

Tryggingamiðstöðin hf.

**Condensed Consolidated Interim Financial Statements
for the period 1 January to 30 June 2008**

Tryggingamiðstöðin hf.
Aðalstræti 6-8
101 Reykjavík

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, Trygging hf., TM fé ehf., Líftryggingamiðstöðin hf., Fjárvíar hf. and Íslensk Endurtrygging hf.

According to the Consolidated Interim Income Statement, net loss for the first half of the year amounted to ISK 3,401 million. According to the Consolidated Interim Balance Sheet, equity at the end of the period amounted to ISK 23,878 million.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the first half of the year ended 30 June 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 first half of the year ended 30 June 2008, its assets, liabilities and consolidated financial position as at 30 June 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 30 June 2008 and confirm them by means of their signatures.

Reykjavik, 28 August 2008

Board of Directors:

Gunnar Karl Gunnarsson

Árni Hauksson

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

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

Reykjavik, 28 August 2008

KPMG hf.

Jón S. Helgason

Helgi F. Arnarson

Consolidated Interim Income Statement for the period 1 January to 30 June 2008

	Notes	Second Quarter		First half	
		2008 1.4.-30.6	2007 1.4.-30.6	2008 1.1.-30.6	2007 1.1.-30.6
Premiums, earned		6.334.536	4.762.493	11.854.277	9.085.112
Insurance premiums ceded to reinsurers		(2.874.831)	(2.108.664)	(5.218.714)	(4.053.479)
Net insurance premium revenue	9	<u>3.459.705</u>	<u>2.653.829</u>	<u>6.635.563</u>	<u>5.031.633</u>
Interest and dividend income		1.507.864	659.177	2.256.482	1.197.978
Net realised gains on financial assets		(186.289)	8.831	(176.256)	18.016
Fair value through profit and loss		62.609	1.502.478	(2.836.711)	2.858.373
Investment income		<u>1.384.184</u>	<u>2.170.486</u>	<u>(756.485)</u>	<u>4.074.367</u>
Total income		<u>4.843.889</u>	<u>4.824.315</u>	<u>5.879.078</u>	<u>9.106.000</u>
Insurance claims expenses		(6.237.118)	(3.533.146)	(11.386.124)	(7.150.747)
Insurance claims expenses recovered from reinsurers		2.648.967	1.356.915	4.470.946	2.612.752
Net insurance claims	10	<u>(3.588.151)</u>	<u>(2.176.231)</u>	<u>(6.915.178)</u>	<u>(4.537.995)</u>
Other operating expenses		(860.395)	(773.953)	(1.737.159)	(1.320.289)
Total expenses		<u>(4.448.546)</u>	<u>(2.950.184)</u>	<u>(8.652.337)</u>	<u>(5.858.283)</u>
Result of operating activities		395.343	1.874.131	(2.773.259)	3.247.717
Financial expenses		(425.525)	(272.358)	(785.325)	(596.555)
Impairments losses on loans		(79.183)	2.085	(282.042)	(2.502)
Profit share from associated companies		9.782	5.892	13.959	9.814
Other operating income	12	<u>759.655</u>	<u>0</u>	<u>759.655</u>	<u>0</u>
(Loss) profit before income tax		660.072	1.609.750	(3.067.012)	2.658.474
Income tax	13	<u>(789.581)</u>	<u>(68.135)</u>	<u>(333.892)</u>	<u>(230.556)</u>
(Loss) profit for the period		<u>(129.509)</u>	<u>1.541.614</u>	<u>(3.400.904)</u>	<u>2.427.918</u>
Attributable to:					
Equity holders of the Company		(135.392)	1.536.364	(3.423.110)	2.418.888
Minority interest		5.883	5.250	22.206	9.030
(Loss) profit for the period		<u>(129.509)</u>	<u>1.541.614</u>	<u>(3.400.904)</u>	<u>2.427.918</u>
(Loss) earnings per share:	11				
Basic (loss) earnings per share		(0,12)	1,43	(3,14)	2,24
Diluted (loss) earnings per share		(0,12)	1,43	(3,14)	2,24

Notes on pages 9 to 14 are integral part of these Consolidated Interim Financial Statements
Tryggingamiðstöðin hf.
Consolidated Interim Financial Statements 30 June 2008

Consolidated Interim Balance Sheet as at 30 June 2008

	Notes	30.6.2008	31.12.2007
Assets:			
Operating assets		346.148	544.173
Goodwill		6.552.950	4.769.192
Other intangible assets		1.364.082	1.031.002
Investment in associated companies		0	184.576
Assets available for sale		1.699.597	1.836.731
Investment designated at fair value	5	12.915.134	17.193.296
Investment held to maturity		5.007.520	3.750.335
Short term receivables		11.977.500	5.730.516
Loans		8.006.888	7.878.794
Deferred tax assets	13	441.312	904.661
Reinsurance assets	7	20.474.682	13.936.552
Cash and cash equivalents		10.044.521	12.684.064
Total assets		78.830.333	70.443.892
Equity:			
Share capital		1.081.639	1.081.639
Share premium and legal reserve	6	6.827.135	6.827.135
Other reserve		4.251.201	437.838
Retained earnings		11.428.942	16.950.432
Total equity attributable to equity holders of the company		23.588.917	25.297.044
Minority interest		288.916	318.634
Total equity		23.877.833	25.615.678
Liabilities:			
Insurance provision	7	41.374.162	29.626.338
Borrowings	8	3.842.824	8.808.941
Accounts payable and other liabilities		9.174.085	5.867.008
Deferred income tax		540.024	519.596
Income tax payable		21.405	6.330
Total liabilities		54.952.500	44.828.214
Total equity and liabilities		78.830.333	70.443.892

Notes on pages 9 to 14 are integral part of these Consolidated Interim Financial Statements
 Tryggingamiðstöðin hf.
 Consolidated Interim Financial Statements 30 June 2008

Consolidated Interim Statement of Changes in Equity for the period 1 January to 30 June 2008

	Share capital	Share premium and legal reserve	Other reserve	Retained earnings	Minority interest	Total equity
1 January to 30 June 2008:						
Equity 1.1.2008	1.081.639	6.827.135	437.838	16.950.432	318.634	25.615.678
Fair value changes			(55.845)			(55.845)
Translation difference			3.869.208			3.869.208
Net loss recognised directly in equity			3.813.363			3.813.363
Loss for the period				(3.423.110)	22.206	(3.400.904)
Total loss for the period			3.813.363	(3.423.110)	22.206	412.459
Minority interest acquired					(51.924)	(51.924)
Dividend to shareholders				(2.098.380)		(2.098.380)
Equity 30.6.2008	<u>1.081.639</u>	<u>6.827.135</u>	<u>4.251.201</u>	<u>11.428.942</u>	<u>288.916</u>	<u>23.877.833</u>

1 January to 30 June 2007:

Equity 1.1.2007	1.081.639	6.614.725	485.971	13.638.496	151.549	21.972.380
Translation difference			(791.631)			(791.631)
Profit for the period				2.418.888	9.030	2.427.918
Total profit for the period			(791.631)	2.418.888	9.030	1.636.287
Shares issued					153.000	153.000
Dividend to shareholders				(998.529)		(998.529)
Equity 30.6.2007	<u>1.081.639</u>	<u>6.614.725</u>	<u>(305.660)</u>	<u>15.058.855</u>	<u>313.579</u>	<u>22.763.138</u>

Notes on pages 9 to 14 are integral part of these Consolidated Interim Financial Statements
Tryggingamiðstöðin hf.

Consolidated Interim Financial Statements 30 June 2008

Amounts are in ISK thousands

Condensed Consolidated Interim Statement of Cash Flows

	Skýr.	2008	2007
		1.1.-30.6	1.1.-30.6
Net cash used in operating activities	(1.578.195)	(1.676.264)
Net cash used in investing activities		644.002	(52.898)
Net cash used in financing activities	(2.098.380)	(845.529)
Decrease in cash and cash equivalents	(3.032.573)	(2.574.691)
Effect of exchange rate fluctuations on cash held		393.030	(62.770)
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>10.044.521</u></u>	<u><u>6.064.239</u></u>

Notes on pages 9 to 14 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 29 of August 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. - 30.6. 2008	Property and casualty insurance	Life insurance	Financial operation	Group
Net insurance premium revenue	6.538.528	97.035	0	6.635.563
Investment income	1.286.145	10.054	(2.052.684)	(756.485)
Total income	<u>7.824.672</u>	<u>107.089</u>	<u>(2.052.684)</u>	<u>5.879.078</u>
Net insurance claims	(6.875.811)	(39.367)	0	(6.915.178)
Other operating expenses	(1.375.837)	(57.438)	(303.885)	(1.737.159)
Total expenses	<u>(8.251.648)</u>	<u>(96.804)</u>	<u>(303.885)</u>	<u>(8.652.337)</u>
Result of operating activities	(426.976)	10.285	(2.356.568)	(2.773.260)
Financial expenses			(785.325)	(785.325)
Impairments losses on loans			(282.042)	(282.042)
Profit share from associated companies			13.959	13.959
Other operating income			759.655	759.655
Loss before income tax			<u>(2.650.321)</u>	<u>(3.067.012)</u>
Income tax				(333.892)
Loss for the period				<u>(3.400.904)</u>
Attributable to:				
Equity holders of the Company				(3.423.110)
Minority interest				22.206
				<u>(3.400.904)</u>
Segments 1.1. - 31.3. 2007				
Net insurance premium revenue	4.966.093	65.539	0	5.031.632
Investment income	824.304	4.089	3.245.975	4.074.368
Total income	<u>5.790.397</u>	<u>69.628</u>	<u>3.245.975</u>	<u>9.106.000</u>
Claims incurred	(4.532.349)	(5.646)	0	(4.537.995)
Other operating expenses	(930.489)	(55.008)	(334.792)	(1.320.289)
Total expenses	<u>(5.462.838)</u>	<u>(60.654)</u>	<u>(334.792)</u>	<u>(5.858.284)</u>
Result of operating activities	327.559	8.974	2.911.184	3.247.717
Financial expenses			(596.555)	(596.555)
Impairments losses on loans			(2.502)	(2.502)
Profit share from associated companies			9.814	9.814
Profit (loss) before income tax			<u>2.321.941</u>	<u>2.658.474</u>
Income tax				(230.556)
Profit for the period				<u>2.427.918</u>
Attributable to:				
Equity holders of the Company				2.418.888
Minority interest				9.030
				<u>2.427.918</u>

Notes, contd.:

3. Geographical segment breakdown of revenues for the period:	Iceland	Norway
Premiums	4.307.289	2.328.274
Investment income	(431.784)	(324.701)
Net income	<u>3.875.505</u>	<u>2.003.573</u>

4. The Group

Companies in the Group at June 30th 2008 are specified as follows:

	Share
Nemi Forsikring ASA, Noregi	100%
Líftryggingamiðstöðin hf., Íslandi	51%
Trygging hf., Íslandi	100%
TM fé ehf., Íslandi	100%
Fjárvíar hf., Íslandi	66%
Íslensk endurtrygging hf.	100%

5. Financial assets

Investment designated at fair value at June 30th are specified as follows:

	Book value
Shares	2.450.586
Bonds and bills of exchange	1.650.280
Mutual-fund certificates in Iceland	1.383.548
Equity securities abroad	5.427.909
Debt securities abroad	2.002.811
	<u>12.915.134</u>

6. Reserves

	30.6.2008	31.12.2007
Legal reserves	270.710	270.710
Share premium	6.556.425	6.556.425
	<u>6.827.135</u>	<u>6.827.135</u>

Notes, contd.:**7. Insurance liabilities and reinsurance assets**

	30.6.2008	31.12.2007
Insurance liabilities:		
Provision for unearned premiums	12.195.523	6.147.042
Claims provisions	29.178.639	23.479.296
	<u>41.374.162</u>	<u>29.626.338</u>
Reinsurance assets:		
Reinsurers share of insurance liabilities:		
Provision for unearned premiums	4.663.825	2.635.283
Claims provisions	15.522.953	11.015.832
Reinsurance receivables and retention money.....	287.904	285.437
	<u>20.474.682</u>	<u>13.936.552</u>
Net liability due to insurance contracts		
Provision for unearned premiums	7.531.698	3.511.759
Claims provisions	13.655.686	12.463.464
Reinsurance receivables and retention money.....	(287.904)	(285.437)
	<u>20.899.480</u>	<u>15.689.786</u>

8. Borrowings

	30.6.2008
Borrowings are specified as follows:	
Subordinated bonds.....	3.562.231
Loans from credit institutions.....	280.593
	<u>3.842.824</u>

9. Net insurance premium revenue

	2008 1.1.-30.6.	2007 1.1.-30.6.
Premiums, earned.....	16.296.449	13.126.444
Change in the gross provision for unearned premiums	(4.442.172)	(4.041.332)
Insurance premiums written	<u>11.854.277</u>	<u>9.085.112</u>
Reinsurer's share of premium written	(6.771.808)	(5.845.176)
Changes in reinsurers share in provision for unearned premium.....	1.553.094	1.791.697
Changes in insurance premiums ceded to reinsurers.....	(5.218.714)	(4.053.479)
Net insurance premium revenue.....	<u>6.635.563</u>	<u>5.031.633</u>

Notes, contd.:

10. Net insurance claims expenses

	2008	2007
	1.1.-30.6	1.1.-30.6
Claims paid	10.511.921	5.882.433
Change in the provision for claims	874.203	1.268.314
Insurance claims.....	<u>11.386.124</u>	<u>7.150.747</u>
Reinsurers share in claims.....	(3.909.980)	(1.652.849)
Changes in reinsurers share in claims provisions.....	(560.966)	(959.903)
Insurance claims recovered from reinsurers.....	<u>(4.470.946)</u>	<u>(2.612.752)</u>
Net insurance claims.....	<u>6.915.178</u>	<u>4.537.995</u>

11. 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.....	(3.400.904)	2.427.918
Weighted average number of ordinary shares in issue.....	1.081.639	1.081.639
Earnings per share.....	<u>(3,14)</u>	<u>2,24</u>

12. Other operating income

Profit from the sale of real estate	730.106
Revenue recognised from negative goodwill	29.369
Directors salary from subsidiary	180
Other operating income	<u>759.655</u>

13. Income tax

The effective tax ratio of the Group during the first 6 months 2008 was -10,89% (8,67% during the same period in 2007).

In May 2008 the Icelandic Parliament approved to decrease the income tax rate from 18% to 15% as of January 2008. This change will become effective in the tax assessment of the year 2009. Due to these changes deferred tax assets has decreased by 96.613 thousand ISK compared to 31 December 2007. The decrease is recognised in the current period, 94.231 thousand ISK as expenses through profit or loss and 2.382 thousand ISK to increase equity due to items that were initially recognised among equity.

Notes, contd.:

13. Income tax, continued

In May 2008 the Icelandic Parliament approved companies, which fulfilled particular conditions, to deduct profits from the sale of shares and listed derivatives on shares from taxable income. The deduction is only authorized if tax loss carry-forward, including loss for the current year, has been utilized. The new treatment is effective for profits arising in the year 2008 or later. The effect on the accounting of the company is that a deferred tax asset relating to shares in companies is no longer recognized in the balance sheet. Due to these changes has deferred tax asset decreased by 302.294 thousand ISK compared to 31 December 2007. The decrease was recognised in the current period, 209.385 thousand ISK as expenses through profit or loss and 11.909 thousand ISK to increase equity due to items that were initially recognised among equity.

Reconciliation of effective tax rate:

Loss for the period		(3.067.012)
Income tax using the domestic corporation rate	(15%)	460.052
Effect of changed tax rate on deferred tax asset	3,07%	(94.231)
Effect of changes in the tax assesment of shares	9,47%	(290.385)
Dividends and other tax exempted revenue	(0,65%)	19.806
Loss of sales of shares, non-deductible	13,46%	(412.705)
Difference due to foreign subsidiary	0,54%	(16.429)
	10,89%	(333.892)

14. Quarterly overview

	2 F 2008	1 F 2008	4 F 2007	3 F 2007	2 F 2007
Net insurance premium revenue	3.459.705	3.175.858	2.769.418	2.741.552	2.653.829
Investment income	1.384.184	(2.140.668)	(432.199)	254.741	2.170.486
Total income	<u>4.843.889</u>	<u>1.035.190</u>	<u>2.337.219</u>	<u>2.996.293</u>	<u>4.824.315</u>
Net insurance claims	(3.588.151)	(3.327.027)	(2.598.484)	(2.408.224)	(2.176.231)
Other operating expenses	(860.395)	(876.765)	(856.120)	(789.352)	(773.953)
Total expenses	<u>(4.448.546)</u>	<u>(4.203.792)</u>	<u>(3.454.604)</u>	<u>(3.197.576)</u>	<u>(2.950.184)</u>
Result of operating activities	<u>395.343</u>	<u>(3.168.602)</u>	<u>(1.117.385)</u>	<u>(201.283)</u>	<u>1.874.131</u>
Financial expenses	(425.525)	(359.799)	(428.039)	(428.506)	(272.358)
Impairments losses on loans	(79.183)	(202.859)	14.130	(24.709)	2.085
Profit share from associated companies	9.782	4.177	10.346	4.748	5.892
Other operating income	759.655	0	0	0	0
(Loss) profit before income tax ..	<u>660.072</u>	<u>(3.727.083)</u>	<u>(1.520.948)</u>	<u>(649.750)</u>	<u>1.609.750</u>
Income tax	(789.581)	455.689	4.023.701	94.335	(68.135)
(Loss) profit for the period	<u>(129.509)</u>	<u>(3.271.394)</u>	<u>2.502.753</u>	<u>(555.415)</u>	<u>1.541.615</u>