  |                    |                    |                 |                 |                    |                  | <b>886.304</b>     | <b>626.043</b>     |

## Operational Prospects and Future Vision

TM's growth prospects remain good. The recent rating by Standard & Poor's will enable the company to enter new markets that have more favourable cost ratios than can be found in Iceland. The rating by S&P now makes it possible for TM and Nemi to offer new insurance jointly. Systematic work went ahead last year to improve insurance performance, and this should produce results during the current year. It must be remembered, however, that claims levels can change suddenly, greatly influencing the results of insurance operations.

## Audit

This quarterly Earnings Release has not been audited. TM's board and President & CEO today approved the Q1 2007 Earnings Release. It is to be found on the company's website, [www.tmhf.is](http://www.tmhf.is).

## Forthcoming scheduled statements

|                           |            |
|---------------------------|------------|
| Q2 Interim Statement 2007 | 01.08.2007 |
| Q3 Interim Statement 2007 | 02.11.2007 |
| Earnings Release 2007     | 08.02.2008 |