



Interim Report  
First Quarter 2008



29 April 2008

## Exista interim results for the first quarter of 2008

Today the financial services group Exista hf. published its interim statements for the first quarter of 2008.

### Key figures from the income statement:

- After-tax loss EUR 43.8 million
- Net profit from financial services EUR 67.2 million
- Net loss from investments EUR 111.0 million

### Key figures from the balance sheet:

- Total assets EUR 7.4 billion, down 8.1% during the quarter
- Total equity EUR 2.3 billion, down 1.5% during the quarter
- Total liabilities reduced by 10.9% during the quarter
- Cash EUR 485 million as of 31 March, and committed liquidity to meet refinancing obligations until December 2009
- Equity ratio 35.2% (including hybrid securities)

### Lýdur Gudmundsson, Executive Chairman:

“We are content with Exista’s performance in what has been an exceptionally tough quarter for the financial services sector. Despite incurring some loss, Exista continues to maintaining its strong financial foundations, excellent cash position and outstanding assets. We continue to carry out our operations, cost control and risk management successfully, safeguarding the Group’s fundamentals and liquidity position during the current turbulence in the global financial markets. At the same time, we have made strategic moves, such as acquiring Skipti, which will present new opportunities in the future. Exista’s growing presence in the Nordic financial services sector can be felt clearly, and it opens up exciting possibilities for the Group.”

For further information on the interim accounts, please contact:

Sigurdur Nordal  
Managing Director  
Group Communications  
tel: +354 550 8620 (ir@exista.com)

### About Exista

Exista is a financial services group with operations in the areas of insurance, asset finance and investments. The company is a leading insurance underwriter in Iceland, as well as the country’s largest provider of asset finance products. As an international investor, Exista has strategic holdings in several companies, including Sampo Group, Kaupthing Bank, Bakkavör Group, Storebrand and Skipti (Iceland Telecom). Exista is listed on the OMX Nordic Exchange in Iceland, and its shareholders number around 30,000. Information on Exista hf. and its financial statements can be found on the Group’s website: [www.exista.com](http://www.exista.com).

## Consolidated Income Statement

Exista's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

Exista's loss before tax in the first quarter 2008 amounted to EUR 45.9 million, as opposed to a profit of EUR 597.5 million for the same quarter in 2007. After-tax loss amounted to EUR 43.8 million during the quarter, as opposed to a profit of EUR 640.7 million the year before. It should be noted that earnings in Q1 2007 were exceptional, as Exista's associate, Sampo, recorded a gain from the sale of its banking operation during the quarter, substantially affecting the share in profit of associates.

### Revenue

Total revenues amounted to EUR 16.1 million for the first quarter 2008, as compared to EUR 668.0 million for the same quarter in the previous year.

Net loss on financial assets at fair value was EUR 173.2 million during the period, as opposed to a gain of EUR 38.2 million in the first three months of 2007.

Net gain on financial assets held for trading was EUR 58.5 million, as opposed to EUR 110.8 million in the first quarter of 2007.

Dividend income totalled EUR 4.3 million, as opposed to EUR 5.0 million in the previous year. It should be noted that dividends from the associates, Kaupthing Bank and Sampo Group, are not recorded in the income statement. Instead, dividends of associated companies, which amounted to EUR 28.6 million in the first quarter of 2008, are recorded as a reduction in book value in the balance sheet and are accounted for in the statement of cash flow. The dividend payment of EUR 138 million from Sampo Group will be recorded in the second quarter of 2008.

Interest income totalled EUR 28.5 million during the period, as opposed to EUR 18.4 million for the first three months of 2007. The increase between years is due mainly to interests on the Group's cash position, while half of the interest income is generated by the Group's asset financing operations.

Income from life and non-life insurance premiums totalled EUR 28.8 million during the quarter, compared to EUR 35.2 million during the first quarter of 2007. Lower premium income is due to the depreciation of the Icelandic króna as the insurance premiums are predominantly in krónur.

Share in profit of associates amounted to EUR 64.6 million in the first quarter. Revenue from associates amounted to EUR 457 million in Q1 2007, in which quarter Sampo recorded a gain from the sale of its banking operation. The calculation of Exista's share in the quarterly profits of the financial associates Sampo and Kaupthing Bank is based on the market consensus concerning these companies' performance for the period. If actual profit or loss deviates from these estimates, the difference is recorded as income or expense in the next financial statements.

### Expenses

Operating expenses totalled EUR 16.5 million for the first quarter, as opposed to EUR 16.7 million for the same period in the previous year.

Life and non-life insurance claims totalled EUR 28.8 million for the quarter, compared with EUR 26.5 million for the same quarter in 2007.

The Group's total expenses, including insurance claims, amounted to EUR 45.3 million for first three months. In the first quarter of 2007 total expenses amounted to EUR 43.2 million.

### Operating results, financial expenses, and taxes

Loss before financial expenses amounted to EUR 29.2 million during the quarter, as opposed to a profit of EUR 624.8 million in the first three months of 2007.

Interest expenses totalled EUR 105.1 million, as compared with EUR 56.4 million in the first quarter of 2007.

Net foreign exchange gains amounted to EUR 88.4 million for the quarter, as against EUR 29.0 million for the same period in 2007.

Income tax was positive in the amount of EUR 2.0 million for the first quarter. It was positive by EUR 43.2 million in the same period the year before, after a deferred income tax liability was dissolved in the first quarter 2007.

## Consolidated Income Statement – by quarters

(EUR MILLIONS)	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Financial assets designated at fair value	-173.2	-104.6	32.0	35.3	38.2
Financial assets held for trading	58.5	-156.3	-37.3	36.4	110.8
Dividends	4.3	0.04	0.7	6.9	5.0
Interest income	28.5	30.3	23.2	19.3	18.4
Insurance premium	28.8	31.2	32.0	30.6	35.2
Share in profit of associates	64.6	48.4	92.5	158.3	457.0
Other revenue	4.6	7.2	4.2	3.3	3.3
<b>Revenue</b>	<b>16.1</b>	<b>-143.8</b>	<b>147.1</b>	<b>290.2</b>	<b>668.0</b>
Insurance claims	-28.8	-28.3	-25.1	-24.5	-26.5
Operating expenses	-16.5	-18.8	-14.5	-15.5	-16.7
<b>Expenses</b>	<b>-45.3</b>	<b>-47.1</b>	<b>-39.6</b>	<b>-40.0</b>	<b>-43.2</b>
<b>Profit (loss) before financial expenses</b>	<b>-29.2</b>	<b>-190.8</b>	<b>107.5</b>	<b>250.2</b>	<b>624.8</b>
Interest expenses	-105.1	-109.4	-106.2	-78.2	-56.4
Foreign exchange difference	88.4	-6.2	8.7	52.7	29.0
<b>Profit (loss) before tax</b>	<b>-45.9</b>	<b>-306.5</b>	<b>10.0</b>	<b>224.7</b>	<b>597.5</b>
Income tax	2.0	10.9	-2.6	-3.3	43.2
<b>Profit (loss) for the period</b>	<b>-43.8</b>	<b>-295.6</b>	<b>7.4</b>	<b>221.4</b>	<b>640.7</b>

## Performance of business units

Exista's operations are based on two main business units, Financial Services and Investments.

### Financial Services

Financial services generated an after-tax profit of EUR 67.2 million in the first quarter. Financial services, which account for approximately 84% of Exista's balance sheet, are divided into subsidiaries and associates. Subsidiaries in financial services are wholly owned by Exista and are accounted for as such in the consolidated financial statements. Associates in financial services are long-term strategic holdings and are recorded in Exista's accounts using the equity method.

The Group's total revenue from financial services for the quarter amounted to EUR 122.7 million. This includes insurance premiums of EUR 28.8 million, interest income of EUR 23.4 million, and investment revenue in the amount of EUR 70.3 million.

Total expenses of financial services amounted to EUR 41.5 million. Of that amount, insurance claims were EUR 28.8 million and operating expenses EUR 12.6 million.

Profit before financial items was EUR 81.3 million and financial items totalled EUR 13.6 million. Therefore, the profit before tax totalled EUR 67.7 million for the first three months of 2008.

The combined ratio for insurance underwriting was 119% in the first quarter of 2008, while the group's target is to maintain a combined ratio of less than 100% for the year. Claims costs were high in the quarter due to unfavourable external conditions, such as inclement winter weather in Iceland. From March 2007 to March 2008, the run rate for the combined ratio was 108%. Return on equity was 24% for the asset finance operations.

### Investments

Investments recorded an after-tax loss of EUR 111.0 million during the first quarter. Investments comprise Exista's shareholdings and investments in listed and unlisted companies. Investments are recorded at fair value in the Group's accounts and make up approximately 16% of Exista's balance sheet.

Investment revenue was negative in the amount of EUR 116.0 million. Interest income totalled EUR 5.1 million and other revenues EUR 4.3 million.

Total expenses were EUR 3.8 million. Loss before financial items totalled EUR 110.4 million, while financial items amounted to EUR 3.1 million. Therefore, the total loss before tax amounted to EUR 113.5 million in the first quarter.

(EUR MILLIONS)	FINANCIAL SERVICES	INVESTMENTS	TOTAL
Investment revenue	70.3	-116.0	-45.7
Insurance premium	28.8	-	28.8
Interest income	23.4	5.1	28.5
Other revenue.	0.3	4.3	4.6
<b>Revenue</b>	<b>122.7</b>	<b>-106.6</b>	<b>16.1</b>
Insurance claims	-28.8	-	-28.8
Operating expenses	-12.6	-3.8	-16.4
<b>Expenses</b>	<b>-41.5</b>	<b>-3.8</b>	<b>-45.3</b>
<b>Operating profit before financial items</b>	<b>81.3</b>	<b>-110.4</b>	<b>-29.2</b>
Financial items	-13.6	-3.1	-16.7
<b>Profit before tax</b>	<b>67.7</b>	<b>-113.5</b>	<b>-45.9</b>
Income tax	-0.5	2.5	2.0
<b>Profit after tax</b>	<b>67.2</b>	<b>-111.0</b>	<b>-43.8</b>

## Consolidated Balance Sheet

### Assets

Exista's total assets amounted to EUR 7,359 million as of 31 March, a decrease of EUR 651 million or 8.1% since the beginning of the year.

Financial assets at fair value totalled EUR 1,017 million at the end of the quarter, a decrease of EUR 106 million since the beginning of the year. Listed shares totalled approximately EUR 892 million and unlisted companies totalled EUR 125 million.

Financial assets held for trading, which consist mainly of the technical provisions of the insurance operations, totalled EUR 169 million at the end of the period. This was EUR 41 million less than at the beginning of the year.

Loans and receivables totalled EUR 783 million, down by EUR 2 million since the beginning of the year. Loans are mostly due to the Group's asset financing activities.

The Group's goodwill, valued at EUR 353 million at the end of the first quarter, is due to the purchase of insurance and asset financing businesses in 2006. Goodwill was EUR 117 million lower on 31 March 2008 than at the beginning of the year, accounting for less than 5% of total assets.

Holdings in associated companies were valued at EUR 4,440 million as of 31 March 2008. These are predominantly the holdings in the financial services associates Sampo Group and Kaupthing Bank. In Exista's accounts, the book value of associates was EUR 1,240 million above market value according to the market prices of 31 March 2008, as is further discussed on page 7.

Reinsurance assets totalled EUR 10 million as of 31 March 2008. Investment properties totalled EUR 52 million, and other properties and equipment amounted to EUR 21 million.

Cash amounted to EUR 485 million as of 31 March 2008. Other assets totalled EUR 29 million.

### Liabilities and equity

Exista's total liabilities amounted to EUR 5,026 million as of 31 March 2008, having decreased by EUR 616 million since the beginning of the year. In essence, Exista's liabilities consist of borrowings, hybrid securities and technical provisions.

Borrowings totalled EUR 4,364 million at the end of the quarter, a decrease of approximately EUR 759 million since the beginning of the year.

Hybrid securities amounted to EUR 255 million at the end of the quarter.

Technical provisions totalled EUR 193 million and decreased by EUR 29 million over the three month period.

The Group's deferred income tax liability amounted to EUR 11 million at the end of the quarter, as opposed to EUR 19 million at the beginning of the year.

The Group's equity totalled EUR 2,333 million as of 31 March 2008, a decrease of EUR 35 million since the beginning of the year. The Board of Exista decided to use its authorisation to increase the shares capital of the company by up to 2.8 billion shares to fulfil its obligations for the acquisition of Skipti.

The Group's equity ratio was 35,2% as of 31 March 2008. Excluding hybrid securities, the equity ratio was 31,7%.

## Consolidated Balance Sheet

(EUR MILLIONS)	31 MAR 2008	31 DEC 2007	CHANGE
<b>ASSETS</b>			
Financial assets designated at fair value through profit and loss	1,017.2	1,123.4	-9%
Financial assets held for trading	168.8	210.2	-20%
Loans and accounts receivable	782.8	785.0	-
Goodwill and other intangibles	352.9	469.4	-25%
Associates	4,439.8	4,737.6	-6%
Reinsurance assets	10.1	10.1	-
Investment properties	52.1	70.1	-26%
Property and equipment	21.4	27.6	-22%
Cash and cash equivalents	485.5	567.6	-14%
Other assets	28.9	9.5	204%
<b>Total assets</b>	<b>7,359.5</b>	<b>8,010.5</b>	<b>-8%</b>
<b>EQUITY</b>			
Share capital	143.5	120.6	19%
Reserves	722.0	736.3	-2%
Retained earnings	1,467.6	1,511.3	-3%
<b>Shareholders' equity</b>	<b>2,333.2</b>	<b>2,368.1</b>	<b>-1%</b>
Minority interest	0.3	0.6	-50%
<b>Total equity</b>	<b>2,333.5</b>	<b>2,368.7</b>	<b>-1%</b>
<b>LIABILITIES</b>			
Borrowings	4,364.3	5,123.7	-15%
Hybrid securities	255.4	250.0	2%
Technical provisions	192.6	221.5	-13%
Deferred Income tax liability	10.6	18.8	-44%
Other liabilities	203.1	27.8	631%
<b>Total liabilities</b>	<b>5,025.6</b>	<b>5,641.8</b>	<b>-11%</b>
<b>Total equity and liabilities</b>	<b>7,359.5</b>	<b>8,010.5</b>	<b>-8%</b>

## Strong liquidity position

As a result of a successful funding strategy, Exista is in a particularly good position when it comes to liquidity.

At the end of the first quarter, the Group's committed liquidity covered 89 weeks of refinancing obligations. The Group therefore has sufficient funds to meet maturing liabilities until December 2009. Committed liquidity includes cash, committed credit lines and repo-eligible securities. Not included are other liquid assets, estimated cash generation from insurance and asset finance activities, and pending dividends.

Committed liquidity at the end of January was composed of 42% cash, 41% committed lines and 11% repo-eligible securities.

Exista's funding and liquidity strategy focuses on three key principles: diversifying funding sources, extending maturities and maintaining strong liquidity.

## Market value of associates

On 1 January 2007, Sampo Group and Kaupthing Bank became associated companies in Exista's accounts. Exista currently holds 24.75% of share capital in Kaupthing Bank and 19.98% in Sampo. These are long-term strategic holdings in Exista's core activity, financial services.

Associates are accounted for by the equity method and are not affected by short-term market fluctuations in share prices. In market cycles, the prevailing market value of an associate can become markedly higher or lower than the book value. As of 31 March 2008, the market value of Exista's associated companies was EUR 1,240 million lower than the book value.

(EUR MILLIONS)	31 MAR 2008
Book value of associates	4,440
Market value of associates	3,200
<b>Book value in excess of market value</b>	<b>1,240</b>

Holdings other than associates, including Bakkavör Group and Storebrand, are accounted for by the fair value method.

## New shares in Exista offered for shares in Skipti

On 19 March 2008, the telecommunications company Skipti hf. was listed on the Nasdaq OMX in Iceland. The same day, the Board of Directors of Exista decided to submit a voluntary takeover bid for the entire share capital of Skipti. Exista offered ISK 6.64 per share, which was the offering price in connection with Skipti's listing. It is the Board's opinion that the offer price fairly reflects the current real value of the company. Exista intends to explore the possibility of listing Skipti again when the financial markets have stabilised.

Exista pays with new own shares priced at ISK 10.1 a share, which was the closing price on 18 March 2008. Hence, the Board of Directors will exercise its authorisation to issue up to 2,842,151,050 new shares in Exista. As a result, Exista's share capital will increase from 11,361,092,458 shares to a maximum of up to 14,203,243,508 shares.

On 7 April 2008, the Board of Directors of Skipti decided to request to have Skipti's shares removed from trading on the stock exchange. Before the bid, Exista and subsidiaries held 43.7% of Skipti share capital. Shareholders controlling approximately 97% of share capital have accepted Exista's offer. The offer remains valid until 26 May 2008.



## Results of the 2008 AGM

Exista's Annual General Meeting was held on 28 February 2008. The meeting approved a proposal not to pay dividends for the year 2007 amidst the currently volatile global markets.

The meeting approved the proposal to grant the Board the authority to decide to issue share capital in euros instead of Icelandic krónur if the Board considers it feasible. Furthermore, the AGM approved the motion to authorise the Board to issue up to 7 billion new shares.

The following were elected to the Board of Directors for a term of one year:

Ágúst Guðmundsson, Great Britain  
Bogi Óskar Pálsson, Iceland  
Guðmundur Hauksson, Iceland  
Hildur Árnadóttir, Iceland  
Lýður Guðmundsson, Great Britain  
Robert Tchenguiz, Great Britain  
Sigurjón Rúnar Rafnsson, Iceland

The new Board elected Lýður Guðmundsson as Chairman of the Board of Directors.

Lýður Guðmundsson was also elected on the Boards of Sampo Group and Kaupthing Bank on their respective Annual General Meetings, and he was elected on the Board of Storebrand on the AGM in April.

## Possible cancellation of shares in Sampo

According to published information, Sampo currently holds a total of 6,715,000 of its own A shares. As was pointed out by Sampo's CEO at the Annual General Meeting on 15 April 2008, one of the options available to Sampo is to decide to cancel its own shares and thereby increase the share of existing holdings proportionally. Exista has been authorised by the Finnish Insurance Supervisory Authority to hold up to 20% of the share capital in Sampo. Should Sampo decide to cancel part or all of its own shares in coming months, Exista will sell up to 1.3 million shares, or approximately 50% of one day's average trading volume of Sampo shares, in order to maintain its current 19.98% shareholding in Sampo unchanged.

## Outlook

Exista's performance is based primarily on three factors: the performance of operating businesses in the insurance and asset financing sectors, the Group's share in the performance of associates, and developments in the market price of other assets. The operations and the fundamental business of subsidiaries and associates are solid, and the same applies to the Group's largest investments. However, Exista's performance remains subject to uncertainty and may be affected by fluctuations that are beyond the Group's control, such as overall developments in the financial markets and price trends in the Group's assets.

## Board approval and Auditors' certification

The Exista Board of Directors approved the interim financial statements at a Board meeting held today, 29 April 2008. The financial statements have been reviewed by the Company's auditing firm, Deloitte hf.

## Presentation of Q1 results

Presentations of Exista's Q1 2008 results will be held in Reykjavik and London.

### **Presentation 30 April in Reykjavík**

A presentation of Exista's first quarter results will be held on Wednesday 30 April at 8:00am local time (9:00am UK time, 10:00am CEST). At the presentation Exista's management will present the Group's interim accounts and answer questions.

The presentation will take place at Exista's headquarters at Ármúli 3 in Reykjavik. The building opens at 7:45am and a light breakfast will be served before the presentation begins.

The meeting will be held in English and is open to shareholders, analysts and market participants.

### **Real-time webcast and telephone access 30 April**

The presentation in Reykjavik will be webcast in real time on Exista's website, [www.exista.com](http://www.exista.com). The webcast begins at 8:00am (9:00am UK time, 10:00am CEST).

Participants can also phone into the meeting and ask questions by calling +44 (0)20 3043 2436 (UK number) or +354 800 8660 (Icelandic number).

After the meeting, the presentation material and a recording of the meeting will be available on Exista's website, [www.exista.com](http://www.exista.com).

### **Presentation 1 May in London**

On Thursday 1 May, at 9:00am London time, a presentation of the first quarter accounts will be held at Exista's offices at 3 Sheldon Square, 5<sup>th</sup> floor, Paddington Central, London W2 6HY. At the presentation Exista's management will present the accounts and answer questions.

Registration will begin at 8:30am and a light breakfast will be served before the presentation begins.

## Financial calendar 2008

The dates of publication for the next financial statements of Exista are as follows:

- Second quarter: 31 July 2008
- Third quarter: 31 October 2008
- Fourth quarter: 30 January 2009

## Further information

For further information on the financial statements, please contact Exista Group Communications, Sigurdur Nordal, Managing Director, tel: +354 550 8620 or by e-mail: [ir@exista.com](mailto:ir@exista.com).