
Omega Insurance Holdings Limited

Interim results for the six months ended 30 June 2009

Omega Insurance Holdings Limited, the international insurance and reinsurance group, today announces its interim results for the period ended 30 June 2009.

Highlights

Financial

- Profit before tax of \$22.9 million (H1 2008: \$24.5 million)
- Profit after tax of \$20.6 million (H1 2008: \$21.8 million)
- Premium income of \$187.5 million (H1 2008: \$185.9 million)
- Combined ratio of 82.5% (H1 2008: 83.7%)
- Effective tax rate of 10% (H1 2008: 11%)
- Interim dividend of 6 cents per share

Operational

- Loss ratios reflect limited large loss experience in the first half of 2009
- Omega US growing rapidly writing \$17.1 million in the period (H1 2008: \$2.6 million)
- Omega Specialty direct underwriting growing premium income of \$52.1 million (H1 2008: US \$33.6million)
- Completion of £124 million capital raise in January 2009.
- Successful capacity offer increasing the Group's share of Syndicate 958 to 34.7% from 16.4% for the 2010 year of account onwards.
- Admission to the London Stock Exchange Main List occurred on 7 July.
- AM Best A- (Excellent) rating for Omega Specialty reaffirmed
- AM Best A (Excellent) rating for Syndicate 958 reaffirmed
- Firming of rates in our core lines of business continues, giving a positive outlook for the full year 2009 and beyond

Richard Tolliday, Chief Executive of Omega, commented "We are pleased that our first-half results demonstrate our ability to deliver attractive returns whilst growing our newer platforms. We close the first half with strong results, continued growth, a successful capacity offer and our move up to the Main List. Omega is well positioned to take advantage of the opportunities the current market place offers."

Financial Highlights and Key Performance Indicators

	Six months ended 30 June 2009 \$'000	Six months ended 30 June 2008 \$'000	Year ended 31 December 2008 \$'000
Gross premiums written	187,505	185,901	265,402
Net earned premium	90,047	101,403	215,679
Investment return	10,951	6,614	21,827
Profit before tax	22,901	24,477	28,222
Profit after tax	20,579	21,779	22,212
Net assets	485,734	308,822	283,593
Return on equity ³	4.2%	7.1%	7.8%
Claims ratio	52.0%	62.4%	76.0%
Underwriting expense ratio	30.5%	21.3%	25.4%
Combined ratio	82.5%	83.7%	101.4%
Corporate expense ratio ¹	8.9%	8.7%	8.3%
Investment return ²	0.7%	1.8%	5.3%
Effective tax rate	10%	11%	21%

¹Excluding expenses associated with the listing on the Main Market and foreign exchange losses and gains.

²Excluding gains made on foreign exchange hedging transactions (disclosed in note 5).

³Calculated on closing equity

Group Overview

The first half of 2009 has been a period of significant activity for the Omega Group. It began with a capital raise of £124 million (net of expenses) which put us in the position to take advantage of the firming rate environment and allowed us to make a successful offer for an increased share of Syndicate 958.

In July 2009, the Group increased its share of the Syndicate to 34.7% (from 2010) and was admitted to the London Stock Exchange Main List.

Importantly, through this period our businesses were also developing. The early part of the year saw strong growth on the catastrophe exposed lines and the Syndicate has taken advantage of this, increasing its proportion of property catastrophe business and reducing some lines such as Marine and International.

The books of business in both Omega US, our Surplus Lines insurance company, and Omega Specialty, our Bermudian reinsurance company, have shown strong growth, positioning us for planned growth going forward.

In Omega Specialty, additional reinsurance has been placed to protect overall Group exposures.

Group gross written premium

The Group's underwriting business is derived from three sources:

- Third party Bermuda reinsurance, predominantly property catastrophe business, through our Bermuda insurance company, Omega Specialty
- Participation in (through Omega Dedicated) and reinsurances of Syndicate 958 (by Omega Specialty)
- Insurance of small businesses (property and liability) in the US surplus lines market through Omega US.

	June 2009 \$'m	% growth	June 2008 \$'m	Comment
Participation in and reinsurance of Syndicate 958	118.3	(21%)	149.7	2008 underwriting benefitted from the quota share of a greater proportion (27.5%) of the Syndicate's 2007 year of account business.
Third party Bermuda reinsurance	52.1	55%	33.6	The growth of this platform has delivered strong growth at attractive loss ratios to date.
Omega US	17.1	558%	2.6	The US business has gained traction in 2009 and is on the path to delivering positive returns.
Total	187.5	1%	185.9	

The gross written premium for the period by line of business was as follows:

	June 2009	June 2008
	\$'000	\$'000
Non marine property insurance	25,741	34,322
Property catastrophe reinsurance	87,803	70,861
Property per risk treaty reinsurance	13,632	10,062
Professional indemnity insurance	5,914	6,893
Motor insurance and reinsurance	9,463	10,300
Marine insurance and reinsurance	17,681	31,907
Liability insurance and reinsurance	18,089	12,687
Other	9,182	8,869
Total	187,505	185,901

Group loss experience

Losses were \$46.9 million (2008: \$63.3 million) leading to a net loss ratio of 52.0% (2008: 62.4%). Overall the loss ratio has benefitted from the absence of major loss activity in the first half of 2009. The loss ratios for the respective sources of business are:

	Gross	Gross	Net	Net
Earned loss ratios	June 2009	June 2008	June 2009	June 2008
Group participation on Syndicate 958	53.7%	56.9%	58.5%	63.4%
Omega Specialty (other reinsurance)	20.7%	50.3%	25.1%	51.2%
Omega US	67.6%	113.0%	69.3%	116.0%
Overall	47.7%	56.4%	52.0%	62.4%

Third party Bermuda Reinsurance

In the first half of 2009, Omega Specialty wrote \$52.1 million of third party business (2008: \$33.6 million). This is predominantly US catastrophe exposed business treaty excess of loss business. Omega Specialty continues to build its profile and relationships in that marketplace. Omega Specialty has been able to gain business as a result of clients wishing to spread their exposure across a wider range of counterparties and has benefitted from the reduced capacity in the reinsurance market as a result of both industry underwriting and investment losses in 2008.

Omega Specialty continues to grow its team and has a strengthened balance sheet as a result of deployment of capital from January's capital raise. We expect the third party book to continue to grow and develop.

The Omega Specialty net loss ratio of 25.1% (2008:51.2%) reflects limited loss activity in the first half of 2009 and a \$3.1 million release from prior year reserves.

Syndicate 958 derived business

The Group derives business from the Syndicate through a combination of its participation and through quota share reinsurances. The table below shows how that relationship has developed:

	2010	2009	2008	2007
Effective Capacity	£280million	£249million	£249million	£274million
Omega Group Share	34.7%	16.4%	16.4%	15.2%
Quota share reinsurances with Omega ¹	20%	20%	20%	27.5%

¹Table assumes the renewal of quota share at current level

The profit forecasts for the Syndicate's open years of account have been reviewed as part of the half year process and are as set out in the table below. The forecasts are stated after standard personal expenses and are expressed as a percentage of the Syndicate capacity.

Year of account	Capacity £ millions	Forecasts
2007	274	12.5% to 17.5%
2008	249	0% to 10%

The Syndicate is therefore forecasting to continue its twenty eight year track record of unbroken underwriting profits.

The loss ratio for Syndicate derived business of 58.5% (2008: 63.4%) reflects strong performance in the first half together with little movement on hurricanes Ike and Gustav and some limited attritional development on 2008 underwriting.

Omega US

Omega US premium income of \$17.1 million (2008: \$2.6 million) demonstrates that the platform is growing, writing \$3.4 million in July alone. The combined ratio of 114.9% reflects that the business has yet to reach full critical mass, although with the sustained substantial growth we are anticipating based on the first half performance we envisage this line moving to profit in 2010.

The rating environment in the small ticket surplus lines market where Omega US operates continues to improve as some of the major surplus lines carriers started to impose material rate increases in many areas. Whilst the latter part of 2008 had seen rate reductions, these had flattened in early 2009 and rate growth is now occurring.

Omega US is eligible in most of the US states with a substantial market and has the infrastructure to support its growth plans. Of the major insurance buying states, California is the only state where we are yet to obtain a license. Here we await the end of the requisite seasoning period before Omega US can be admitted and are hopeful that Omega US will be admitted in the near future.

The Omega US loss ratio is 69.3%. Until the business growth currently being seen feeds through to earnings, the loss ratio will remain sensitive to small to medium sized claims.

Underwriting Agency

Omega's other main business segment is Omega Underwriting Agents which receives income from Syndicate 958 by way of a managing agent's fee and profit commission. Profit commission is payable to the Agency upon the closure of the underwriting year. Omega recognises commission in line with the underlying earnings of the Syndicate in accordance with industry best practice.

	June 2009 \$'000	June 2008 \$'000
Profit Commission recognised in the period	5,144	7,380
Agency fees	1,816	2,548
	<u>6,960</u>	<u>9,928</u>

Agency fees are calculated as 0.75% of capacity. Profit commission of 20% is received after each year of account closes. Profit commission is accrued in line with the underlying income recognised in the Syndicate.

In the first half of 2009, the Group has revised the functional currency of the managing agency to US dollars from pounds sterling reflecting the dominant impact of US denominated transaction flows on the Agency's results. Profit commission which was previously accrued by the Group in sterling (but derived from predominantly US dollar denominated underwriting) is now accrued in the underlying currencies in which Syndicate underwriting takes place.

This has the effect of reducing significantly the volatility in the Group's profit commission income which was previously impacted by foreign exchange movements experienced by the Syndicate in calculating its sterling results. Those foreign exchange movements were previously reversed in the Group balance sheet through equity on retranslation of the Agency's results into the group reporting currency (US dollars).

The effect of the change to the Group's 2009 first half results is an increase in reported profit commission income of \$4.0 million and a foreign exchange gain of \$1.35 million. All foreign exchange is included within corporate expenses.

Had this change been made at 1 January 2008, the profit commission for the full year 2008 would have been \$8.0 million lower.

Underwriting and Corporate Expenses

	June 2009 \$'000	June 2008 \$'000
Staff costs	5,132	5,483
Costs associated with listing on the Main Market	2,232	-
Other expenses	5,845	5,472
Foreign exchange losses	1,746	165
Total underwriting and corporate expenses	<u>14,955</u>	<u>11,120</u>

Staff costs have increased in line with the growth in the Group's operating platforms. The number of staff employed by the Group as at 30 June 2009 was 60 (30 June 2008: 47).

The Group incurred costs of \$2.2 million as part of the process to list on the Main Market which was completed on 7 July 2009. A further amount of \$2.0 million was incurred in relation to the purchase of Syndicate capacity. This amount has been deferred and will be reflected in the cost of Syndicate capacity acquired in the second half of 2009.

As part of the Group's evolution, some activities which have reached appropriate scale are being in-sourced and consequently some shift of cost between 'other costs' and staff costs is occurring and is expected to continue.

Foreign exchange losses include a foreign exchange loss of \$1.9 million relating to the movement in the US dollar value of the proceeds from the Group capital raise in January 2009 from the date the related shares were issued and the date on which the proceeds were received. This was offset by gains made on hedges taken out to protect the dollar value of the capital raise proceeds and which are included within Investment Income as discussed below.

Foreign exchange losses are net of \$1.35 million of foreign exchange gains made in the managing agency described above.

Investment Income

We have remained extremely cautious with our investment selection, prioritising preservation of capital over seeking enhanced returns. Throughout the market turbulence, in order to minimise risk and limit short-term volatility, we have maintained a strategy of holding only high quality, highly diversified senior corporate debt, US treasuries and cash. Whilst there has been steady and growth in the markets during the first half, the investment committee remain cautious about both recessionary and inflationary pressures in the US economy and continue to prioritise a low risk, short duration portfolio.

As a result, our portfolio is wholly cash and fixed income based. We hold no asset backed securities and the biggest element of our portfolio is invested in US treasuries. Even in a portfolio of this nature there has been some volatility through this unsettled period in the capital markets.

Our overall investment income of \$11.0 million includes a gain of \$5.9 million on foreign currency forward contracts taken out to protect the proceeds of the capital raise, in the period before their conversion into dollars, and a gain of \$0.9 million on forward contracts entered into by the Syndicate in 2009 to protect brought forward currency gains on 2007 year of account profits.

Excluding these gains on foreign currency forwards, we have seen an annualised investment return of 1.5% in the period. Given the composition of the portfolio we continue to forecast an investment return reflecting US Government bond short duration yields for our full year result.

Investments and investment income	30 June 2009 Funds \$'000	Average Funds \$'000	Income \$'000	Average return %
Syndicate funds	85,549	91,253	928	1.02%
Corporate fixed income	364,556	306,942	3,002	0.98%
Deposits with credit institutions, cash and cash equivalents	176,884	167,540	233	0.14%
Total before foreign exchange hedging contracts	626,989	565,735	4,163	0.74%
Foreign exchange hedging contract	877	n/a	6,788	n/a
Total including foreign exchange hedging contracts	627,866		10,951	

In the first half the Group held an average cash balance higher than its target level while the results of the capacity offer and claims settlements for the 2008 hurricanes were awaited. Since 30 June 2009 and subsequent to the settlement of the capacity offer, cash balances have been reduced.

All Group assets are highly rated, short duration bonds, treasuries or cash and hence offer a high degree of security and liquidity.

Group investments including the Group's share of Syndicate investments at 30 June 2009 can be analysed as follows:

Group Share of Syndicate \$m	Other Group investments	Total Group
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Asset Type		\$m	\$m
Government Bond	27	258	285
Government Agency	12	-	12
Government Guaranteed	12	43	55
Corporate Bonds	18	63	81
Deposits with Credit Institutions	9	103	112
Foreign exchange hedging contracts	1	-	1
Cash Deposits	8	74	82
Total	87	541	628

The Board continues to believe a low tolerance for market risk is appropriate for a business such as ours. Strategically, the Group will continue to hold a low-risk, short duration portfolio however the Investment Committee keep guidelines under review to enable minor changes of balance and risk tolerance where appropriate.

Taxation

The half year results have an effective tax rate of 10% (2008: 11%). The Group's effective tax rate reflects the balance of taxable income across jurisdictions.

Capital

The Group's net asset value has moved as follows through the period

	\$'000
Net asset value as at 31 December 2008	283,593
Issue of share capital - capital raise in January 2009	178,225
Issue of share capital - other	725
Comprehensive income for the period	22,931
Tax in relation to share options taken directly to equity	278
Share based payments	1,460
Dividend	(1,478)
Net asset value as at 30 June 2009	485,734

In early 2009, the Group raised additional capital of £124.0 million net of expenses (\$178.2 million). Of this sum, \$32.7 million has been deployed on the purchase of capacity in July 2009. The remainder of the capital raise will be deployed in supporting growth in the Omega US and Omega Specialty platforms, and in supporting the additional underwriting as a result of the successful capacity offer.

The costs of the capacity purchase will be capitalised as an intangible asset in the second half of 2009.

The Group manages its capital with regard to its own view of capital needs, the regulatory requirements in each jurisdiction and ratings agency views.

The Group seeks to return capital to shareholders that it does not require to support its business plans. It does this through an aggressive dividend policy.

Dividend

In recognition of performance to date and the Board's confidence in the outlook for full year, the Board have resolved to pay a dividend of US 6 cents per share. This equates to approximately 70% of first half profits. The Board have also confirmed their intention to pay a similar proportion of full year profits as dividends.

The interim dividend of US 6 cents per share will be payable on 28 October 2009 to shareholders on the register at 2 October 2009. The dividend is payable in US dollars but those shareholders wishing to receive it in pounds sterling may elect to do so. Details will be available on the Company's website www.omegaww.com. Dividends paid in pounds sterling will be converted at the exchange rate prevailing on 2 October 2009.

Move up to the London Stock Exchange Main List

On 7 July 2009, Omega Insurance Holdings was admitted to the London Stock Exchange Main List. We see this as an important step in Omega's evolution. To support us in this development, we have appointed JP Morgan Cazenove as broker with Cenkos, our Nominated Adviser while we were AIM listed.

We now intend to refocus effort into building the profile of the company and improving the regularity and transparency of information to the markets.

In terms of scale, Omega is equivalent to a FTSE 350 company. Admission to the FTSE 350 index is contingent on achieving certain liquidity criteria. It is anticipated that admission to the Main List and increasing the company's profile will assist in increasing liquidity levels with a view to inclusion in the index during 2010.

Capacity Offer

On 2 July 2009 we announced the take up of our successful capacity offer. The result will be an increased participation in Syndicate 958 of 34.7% for the 2010 year of account onwards (2009 year of account: 16.4%).

This more than doubles our participation on the Syndicate driving premium growth in the Group from 2010. The level of take up leaves us with sufficient capital to support our growth plans in our Omega Specialty and Omega US platforms.

Risks and Uncertainties

The nature of our risks and uncertainties remains materially the same as described in our 2008 annual report and accounts (pages 47 to 55).

By far our greatest risk remains that of insurance underwriting. Whilst the rating environment has undoubtedly improved, we are now in the US wind season; there is always a level of uncertainty around the full year results. That said, Omega has maintained its approach of diversified business lines, focus on smaller, regional insurance companies and smaller insureds, and purchase of reinsurance cover to reduce potential volatility.

Market risk is normally much less significant to insurers than insurance risk, but has in the past two years had extraordinary relevance in turbulent times. The credit markets appear more settled than even a few months ago; however the Group has retained its low tolerance for market risk, keeping its asset portfolio in short duration highly rated fixed income assets.

In terms of liquidity, the Company holds only high quality, fixed income assets. As there are no mortgage asset backed securities, equities or preference shares, our holdings remain highly liquid.

Operational risk is monitored and managed through a detailed set of risk registers. These have recognised the need for new underwriting IT systems to be implemented. To this end, the Group is well advanced in its project to install a new common underwriting system across the Group.

Strength and depth of management and technical talent across the Group is also a core focus, in a skills based business such as ours. We are delighted to have sufficient depth of talent to have been able to replace John Robinson as Active

Underwriter from within the company. Daria Vanous begins underwriting for the 2010 year of account. Over the past 12 months there have been key hires in the US, London and Bermuda and recruitment is ongoing.

Market conditions and outlook

In December, we explained that we expected a steady prolonged hardening of the market as a result of industry capital erosion due to Ike and investment losses. Certainly, we have seen significant rate increases across the market in particular in catastrophe affected lines.

Unsurprisingly, rate increases have been strongest in the catastrophe exposed lines of business. Our property catastrophe account saw strong rate growth early in the year.

Surplus lines are now seeing rate strengthening as the major carriers impose increases.

Although uneven, in our core lines the market continues to firm and returns look attractive. We remain optimistic about the development of the market over the coming months.

Richard Tolliday
Chief Executive Officer
26 August 2009

Condensed Consolidated Income Statement

Six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Income				
Gross premiums written		187,505	185,901	265,402
Premiums ceded to reinsurers		(47,719)	(37,466)	(40,783)
Net premiums written		139,786	148,435	224,619
Change in gross provision for unearned premiums		(73,394)	(70,088)	(11,111)
Reinsurers' share of change in the provision for unearned premiums		23,655	23,056	2,171
Net earned premium		90,047	101,403	215,679
Investment return	5	10,951	6,614	21,827
Other income	6	8,243	10,745	23,699
Net revenue		109,241	118,762	261,205
Expenses				
Insurance claims		(54,447)	(65,375)	(183,687)
Insurance claims recoverable from reinsurers		7,597	2,096	19,757
Net insurance claims	7	(46,850)	(63,279)	(163,930)
Net acquisition costs		(24,535)	(19,524)	(46,733)
Other underwriting operating expenses	8	(2,929)	(2,098)	(8,024)
Other corporate expenses	8	(12,026)	(9,022)	(14,061)
Finance costs		-	(362)	(235)
Total expenses		(86,340)	(94,285)	(232,983)
Profit before tax		22,901	24,477	28,222
Income tax		(2,322)	(2,698)	(6,010)
Profit for the period		20,579	21,779	22,212
Earnings per share – basic	10	9.1 cents	14.8 cents	15.1 cents
Earnings per share – diluted	10	8.7 cents	13.9 cents	14.1 cents

On 26 August 2009 the Board approved a dividend of US 6 cents per share.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2009

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Profit for the period	20,579	21,779	22,212
Currency translation differences	<u>2,352</u>	<u>(97)</u>	<u>(12,775)</u>
Total comprehensive income for the period	<u>22,931</u>	<u>21,682</u>	<u>9,437</u>

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Notes	30 June 2009 US\$'000	30 June 2008 US\$'000	31 December 2008 US\$'000
ASSETS				
Cash and cash equivalents	11	82,589	82,651	92,554
Financial investments	12	545,277	281,958	336,634
Deferred acquisition costs		30,663	27,319	20,379
Reinsurance assets	13	144,913	177,496	98,139
Insurance receivables		67,823	68,226	29,995
Prepayments and accrued income		27,060	34,673	29,065
Other debtors		9,234	7,681	25,065
Deferred tax assets		3,122	2,768	3,218
Property and equipment		405	494	463
Intangible assets	14	3,118	1,914	2,315
Total assets		914,204	685,180	637,827
EQUITY				
Called up share capital	15	24,167	14,766	14,766
Share premium account		317,467	147,918	147,918
Contributed surplus		100,000	100,000	100,000
Foreign exchange reserve		(8,830)	1,496	(11,182)
Profit and loss account		52,930	44,642	32,091
Total equity and reserves		485,734	308,822	283,593
LIABILITIES				
Insurance contract liabilities	16	371,326	305,346	295,801
Trade and other payables		54,960	66,886	54,681
Current income tax liabilities		1,411	3,312	3,000
Deferred tax liabilities		773	814	752
Total liabilities		428,470	376,358	354,234
Total liabilities and equity		914,204	685,180	637,827
Net assets per share		US\$2.01	US\$2.10	US\$1.92
Net tangible assets per share		US\$2.00	US\$2.09	US\$1.90

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2009

	Share capital	Share premium account	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss account	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2009	14,766	147,918	100,000	-	(11,182)	32,091	283,593
Issue of new share capital	9,401	169,549	-	-	-	-	178,950
Dividends	-	-	-	-	-	(1,478)	(1,478)
Total comprehensive income for the period	-	-	-	-	2,352	20,579	22,931
Share based payments	-	-	-	-	-	1,460	1,460
Tax relating to share options taken directly to equity	-	-	-	-	-	278	278
Balance at 30 June 2009	24,167	317,467	100,000	-	(8,830)	52,930	485,734

Six months ended 30 June 2008

	Share capital	Share premium account	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss account	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2008	14,758	147,694	100,000	(49)	1,593	44,606	308,602
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	8	224	-	-	-	-	232
Dividends	-	-	-	-	-	(24,056)	(24,056)
Total comprehensive income for the period	-	-	-	-	(97)	21,779	21,682
Share based payments	-	-	-	-	-	2,152	2,152
Tax relating to share options taken directly to equity	-	-	-	-	-	210	210
Balance at 30 June 2008	14,766	147,918	100,000	-	1,496	44,642	308,822

Condensed Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Share capital	Share Premium account	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss account	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2008	14,758	147,694	100,000	(49)	1,593	44,606	308,602
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	8	224	-	-	-	-	232
Dividends						(39,265)	(39,265)
Total comprehensive income for the year	-	-	-	-	(12,775)	22,212	9,437
Share based payments	-	-	-	-	-	4,072	4,072
Tax relating to share options taken directly to equity	-	-	-	-	-	515	515
Balance at 31 December 2008	14,766	147,918	100,000	-	(11,182)	32,091	283,593

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000 (restated)	Year ended 31 December 2008 US\$'000
Cash flows from operating activity				
Cash generated from operations	17	(183,690)	33,592	73,438
Interest paid		(23)	(946)	(2,145)
Income tax paid		(3,501)	(6,768)	(7,086)
Net cash inflows from operating activities		(187,214)	25,878	64,207
Cash flows from investing activities				
Purchase of property and equipment		(12)	(75)	(169)
Purchase of intangible assets		(803)	(1,765)	(2,166)
Net cash (outflows) from investing activities		(815)	(1,840)	(2,335)
Cash flows from financing activities				
Equity dividends paid		(1,478)	(24,056)	(39,265)
Issue of share capital		187,906	232	232
Cost of issue		(8,956)	-	-
Net cash (outflows)/inflows from financing activities		177,472	(23,824)	(39,033)
Net increase/(decrease) in cash and cash equivalents		(10,557)	214	22,839
Cash and cash equivalents at start of period		92,554	82,063	82,063
Foreign exchange currency movements		592	374	(12,348)
Cash and cash equivalents at end of period		82,589	82,651	92,554

Notes to the condensed consolidated financial statements

1. Basis of Preparation

The interim consolidated financial statements for the period ended 30 June 2009 and 30 June 2008 are unaudited but have been subject to a review by the Group's independent auditors and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The statutory accounts for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use by the European Union ('EU') and issued by the International Accounting Standards Board, have been reported on by the Group's auditors, Ernst & Young LLP. The independent auditors' report on the group accounts for the year ended 31 December 2008 was not qualified. The comparative figures provided for the 12 months ended 31 December 2008 are based on the Group's statutory accounts.

In line with the change in presentation made for the 2008 group financial statements, the condensed consolidated cash flow statement for the period to 30 June 2008 has been restated to show the net purchase or sale of investments as cash generated from operations instead of cash flow from investing activities. This new presentation reflects more accurately the nature of the Group's activities.

2. Accounting policies

The interim consolidated financial statements have been prepared in accordance with accounting policies that are consistent with the prior accounting periods, except as noted, and those that the Directors anticipate will be complied with in the annual financial statements.

IAS 1 Presentation of Financial Statements (Revised)

The International Accounting Standards Board (IASB) issued a revised version of IAS1, which became effective 1 January 2009.

The revised standard requires the separation of changes in equity during a period arising from transactions with the owners of the entity in their capacity as owners, from other types of changes in equity. In compliance with the standard, items of income and expense and components of other comprehensive income have been presented in two separate statements, the Consolidated Income Statement and the Consolidated Statement of Comprehensive income.

Non-owner changes in equity have been presented in the Consolidated Statement of Comprehensive Income. Changes in equity arising from transactions with owners and related current and deferred tax have been presented in the Consolidated Statement of Changes in Equity.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* replaces IAS 14 *Segment Reporting* and is mandatory for annual financial statements for periods beginning on or after 1 January 2009.

IFRS 8 requires operating segments to be identified on the basis of how components of an entity are managed and based on internal reports about the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Group's reportable segments have been identified as follows:

- Group reinsurance of, and participation on, Syndicate 958
- Omega Specialty (other reinsurance) which is the non-Syndicate derived business written by Omega Specialty in Bermuda. This element of the Group's results was not previously disclosed as a separately reportable segment.
- Omega US Insurance which is the contribution to the Group's results from Omega US ignoring the effects of intra-group reinsurance

- Omega Underwriting Agents - which show the results for managing the non-Omega share of Syndicate 958 and includes profit commission and agency fees received for managing the Other group activities
- Other group activities – which show the results of transactions that do not relate to any of the segments above, being primarily that of the group’s ultimate and intermediate holding companies. Other expenses for this segment include group-wide foreign exchange losses and gains.

The segmental analysis in note 4 reflects this new basis of segmental reporting with restated prior period comparatives.

Changes to International Financial Reporting Standards

The amendments to IFRS7 Financial Instruments - Improving Disclosures About Financial Instruments are not material to these interim condensed consolidated financial statements but will be reflected in the group's consolidated annual financial statements. While a number of other new or amended International Financial Reporting Standards and IFRIC interpretations have been issued, they are either not required to be adopted by the group or have had no effect on these interim condensed consolidated financial statements.

Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, the functional currency of the Company and the presentation currency of the Group.

As explained in note 6, from 1 January 2009, the Group has revised the functional currency used for Omega Underwriting Agents Limited to US dollars. In accordance with IAS 21, this change has been applied prospectively from that date and prior period comparatives have not been restated.

3. Seasonality of operations

The Omega Group underwrites a wide range of risks, some of which are subject to potential seasonal variation.

The most material of these is the Group’s exposure to US and Gulf of Mexico windstorms which are largely concentrated in the second half of the year.

4. Segmental information

Six months ended 30 June 2009

Results by segment

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Omega Underwriting Agents	Other group activities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross premiums written	118,297	52,102	17,106	-	-	187,505
Gross premiums earned	81,108	24,268	8,735	-	-	114,111
Premiums ceded to reinsurers	(19,244)	(4,277)	(543)	-	-	(24,064)
Net earned premium	61,864	19,991	8,192	-	-	90,047
Investment return	4,155	411	412	9	5,964	10,951
Other income	-	-	-	6,960	1,283	8,243
Net revenue	66,019	20,402	8,604	6,969	7,247	109,241
Expenses						
Insurance claims	(43,522)	(5,020)	(5,905)	-	-	(54,447)
Insurance claims recoverable from reinsurers	7,365	-	232	-	-	7,597
Net insurance claims	(36,157)	(5,020)	(5,673)	-	-	(46,850)
Net acquisition costs	(18,403)	(3,774)	(2,358)	-	-	(24,535)
Other underwriting operating expenses	(861)	(691)	(1,377)	-	-	(2,929)
Other corporate expenses	(3,668)	(804)	(684)	(621)	(6,249)	(12,026)
Total expenses	(59,089)	(10,289)	(10,092)	(621)	(6,249)	(86,340)
Profit before tax	6,930	10,113	(1,488)	6,348	998	22,901
Claims ratio	58.5%	25.1%	69.3%	n/a	n/a	52.0%
Underwriting expense ratio	31.1%	22.3%	45.6%	n/a	n/a	30.5%
Corporate expense ratio	5.9%	4.0%	8.3%	n/a	n/a	13.4%
Combined ratio	89.6%	47.4%	114.9%	n/a	n/a	82.5%

Gross premiums written by class of business

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Written premium class analysis				
Non-marine property insurance	13,028	3,647	9,066	25,741
Property catastrophe treaty reinsurance	46,121	41,682	-	87,803
Property per risk treaty reinsurance	9,464	4,168	-	13,632
Professional indemnity insurance	5,914	-	-	5,914
Motor insurance and reinsurance	9,463	-	-	9,463
Marine insurance and reinsurance	17,160	521	-	17,681
Liability insurance and reinsurance	10,049	-	8,040	18,089
Other	7,098	2,084	-	9,182
Gross premiums written	118,297	52,102	17,106	187,505

4. Segmental information (continued)

Six months ended 30 June 2008

Results by segment

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Omega Underwriting Agents	Other group activities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross premiums written	149,653	33,681	2,567	-	-	185,901
Gross premiums earned	103,669	11,637	507	-	-	115,813
Premiums ceded to reinsurers	(12,906)	(1,441)	(63)	-	-	(14,410)
Net earned premium	90,763	10,196	444	-	-	101,403
Investment return	5,747	302	209	116	240	6,614
Other income	-	-	-	9,928	817	10,745
Net revenue	96,510	10,498	653	10,044	1,057	118,762
Expenses						
Insurance claims	(58,943)	(5,859)	(573)	-	-	(65,375)
Insurance claims recoverable from reinsurers	1,400	638	58	-	-	2,096
Net insurance claims	(57,543)	(5,221)	(515)	-	-	(63,279)
Net acquisition costs	(18,386)	(1,016)	(122)	-	-	(19,524)
Other underwriting operating expenses	(1,037)	(868)	(193)	-	-	(2,098)
Other corporate expenses	(3,334)	(218)	-	(1,887)	(3,583)	(9,022)
Finance costs	-	-	-	-	(362)	(362)
Total expenses	(80,300)	(7,323)	(830)	(1,887)	(3,945)	(94,285)
Profit before tax	16,210	3,175	(177)	8,157	(2,888)	24,477
Claims ratio	63.4%	51.2%	116.0%	n/a	n/a	62.4%
Underwriting expense ratio	21.4%	18.5%	70.9%	n/a	n/a	21.3%
Corporate expense ratio	3.7%	2.1%	-	n/a	n/a	8.9%
Combined ratio	84.8%	69.7%	186.9%	n/a	n/a	83.7%

Gross premiums written by class of business

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Non-marine property insurance	32,653	140	1,529	34,322
Property catastrophe treaty reinsurance	38,377	32,484	-	70,861
Property per risk treaty reinsurance	9,482	580	-	10,062
Professional indemnity insurance	6,866	27	-	6,893
Motor insurance and reinsurance	10,300	-	-	10,300
Marine insurance and reinsurance	31,907	-	-	31,907
Liability insurance and reinsurance	11,649	-	1,038	12,687
Other	8,419	450	-	8,869
Gross premiums written	149,653	33,681	2,567	185,901

4. Segmental information (continued)

Year ended 31 December 2008

Results by segment

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Omega Underwriting Agents	Other group activities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross premiums written	210,656	43,940	10,806	-	-	265,402
Gross premiums earned	214,285	36,430	3,576	-	-	254,291
Premiums ceded to reinsurers	(31,121)	(6,560)	(931)	-	-	(38,612)
Net earned premium	183,164	29,870	2,645	-	-	215,679
Investment return	16,110	1,706	1,809	141	2,061	21,827
Other income	-	-	-	23,541	158	23,699
Net revenue	199,274	31,576	4,454	23,682	2,219	261,205
Expenses						
Insurance claims	(161,220)	(19,068)	(3,399)	-	-	(183,687)
Insurance claims recoverable from reinsurers	19,498	-	259	-	-	19,757
Net insurance claims	(141,722)	(19,068)	(3,140)	-	-	(163,930)
Net acquisition costs	(40,731)	(5,100)	(902)	-	-	(46,733)
Other underwriting operating expenses	(3,497)	(2,432)	(2,095)	-	-	(8,024)
Other corporate expenses	(7,712)	(608)	(1,988)	(1,495)	(2,258)	(14,061)
Finance costs	-	-	-	-	(235)	(235)
Total expenses	(193,662)	(27,208)	(8,125)	(1,495)	(2,493)	(232,983)
Profit before tax	5,612	4,368	(3,671)	22,187	(274)	28,222
Claims ratio	77.4%	63.8%	118.7%	n/a	n/a	76.0%
Underwriting expense ratio	24.1%	25.2%	113.3%	n/a	n/a	25.4%
Corporate expense ratio	4.2%	2.0%	75.2%	n/a	n/a	6.5%
Combined ratio	101.5%	89.0%	232.0%	n/a	n/a	101.4%

Gross premiums written by class of business

	Group participation on and reinsurance of Syndicate 958	Omega Specialty (other reinsurance)	Omega US Insurance	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Non-marine property insurance	58,250	13,676	5,186	77,112
Property catastrophe treaty reinsurance	39,986	28,941	-	68,927
Property per risk treaty reinsurance	13,909	713	-	14,622
Professional indemnity insurance	12,578	-	-	12,578
Motor insurance and reinsurance	12,559	-	57	12,616
Marine insurance and reinsurance	47,124	-	-	47,124
Liability insurance and reinsurance	19,003	-	5,563	24,566
Other	7,247	610	-	7,857
Gross premiums written	210,656	43,940	10,806	265,402

5. Investment return

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Financial investments at fair value through income - interest income	6,205	5,354	12,730
Cash and cash equivalents – interest income	208	1,406	2,593
Net realised (losses)/gains on investments	(9)	855	1,938
Net unrealised (losses)/gains on investments	(2,241)	(1,001)	2,863
Derivative fair value gains	6,788	-	1,703
Total investment return	<u>10,951</u>	<u>6,614</u>	<u>21,827</u>

Derivative fair value gains for the period include a gain of \$5,911,000 made on derivatives held to hedge the dollar value of sterling denominated proceeds from the Group's capital raise (£124m net of expenses) in January 2009. These derivatives were entered into in December 2008 (when the value of the 2009 capital raise became known) and were held at their market value at 31 December 2008 resulting in a derivative gain of \$1,704,000 in 2008.

Related foreign exchange losses relating to the movement in the US dollar value of the proceeds from the Group capital raise in January 2009 from the date the related shares were issued and the date on which the proceeds are disclosed in note 8.

The remaining derivative fair value gains in the period (of \$877,000) relate to the increase in value of the Group's share of foreign exchange forward contracts entered into by Syndicate 958 as disclosed in note 12.

6. Other income

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Profit commission	5,144	7,380	18,861
Management fees	1,816	2,548	3,025
Management charges to Syndicate	783	661	1,632
Other income	500	156	181
Total other income	<u>8,243</u>	<u>10,745</u>	<u>23,699</u>

In the first half of 2009, the Group revised the functional currency of the managing agency to US dollars from pounds sterling reflecting the dominant impact of US denominated transaction flows on the agencies results. Profit commission which was previously accrued by the Group in sterling (but derived from predominantly US dollar denominated underwriting) is now accrued in the underlying currencies in which Syndicate underwriting takes place.

This has the effect of reducing significantly the volatility in the Group's profit commission income which was previously impacted by foreign exchange movements experienced by the Syndicate in calculating its Sterling results. Those foreign exchange movements were previously reversed in the Group balance sheet through equity on retranslation of the agency's results into the group reporting currency (US dollars).

The effect of the change to the Group's 2009 first half results is an increase in reported profit commission income of \$4.0 million and a foreign exchange gain of \$1.3 million.

Had this change been made at 1 January 2008, the profit commission for the full year 2008 would have been \$8 million lower.

7. Net insurance claims

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Claims paid	57,442	32,284	88,494
Reinsurers' share of claims paid	(8,377)	(4,432)	(7,690)
Net claims paid	<u>49,065</u>	<u>27,852</u>	<u>80,804</u>
Movement in insurance liabilities	(2,994)	33,091	95,193
Reinsurers' share of movement in insurance liabilities	779	2,336	(12,067)
Net movement in insurance liabilities	<u>(2,215)</u>	<u>35,427</u>	<u>83,126</u>
Net insurance claims	<u>46,850</u>	<u>63,279</u>	<u>163,930</u>

8. Underwriting and corporate expenses

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Staff costs	5,132	5,483	14,160
Costs associated with listing on the main market	2,232	-	-
Other expenses	5,845	5,472	11,833
Foreign exchange losses	1,746	165	(3,908)
Total underwriting and corporate expenses	<u>14,955</u>	<u>11,120</u>	<u>22,085</u>

Foreign exchange losses include a foreign exchange loss of \$1,942,000 relating to the movement in the US dollar value of the proceeds from the Group capital raise in January 2009 from the date the related shares were issued and the date on which the proceeds were received.

This foreign exchange loss was offset by a related gain in the fair value of derivatives as disclosed in note 5.

9. Dividends

Amounts recognised as distributions to equity shareholders in the period:

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
2007 second dividend of US 16.3 cents per common share	-	24,056	24,056
2008 interim dividend of US 10.3 cents per common share	-	-	15,209
2009 special interim dividend of US 1.0 cents per common share	1,478	-	-
	<u>1,478</u>	<u>24,056</u>	<u>39,265</u>

The directors have resolved to pay an interim dividend of US 6 cents per common share, amounting to US\$14,600,000.

10. Earnings per share

Earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue during the period. For the diluted earnings per share the weighted average number of shares in issue is adjusted to reflect the dilutive effect of the future exercise of share options.

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Profit for the period in US\$'000	20,579	21,779	22,212
Weighted average number of shares in issue	226,059,137	147,325,517	147,494,888
Dilutive average number of shares in issue	235,827,916	156,879,831	157,423,375
Earnings per share:			
Basic (US cents)	9.1	14.8	15.1
Diluted (US cents)	8.7	13.9	14.1

11. Cash and cash equivalents

	As at 30 June 2009 US\$'000	As at 30 June 2008 US\$'000	As at 31 December 2008 US\$'000
Cash at bank and in hand	48,491	22,813	36,592
Short term bank deposits	34,098	59,838	55,962
Total cash and cash equivalents	82,589	82,651	92,554

Included in cash and cash equivalents are amounts totaling \$42,633,000 (30 June 2008: \$57,152,000; 31 December 2008: \$66,476,000) not available for use by the Group which are held within the Lloyd's syndicate, as Funds at Lloyd's or to collateralise insurance balances with Syndicate 958.

12. Financial investments

	As at 30 June 2009 US\$'000	As at 30 June 2008 US\$'000	As at 31 December 2008 US\$'000
Financial Investments at fair value through income			
Debt securities and other fixed income securities	432,425	247,798	271,500
Deposit with credit institutions	104,584	27,691	57,418
Funds held in overseas deposits	7,391	6,469	6,013
Derivative financial investments	877	-	1,703
	545,277	281,958	336,634

The Group entered into foreign exchange forward and options contracts in December 2008 in order to manage the currency risk on the £124m placing proceeds (net of expenses), which were received in February 2009. At 31 December 2008 the fair value of these contracts was an asset of \$1,703,000. These contracts crystallized in February 2009 generating a further gain of \$5,911,000 as set out in note 5.

The derivative financial asset of \$877,000 held at 30 June relates solely to the fair value of the Group's share, through its corporate member, Omega Dedicated Limited, of foreign exchange forward contracts entered into by Syndicate 958 during the period. These forward contracts, which crystallize on 31 December 2009, represent an obligation to swap \$13,985,000 for £9,005,000 through the Group's share of the Syndicate's funds.

Group financial investments include investments held by Group companies and the Group's share of syndicate investments:

	As at 30 June 2009 US\$'000	As at 30 June 2008 US\$'000	As at 31 December 2008 US\$'000
Group investments	459,728	192,086	257,633
Syndicate investments	85,549	89,872	79,001
	<u>545,277</u>	<u>281,958</u>	<u>336,634</u>

Of the amounts included in Group investments US\$70,735,000 (30 June 2008: \$46,500,000; 31 December 2008: \$46,783,000) are not available for use by the Group as they are held to collateralise insurance balances with Syndicate 958.

13. Reinsurance assets

	As at 30 June 2009 US\$'000	As at 30 June 2008 US\$'000	As at 31 December 2008 US\$'000
Reinsurers' share of unearned premium	39,378	37,293	16,440
Reinsurers' share of claims outstanding	28,859	15,353	28,283
Debtors arising from reinsurance operations	76,676	124,850	53,416
Total reinsurance assets	<u>144,913</u>	<u>177,496</u>	<u>98,139</u>

14. Intangible assets

	Syndicate Participation rights US\$'000	Software Development US\$'000	Total US\$'000
Cost			
At 1 January 2009	149	2,166	2,315
Additions	-	803	803
At 30 June 2009	<u>149</u>	<u>2,969</u>	<u>3,118</u>
Net Book Value			
At 30 June 2008	<u>149</u>	<u>1,765</u>	<u>1,914</u>
At 31 December 2008	<u>149</u>	<u>2,166</u>	<u>2,315</u>
At 30 June 2009	<u>149</u>	<u>2,969</u>	<u>3,118</u>

15. Share capital

	As at 30 June 2009		As at 30 June 2008		As at 31 December 2008	
	Number 000's	Par Value US\$'000	Number 000's	Par Value US\$'000	Number 000's	Par Value US\$'000
Authorised:						
Common shares of US\$0.10 each	10,000,000	1,000,000	10,000,000	1,000,000	10,000,000	1,000,000
Allotted and fully paid:						
Common shares of US\$0.10 each	241,670	24,167	147,662	14,766	147,662	14,766

On 30 January 2009, the Company issued an additional 92,857,142 common shares of \$0.10 each at a price of £1.40 per share resulting in additional issued share capital of \$9,285,714 and additional share premium of \$168,938,000.

16. Insurance contract liabilities (gross)

	As at 30 June 2009 US\$'000	As at 30 June 2008 US\$'000	As at 31 December 2008 US\$'000
Unearned premium	157,195	143,692	84,716
Loss reserve	214,131	161,654	211,085
Total insurance contract liabilities (gross)	<u>371,326</u>	<u>305,346</u>	<u>295,801</u>

17. Cash generated from operations

	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Profit before taxation	22,901	24,477	28,222
Adjustments for non cash items			
- Depreciation of tangible assets	69	77	170
- Realised and unrealised gains and losses	1,372	146	(6,504)
- Charge in relation to financing	23	362	235
- Foreign exchange adjustments	1,746	(471)	(3,908)
- Charge in relation to share option awards	1,460	2,152	4,072
Changes in operating assets and liabilities			
- (Increase) in financial investments	(210,015)	(8,240)	(56,266)
- (Increase) in deferred acquisition costs	(10,284)	(9,734)	(2,794)
- Decrease/(Increase) in reinsurance assets	(46,774)	(60,282)	19,075
- (Increase) in insurance receivables	(37,828)	(49,673)	(11,442)
- Decrease / (increase) in prepayments and accrued income	2,005	(9,593)	(3,985)
- Decrease/(increase) in other debtors	15,831	9,009	(8,375)
- Increase in insurance liabilities	75,525	112,346	102,801
- Increase in trade and other payables	279	23,016	12,137
Cash generated from operations	<u>(183,690)</u>	<u>33,592</u>	<u>73,438</u>

18. Related party transactions

Aggregate gains made by directors on exercise of share options in the period were US\$749,500 (30 June 2008 and 31 December 2008: US\$307,000 and US\$651,900 respectively).

W M Fiederowicz the non executive chairman has participated as a name on Syndicate 958 since 1996. As part of the recent capacity offer he accepted irrevocably to sell capacity totalling in aggregate £414,500 to the Group.

Other transactions with related parties during the period are consistent in nature and scope with those disclosed in note 33 of the Group's 2008 Consolidated Financial Statements.

19. Post balance sheet events

On 2 July 2009, the Group acquired additional capacity on Syndicate 958 for \$30,636,000 through a combination of cash (\$26,810,000) and shares (\$3,826,000) resulting in an increased participation on the Syndicate of 34.7% for the 2010 year of account onwards (2009 year of account: 16.4%). Transaction costs of \$2,000,000 were incurred in relation to the purchase of syndicate capacity. These costs have been deferred at 30 June 2009 and will be capitalised as part of the cost of the intangible asset acquired.

This more than doubles our participation on the Syndicate driving premium growth in the Group from 2010. The level of take up leaves us with sufficient capital to support our growth plans in our Omega Specialty and Omega US platforms.

On 7 July 2009, Omega Insurance Holdings was admitted to the London Stock Exchange Main List.

20. Interim report

Copies of this interim statement are available from the Company's registered office at Clarendon House, Church Street, Hamilton HM11, Bermuda, and on the Company's web-site (www.omegauw.com).

Responsibility Statement

The Directors have confirmed that to the best of our knowledge:

- the condensed set of consolidated financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting);
- the interim management report includes a fair review of information required by:
 - (a) DTR 4.2.7R of the Disclosure Transparency Rules (an indication of important events during the first six months of the financial year and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year); and
 - (b) DTR 4.2.8R of the Disclosure Transparency Rules (disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so).

The Directors are confident that the Group has adequate resource to continue in operation for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the accounts

Penny James
Group Chief Financial Officer
26 August 2009

INDEPENDENT REVIEW REPORT TO OMEGA INSURANCE HOLDINGS LIMITED

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
26 August 2009