



Interim Report

January – June 2007





26 July 2007

Exista hf. operating results for the first six months of 2007

Today the financial services company Exista hf. published its interim financial statements for the first six months of the year 2007.

Performance in the second quarter:

- After-tax profit EUR 221 million
- Earnings per share during the period 1.96 cents
- Annualised return on equity 32%

Main results from the interim financial statements for the period January through June 2007:

- After-tax profit EUR 862 million
- Earnings per share during the period 7.65 cents
- Annualised return on equity 70%
- Operating Businesses yielded a profit of EUR 210 million after taxes
- Investment Businesses yielded a profit of EUR 652 million after taxes
- Total assets EUR 7.7 billion at the end of June, an increase of 75% during the first half of the year
- Total equity EUR 2.8 billion, an increase of 49% during the first half of the year
- Equity ratio 36.7% at the end of the period

Lýður Gudmundsson, Executive Chairman of the Board:

"Operations in the second quarter were sound, and Exista turned in a strong performance for the first six months of the year. Market conditions have been favourable, which has facilitated the Group's development. We are working steadily toward our objective of creating an even broader revenue base for Exista."

For further information on the Group's interim accounts, please contact:

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About Exista

Exista hf. is a financial services group with particular focus on insurance and asset finance. As an international investor, Exista also has strategic holdings in several companies, including Sampo Group, Kaupthing Bank, Bakkavör Group, and Iceland Telecom. Exista's goal is to use its financial strength for the further development of its business in Northern Europe.

Information on Exista hf. and its financial statements can be found on the Group's website: www.exista.com.

About the interim financial statements

The financial statements for Exista hf. are prepared in accordance with the International Financial Reporting Standards (IFRSs). The interim financial statements have been reviewed by the Group's auditors, Deloitte hf.

To facilitate comparison between years, it is appropriate to point out the primary changes made in Exista's operations and accounting methods between 2006 and 2007:

- As of the beginning of 2007, the Group's financial statements are prepared in euros. Prior to that time, they were prepared in Icelandic krónas.
- Since the beginning of the year, the equity method has been used to record the Group's strategic holdings in financial companies, whereas all strategic holdings were previously recorded at fair value. Strategic holdings in companies not engaged in financial services will continue to be assessed at fair value.
- As of 1 June 2006, the insurance company Vátryggingafélag Íslands (VÍS) and the asset financing company Lýsing were included in the accounts of the Exista Group, as were other assets held by the holding company VÍS eignarhaldsfélag hf. This affects the Group's revenue and expense items, as well as its balance sheet.

Consolidated Income Statement

Profit

Exista's profit before tax for the second quarter of 2007 was EUR 225 million, while in the same period a year ago it was negative in the amount of EUR 132 million. Profit before tax for the first six months of the year totalled EUR 822 million.

Profit after tax totalled EUR 221 million in the second quarter and EUR 862 million for the first six months of the year. For the first half of 2006, net earnings were negative in the amount of EUR 38 million.

Earnings per share were 7.65 cents for the period from January through June 2007, and annualised return on equity was 70.2%.

Revenue

The Group's total revenue amounted to EUR 290 million in the second quarter. Revenue amounted to EUR 958 million for the first half of the year, as opposed to EUR 75 million for the same period in 2006.

Financial assets at fair value yielded capital gains of EUR 35 million for the second quarter and EUR 73 million for the first half of 2007, while gains on financial assets totalled EUR 11 million for the first six months of 2006.

Financial assets held for trading yielded gains of EUR 36 million in the second quarter. Gains on financial assets held for trading totalled EUR 147 million during the six-month period, as opposed to EUR 21 million during the same period a year ago.

Dividend income according to the income statement totalled EUR 7 million in the second quarter and EUR 12 million for the first six months of the year. Dividend income totalled EUR 20 million during the first half of 2006. The year-on-year reduction can be explained by the fact that the dividends received for strategic holdings in financial companies are not recorded in the income statement, as they were a year ago; instead, dividends of associated companies, in the amount of EUR 135 million, are now recorded as a reduction in book value in the balance sheet.

Interest income, which is generated primarily by the Company's asset financing operations, totalled EUR 19 million during the second quarter and EUR 38 million for the first half of the year. Interest income amounted to EUR 10 million for the first half of 2006, as asset financing activities were first included in the Group accounts in June of that year.

Premium income from insurance companies was also included in the Group accounts for the first time in June 2006. Income from life and non-life insurance premiums totalled EUR 31 million during the second quarter and EUR 66 million during the first half of 2007. A reduction in premium income between quarters is due to the sale of the UK insurance company IGI in April.

Share in profit of associates totalled EUR 158 million in the second quarter and EUR 615 million for the first six months of the year. The calculation of Exista's share in the quarterly profits of the financial companies Sampo Group and Kaupthing Bank is based on the market consensus concerning these companies' profit for the period. If actual profit deviates from these estimates, the difference is recorded as income or expense in the next financial statements.

Expenses

The Group's total expenses, including insurance claims, totalled EUR 40 million for the second quarter and EUR 83 million for the first half of the year. During the first six months of 2006, however, total expenses were EUR 17 million, which reflects the effect that the addition of insurance and asset finance businesses has had on the Group's operations.

Life and non-life insurance claims, which were first included in the Group accounts in June 2006, totalled EUR 25 million in the second quarter and EUR 51 million for the first six months of the year.

Operating expenses totalled EUR 15 million in the second quarter and EUR 32 million for the first six months of 2007. Operating expenses amounted to EUR 9 million in the first half of 2006.

Operating profit, financial expenses, and taxes

Profit before financial expenses amounted to EUR 250 million for the second quarter, while it was negative in the amount of EUR 88 million during the same period a year ago. Profit before financial expenses totalled EUR 875 million for the first six months of the year, as opposed to EUR 58 million during the same period in 2006.

Interest expenses totalled EUR 78 million in the second quarter and EUR 135 million for the first six months of the year. Interest expenses were EUR 39 million for the first half of 2006.

The foreign exchange difference was positive in the amount of EUR 53 million during the second quarter, and EUR 82 million for the first six months of the year, whereas it was negative in the amount of EUR 61 million in the first half of 2006. In this context, it should be noted that Exista's accounting currency is now the euro instead of the Icelandic króna. This has led to changes in the Group's currency hedging. In accordance with IFRS hedge accounting, currency hedging is now recorded in the Group accounts as a change in equity offsetting the translation reserve.

Income tax amounted to EUR 3 million in the second quarter and was positive in the amount of EUR 40 million for the first six months of the year. This is explained by the deferred income tax liability that was dissolved in the first quarter.

Consolidated Income Statement

(EUR millions)	Jan-Jun 2007	Jan-Jun 2006	Change
Financial assets designated at fair value.....	73.5	11.2	62.2
Financial assets held for trading	147.3	21.3	125.9
Dividends	12.0	19.6	-7.7
Interest income	37.8	10.2	27.6
Insurance premium	65.8	11.5	54.4
Share in profit of associates	615.3	0.0	615.3
Other revenue.....	6.6	1.1	5.5
Revenue	958.2	74.9	883.3
Insurance claims	-51.0	-7.4	-43.6
Operating expenses	-32.2	-9.4	-22.8
Expenses	-83.2	-16.8	-66.4
Profit before financial expenses	875.0	58.1	816.9
Interest expense	-134.6	-39.1	-95.5
Foreign exchange difference	81.8	-61.0	142.8
Profit (loss) before tax	822.1	-42.1	864.2
Income tax	39.9	3.7	36.3
Profit (loss) for the period	862.1	-38.4	900.5

(EUR millions)	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Financial assets designated at fair value.....	35.3	38.2	24.6	309.0	-95.7
Financial assets held for trading	36.4	110.8	103.8	2.9	1.0
Dividends	6.9	5.0	58.3	0.5	0.2
Interest income	19.3	18.4	22.8	16.8	9.1
Insurance premium	30.6	35.2	25.6	35.0	10.5
Share in profit of associates	158.3	457.0	0.0	0.0	0.0
Other revenue.....	3.3	3.3	2.5	3.7	1.1
Revenue	290.2	668.0	237.5	368.0	-73.7
Insurance claims	-24.5	-26.5	-21.8	-28.1	-6.8
Operating expenses	-15.5	-16.7	-17.6	-23.2	-7.3
Expenses	-40.0	-43.2	-39.4	-51.2	-14.1
Profit (loss) before financial expenses	250.2	624.8	198.0	316.8	-87.9
Interest expense	-78.2	-56.4	-37.7	-26.7	-21.3
Foreign exchange difference	52.7	29.0	-8.0	20.2	-23.0
Profit (loss) before tax	224.7	597.5	152.3	310.3	-132.2
Income tax	-3.3	43.2	-4.8	-8.3	6.3
Profit (loss) for the period	221.4	640.7	147.4	302.0	-125.9

Performance of business divisions

The financial services group Exista bases its operations on two main business divisions: Operating Businesses and Investment Businesses.

Operating Businesses

Operating businesses recorded an after-tax profit of EUR 36 million during the second quarter. The division's after-tax profit for the first six months of the year totalled EUR 210 million. The function referred to collectively as Operating Businesses includes Exista Insurance, Exista Asset Finance, and Exista Trading. Exista Trading is responsible for asset management for the Group's subsidiaries, as well managing proprietary trading for the parent company.

The Group's total revenue from operating businesses amounted to EUR 82 million in the second quarter. Of that total, insurance premiums accounted for EUR 31 million, interest income EUR 19 million, and investment revenue EUR 30 million. Total revenue for the first half of the year amounted to EUR 256 million, including insurance premiums of EUR 66 million, interest income of EUR 36 million, and investment revenue of EUR 147 million.

Total expenses of operating businesses amounted to EUR 36 million in the second quarter. Of that amount, insurance claims were EUR 25 million and operating expenses EUR 11 million. Total expenses amounted to EUR 75 million for the first six months of the year, including EUR 51 million in insurance claims and EUR 24 million in operating expenses.

Profit before financial expenses amounted to EUR 47 million for the second quarter, while financial expenses totalled EUR 7 million. Profit before tax therefore amounted to EUR 39 million. For the first six months of the year, profit before financial expenses was EUR 181 million, and financial expenses totalled EUR 11 million; therefore, profit before tax totalled EUR 170 million.

Results from Operating Businesses

(EUR millions)	Jan-Jun 2007	Q2 2007	Q1 2007
Investment revenue	147.4	29.8	117.6
Insurance premium.....	65.8	30.6	35.2
Interest income	36.2	18.5	17.7
Other revenue	6.5	3.3	3.2
Revenue	255.9	82.2	173.8
Insurance claims	-51.0	-24.5	-26.5
Operating expenses	-23.5	-11.1	-12.4
Expenses	-74.5	-35.6	-38.9
Profit before financial expenses.....	181.4	46.5	134.9
Financial expenses	-11.4	-7.3	-4.1
Profit before tax	170.0	39.2	130.8
Income tax	39.9	-3.3	43.2
Profit after tax	210.0	35.9	174.0

Despite some high claims during the current year, operations at VÍS Insurance have gone largely as planned, and the company's combined ratio continues to drop. The combined ratio was 105% for the first half of the year, whereas it was 120% during the same period a year ago.

Profit from asset financing totalled EUR 6.3 million for the first six months of the year, and Lýsing's annualised return on equity was 22.2%.

Investment Businesses

Investment businesses recorded an after-tax profit of EUR 185 million during the second quarter. After-tax profit for the first six months of the year totalled EUR 652 million. The Investment Businesses comprise the Group's strategic holdings, including Sampo Group, Kaupthing Bank, and Bakkavör Group, as well as other investment activities.

Revenues for investment businesses amounted to EUR 208 million during the second quarter and EUR 702 million for the first six months of the year.

Total expenses were EUR 4 million in the second quarter and EUR 9 million for the first half of the year.

Profit before financial expenses amounted to EUR 204 million, and financial expenses totalled EUR 18 million; therefore, profit before tax amounted to EUR 185 million for the quarter. In the first half of the year, profit before financial expenses totalled EUR 694 million, while financial expenses amounted to EUR 41 million. Profit before tax therefore totalled EUR 652 million for the six-month period.

Results from Investment Businesses

(EUR millions)	Jan-Jun 2007	Q2 2007	Q1 2007
Investment revenue	700.6	207.1	493.4
Interest income	1.5	0.8	0.7
Other revenue	0.1	0.1	0.1
Revenue	702.2	208.1	494.2
Operating expenses	-8.6	-4.4	-4.3
Expenses	-8.6	-4.4	-4.3
Profit before financial expenses	693.6	203.7	489.9
Financial expenses	-41.5	-18.2	-23.3
Profit before tax	652.1	185.5	466.7
Income tax	0.0	0.0	0.0
Profit after tax	652.1	185.5	466.6

Consolidated Balance Sheet

Assets

Exista's total assets amounted to EUR 7,709 million as of 30 June 2007, an increase of EUR 3,314 million, or 75%, since the beginning of the year. The increase is explained in part by the Company's purchase of its stake in the Nordic financial services company Sampo Group.

Financial assets at fair value totalled EUR 991 million at the end of June. This is a decrease of EUR 1,281 million, or 56%, since the beginning of the year. The main reason for this change is that the Group's share in Kaupthing Bank is no longer entered at fair value, as it was last year, but rather accounted for by equity method, as a share in the profit of an associate. Listed shares, which totalled approximately EUR 769 million, consist primarily of shares in Bakkavör Group (EUR 706 million). Shares in unlisted companies, which totalled EUR 222 million, consist largely of shares in Skipti, Iceland Telecom (EUR 161 million). Unlisted shares are recorded at the original purchase price.

Financial assets held for trading totalled EUR 643 million at the end of the second quarter, after having decreased by roughly EUR 194 million since the beginning of the year. The vast majority of financial assets held for trading, or EUR 531 million, are listed equities, bonds, and funds.

Loans and accounts receivable totalled some EUR 769 million at the end of June, up 9% since the beginning of the year, and are mostly due to the Group's asset financing activities. Asset financing agreements and loans totalled EUR 697 million at the end of the second quarter.

The Group's goodwill was valued at EUR 505 million as of the end of June and is due to the purchase of insurance and asset financing businesses. During the second quarter, the Group completed the allocation of its goodwill, which accounts for less than 7% of total assets.

Holdings in associated companies were valued at EUR 4,612 million at the end of June. A substantial portion of these holdings is the Group's stake in the financial services companies Sampo Group and Kaupthing Bank. In the Company's accounts, the book value of these assets is EUR 19 million under market value according to the market price of 30 June.

Reinsurance assets totalled EUR 14 million at the end of June. Operational assets totalled EUR 28 million, while cash and cash equivalents amounted to EUR 110 million at the end of the second quarter, an increase of 44% since the beginning of the year. Other assets totalled EUR 31 million.

Liabilities and equity

Exista's total liabilities amounted to EUR 4,882 million as of 30 June 2007, which is an increase of EUR 2,387 million since the beginning of the year. In broad terms, Exista's liabilities consist of borrowings and technical provisions.

Borrowings totalled EUR 4,575 million at the end of June, an increase of approximately EUR 2,392 million since the beginning of the year. Of Exista's outstanding borrowings at the end of the quarter, EUR 643 million is related to asset financing activities.

Technical provisions totalled EUR 255 million at the end of the second quarter, after having increased by roughly EUR 31 million since the beginning of the year.

The Group's deferred income tax liability amounted to EUR 28 million at the end of June, as opposed to EUR 60 million at the beginning of the year.

The Group's equity totalled EUR 2,828 million as of 30 June 2007, which is an increase of EUR 928 million, or 49%, since the beginning of the year.

The Group's equity ratio was 36.7% as of 30 June 2007; however, the equity ratio was 39.6% if the Company's asset financing activities are excluded. The legally required minimum CAD ratio for asset financing businesses in Iceland is 8%, whereas Lýsing's CAD ratio was 11.49% at the end of June.

Consolidated Balance Sheet

(EUR millions)	30 Jun 2007	31 Dec 2006	Change
Assets			
Financial assets designated at fair value.....	991	2,273	-56%
Financial assets held for trading	643	837	-23%
Loans and accounts receivable	769	704	9%
Goodwill and other intangibles.....	512	465	9%
Associates.....	4,612	0	
Reinsurance assets	14	16	-14%
Operational assets	28	12	130%
Cash and cash equivalents	110	76	44%
Other assets.....	31	13	192%
Total assets	7,709	4,395	75%
Equity			
Share capital	121	112	7%
Statutory reserves	23	23	0%
Capital reserves	892	698	28%
Other reserves	-8	0	
Retained earnings	1,800	1,061	70%
Shareholders' equity	2,827	1,894	49%
Minority interest.....	0	6	
Total equity.....	2,828	1,900	49%
Liabilities			
Borrowings	4,575	2,183	110%
Technical provisions	255	224	14%
Deferred Income tax liability	28	60	-54%
Other liabilities	24	28	-15%
Total liabilities	4,882	2,495	96%
Total equity and liabilities	7,709	4,395	75%

Events in the second quarter of 2007

London office

Exista's office at Sheldon Square in London was formally opened on 5 June. Several key office staff members have been hired recently, including members of the analysis team and the legal department. The primary role of Exista's London office is to support the further expansion and development of the Group through research and analysis, investment and legal support, and other things.

Changes in internal structure of balance sheet

Changes have been made to the internal structure of the Group's balance sheet, and a portion of the operations of the subsidiaries VÍS and LÍFÍS has been merged with the parent company. These changes aim at the re-organisation of the insurance companies' balance sheets in view of their core operations, and they involve a reduction in equity for the subsidiaries, as well as changes in portfolio due to a regulation on the equalisation of assets against technical provisions. The changes are also intended to streamline asset management within the Exista Group and to increase transparency. In other respects, VÍS and LÍFÍS retain all of their assets, rights, liabilities, commitments, and operations unchanged.

The transition of companies and their mergers with Exista hf. have an insignificant effect on the interim financial statements.

Exista Properties

Exista has established a real estate company, Exista Properties, which, among other things, administers the real estate holdings of Exista and its subsidiaries. The aim is to develop the company further through participation in real estate projects.

Outlook for the year 2007

Exista's performance is based primarily on three factors: the performance of operating businesses in the insurance and asset financing sectors, its share in the performance of strategic holdings in the financial services sector, and developments in the market price of other assets.

The performance of operating businesses is in line with expectations, and improvements in insurance operations have already proven quite successful. In general, it is expected that the performance of the Group's largest strategic holdings will be favourable in the near future. This applies both to associated financial companies and to companies in other sectors that are entered at market value. Exista's return on equity has been in accordance with expectations.

In the opinion of Exista's management, the Group rests on a strong foundation of sound operations and reliable assets. The Group is working systematically toward strengthening and increasing its revenue base for the long term. Management's aim is to continue to enhance operations in the financial services and to utilise the Group's financial strength in the best way possible for investment in quality assets.

It is appropriate to emphasise that Exista hf.'s performance is subject to uncertainty and may be affected by fluctuations that are beyond the Company's control, such as overall developments in the financial markets and price trends in the Group's assets.

Other information about the interim financial statements

Board approval and Auditors' certification

The Exista Board of Directors of approved the Company's interim financial statements for the first six months of 2007 at a Board meeting held today, 26 July 2007. The interim financial statements have been reviewed by the Company's auditing firm, Deloitte hf.

Presentation of operating results

A presentation of Exista's second quarter results will be held on Monday 30 July 2007, 9:30am GMT London (8:30am Icelandic time, 10:30am CET). At the presentation Exista's management will present the Company's interim accounts and answer questions.

The presentation will take place at Exista's headquarters in Reykjavík at Ármúli 3. Breakfast will be served from 8:00 local time.

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

The presentation will be webcast in real time on Exista's website, www.exista.com. The webcast begins at 8:30 local time (9:30am GMT London, 10:30am CET).

Participants can also phone into the meeting and ask questions by calling +44 (0) 208 817 9301 (UK number).

After the meeting, the presentation material and a video recording from the meeting will be available on Exista's website, www.exista.com.

Financial calendar for 2007

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

- Third quarter: 25 October 2007
- Fourth quarter and 2007 annual accounts: 31 January 2008

Further information

For further information on the financial statements, please contact Sigurdur Nordal, Managing Director of Group Communications, at tel: +354 550 8620 or +354 860 8620.



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