



Interim Report
First quarter 2007





26 April 2007

Exista operating results for the first quarter of 2007

Today the financial services group Exista hf. published its reviewed interim financial statements for the first three months of the year 2007. In accordance with the announcements made by the Group in its last report of operating results, dated 8 February 2007, the following changes have been made in Exista's accounting methods as of the beginning of the calendar year:

- Strategic investments in financial companies — that is, in Sampo Group and Kaupthing Bank — will henceforth be accounted for by equity method.
- The Board of Directors of Exista has decided to utilise an authorisation to present its financial statements in euros beginning with the first quarter of 2007.

According to the interim financial statements for the first quarter of 2007, the primary results for the period are as follows:

- Profit EUR 641 million after tax
- Earnings per share EUR 0.06
- Annualised return on equity 112.8%
- Operating profit from investment businesses EUR 467 million after tax
- Operating profit from operating businesses EUR 174 million after tax
- Total assets EUR 6.76 billion at the end of March 2007, an increase of 54% during the period
- Equity EUR 2.64 billion at the end of March, an increase of 39% since the beginning of the year
- Funding in the first quarter totalled EUR 1.67 billion
- Equity ratio 39.1% as of 31 March 2007

Lýdur Gudmundsson, Executive Chairman:

"Exista's performance was extremely sound during the first quarter. In some ways, today's report marks a turning point for the Group. Recording our long-term holdings in Kaupthing Bank and Sampo using the equity method further highlights the importance of financial services in our revenue generation and strengthens our revenue base. It is also a logical step for us to carry out our accounting in euros, as Exista operates in international markets. The overall operation of the Group is going well, and the outlook is generally positive for our strategic holdings. We will continue to build on our solid foundations, with the aim of securing strong long-term returns for our shareholders."

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.

For further information on Exista and the interim results, please visit the Group's website: www.exista.com

About the interim financial statements

The interim financial statements for Exista hf. for the first quarter of 2007 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and have been reviewed by the Group's auditors. Two fundamental changes have been made in the Group's accounting methods since the issuance of the last financial statements:

- As was stated in Exista's last report of operating results, dated 8 February 2007, the Board of Directors has decided to change the accounting method pertaining to its long-term holdings in financial companies as of the first quarter of 2007. The equity method is now used for the Group's strategic holdings in financial companies, whereas all strategic holdings were previously recorded at fair value. By doing this, the Group emphasises financial services as the core of its operations for the long term. Strategic holdings in companies not engaged in financial services will continue to be assessed at fair value.
- Exista's report of 8 February 2007 stated that the Company had filed an application to the Register of Annual Accounts prior to 1 November 2006, requesting permission to record its financial statements in euros beginning in the first quarter of 2007. This permission has been granted, and Exista's Board has decided to utilise it.

It is appropriate to stress that, as of 1 June 2006, the insurance company VÍS and the asset financing company Lýsing were included in Exista's consolidated accounts, as were other assets of VÍS Holdings. The addition of those businesses made a substantial impact on revenue and expense items for the Group, as well as affecting the balance sheet.

It is therefore clear that the Company and its accounts have changed considerably, and this must be taken into consideration in any comparison between quarters and years.

The following EUR/ISK exchange rates are used in comparisons:

- Average exchange rate for the first quarter of 2006: 78.46
- Average exchange rate for the first quarter of 2007: 89.26
- Year-end exchange rate as of 31 December 2006: 94.61
- Closing exchange rate for the quarter ending 31 March 2007: 87.63

Consolidated Income Statement

Profit

Exista's profit before tax for the first quarter of 2007 was EUR 597.5 million, as opposed to EUR 110.2 million for the same period in 2006. After-tax profit totalled EUR 640.7 million, compared with EUR 106.8 million for the same period in the prior year.

Earnings per share were EUR 0.06. Annualised return on equity for the quarter was 112.8%.

Revenues

The Group's total revenue amounted to EUR 668.0 million for the first quarter, whereas it totalled EUR 168.2 million in the same period a year ago.

Financial assets at fair value yielded capital gains of EUR 38.2 million for the first quarter, as opposed to EUR 125.0 million for the same period in 2006. This year-on-year drop is explained primarily by the fact that trading gains on shares in Kaupthing Bank are no longer recorded as they were previously; instead, the Company records its holdings in the bank using the equity method, as is discussed in greater detail later in this report.

Financial assets held for trading yielded gains of EUR 110.8 million during the period, as opposed to EUR 22.0 million during the same period a year ago.

The Group's dividend income according to the income statement amounted to EUR 5.0 million for the first quarter, as compared with EUR 21.0 million for the same period in 2006. This reduction is explained chiefly by the fact that dividends received from Kaupthing Bank, which totalled EUR 26.7 million for the first quarter of 2007, are no longer recorded as income. Dividends of associated companies are recorded as a reduction in book value in the balance sheet.

Interest income, which is generated primarily by the Group's asset financing operations, totalled EUR 18.4 million during the quarter. Asset financing activities were first included in the Group accounts in June 2006; therefore, interest income was negligible during the first quarter 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 35.2 million during the first quarter of 2007.

As is explained above, Exista now records its share in the profit of the financial companies Sampo Group and Kaupthing Bank. *Share in profit of associates* is therefore a new item in the Group accounts this quarter, totalling EUR 457.0 million. The share of its profit is based on market estimates (market consensus) for the companies in question during the period. If actual profit deviates from estimated profit, the difference is recorded as income or expense in the next financial statements.

Expenses

The Group's total expenses, including insurance claims, totalled EUR 43.2 million for the first quarter. During the same period in 2006, total expenses amounted to only EUR 1.6 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 totalled EUR 26.5 million during the first quarter of 2007, were not included in the Group accounts during the same period a year ago. Operating expenses were EUR 16.7 million during the first quarter.

Operating profit, financial expenses, and taxes

The Group's profit before financial expenses amounted to EUR 624.8 million for the first quarter, whereas it totalled EUR 166.6 million for the same period a year ago.

Interest expenses amounted to EUR 56.4 million for the first quarter, as opposed to EUR 17.4 million in the first quarter of 2006.

Net foreign exchange difference was positive in the amount of EUR 29.0 million during the first quarter, whereas it was negative in the amount of EUR 39.1 million for the same period a year ago. In recent years, Exista has financed a portion of its long-term Icelandic assets in currencies other than the Icelandic króna because of the high interest rates in Iceland.

Income tax was positive in the amount of EUR 43.2 million during the period, while it was negative in the amount of EUR 3.4 million during the same period a year ago. As was stated in the Company's last financial report, a deferred income tax liability was dissolved in the first quarter.

Consolidated Income Statement - by quarters

(EUR millions)	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Financial assets designated at fair value	38.2	24.6	309.0	-95.7	125.0
Financial assets held for trading.....	110.8	103.8	2.9	1.0	22.0
Dividend	5.0	58.3	0.5	0.2	21.0
Interest revenues	18.4	22.8	16.8	9.1	0.2
Insurance premiums	35.2	25.6	35.0	10.5	0.0
Share in profit of associates	457.0	0.0	0.0	0.0	0.0
Other revenue.....	3.3	2.5	3.7	1.1	0.0
Revenue	668.0	237.5	368.0	-73.7	168.2
Insurance claims	-26.5	-21.8	-28.1	-6.8	0.0
Operating expenses	-16.7	-17.6	-23.2	-7.3	-1.6
Expenses	-43.2	-39.4	-51.2	-14.1	-1.6
Profit before financial expenses	624.8	198.0	316.8	-87.9	166.6
Interest expense	-56.4	-37.7	-26.7	-21.3	-17.4
Net foreign exchange gains (losses)	29.0	-8.0	20.2	-23.0	-39.1
Profit before tax	597.5	152.3	310.3	-132.2	110.2
Income tax	43.2	-4.8	-8.3	6.3	-3.4
Profit for the period	640.7	147.4	302.0	-125.9	106.8

Performance of business divisions

Exista's operations are based on two main business divisions: Operating Businesses and Investment Businesses.

Operating Businesses

Operating businesses recorded an after-tax profit of EUR 174.0 million during the first quarter. 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.

Total revenue from operating businesses amounted to EUR 173.8 million, of which total insurance premiums were EUR 35.2 million, interest income EUR 17.7 million, and investment revenue EUR 117.6 million. Total expenses amounted to EUR 38.9 million, of which total insurance claims were EUR 26.5 million and operating expenses EUR 12.4 million. Profit before financial expenses amounted to EUR 134.9 million for the first quarter, while financial expenses totalled EUR 4.0 million. Profit before tax therefore amounted to EUR 130.8 million.

Operations at VÍS Insurance are in line with expectations, and the company's combined ratio continues to drop. The combined ratio was 110% for the first quarter, and it is the company's aim to reduce it to below 100% before year-end 2007. Asset finance operations at Lýsing are sound, with annualised return on equity at 29% for the first quarter of 2007.

Investment Businesses

Investment Businesses yielded an after-tax profit of EUR 466.6 million during the first quarter of the year. The Investment Businesses function comprise the Group's strategic holdings, including Sampo Group, Kaupthing Bank, Bakkavör Group, and investments in unlisted companies.

Total revenue was EUR 494.2 million during the quarter, and total expenses were EUR 4.3 million. Profit before financial expenses amounted to EUR 489.9 million for the first quarter, while financial expenses totalled EUR 23.3 million. Profit before tax for the Investment Businesses division therefore totalled EUR 466.6 million.

Performance of Operating and Investment Businesses

(EUR millions)	Operating Businesses	Investment Businesses	Total
Investment revenue	117.6	493.4	611.1
Insurance premiums	35.2	0.0	35.2
Interest revenues	17.7	0.7	18.4
Other revenues	3.2	0.1	3.3
Revenues	173.8	494.2	668.0
Insurance claims	-26.5	0.0	-26.5
Operating expenses	-12.4	-4.3	-16.7
Expenses	-38.9	-4.3	-43.2
Operating profit before financial expenses	134.9	489.9	624.8
Financial expenses	-4.1	-23.3	-27.3
Profit before tax	130.8	466.6	597.5
Income tax	43.2	0.0	43.2
Profit after tax	174.0	466.6	640.7

Consolidated Balance Sheet

Assets

Exista's total assets amounted to EUR 6,762 million as of 31 March 2007, an increase of EUR 2,367 million, or 54%, since the beginning of the year. The increase is explained in part by the Group's purchase of a stake in the Nordic financial services group Sampo Oyj.

Financial assets at fair value totalled EUR 850 million at the end of March. This is a decrease of EUR 1,423 million, or 63%, 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 but rather as an investment in an associate. Listed shares totalled approximately EUR 645 million, most of which consists of shares in Bakkavör Group (EUR 641 million). Shares in unlisted companies, which totalled EUR 204 million, consist largely of shares in Iceland Telecom (Síminn) (EUR 154 million), which are recorded at the original purchase price.

Financial assets held for trading totalled EUR 478 million at the end of the period, after having decreased by roughly EUR 359 million since the beginning of the year. The drop is partially explained by the fact that shares in Sampo Group are now classified as an investment in an associate. The vast majority of financial assets held for trading, or EUR 357 million, are listed equities, bonds, and funds.

Loans and accounts receivable totalled some EUR 773 million at the end of March and are mostly due to the Group's asset financing activities. In all, asset financing agreements and loans totalled EUR 603 million for the first quarter.

The Group's goodwill was valued at EUR 465 million as of the end of March and is due to the purchase of insurance and asset financing businesses. Goodwill amounts to 6.8% of total assets.

Holdings in associated companies were valued at EUR 4,057 million at the end of the first quarter of the year. A substantial portion of these holdings is the Group's stake in the financial companies Sampo Group and Kaupthing Bank. In the Group's accounts, the book value of these assets is EUR 2.4 million under market value according to the market price of 31 March.

Reinsurance assets totalled EUR 16 million at the end of March. Operational assets totalled EUR 13 million at the end of the quarter, and cash and cash equivalents amounted to EUR 88 million. Other assets totalled EUR 22 million.

Liabilities and equity

Exista's total liabilities amounted to EUR 4,119 million as of 31 March 2007, which is an increase of EUR 1,624 million since the beginning of the year. In broad terms, Exista's liabilities consist of borrowings and technical provisions.

Borrowings totalled EUR 3,668 million at the end of the period, an increase of approximately EUR 1,485 million since the beginning of the year. Of Exista's outstanding borrowings at the end of the quarter, EUR 624 million is related to asset financing activities.

Technical provisions for life and non-life insurance totalled EUR 279 million at the end of the period, an increase of about EUR 55 million since the beginning of the year.

The Group's deferred income tax liability amounted to EUR 21 million at the end of March, whereas it was EUR 60 million at the beginning of the year.

The Group's equity totalled EUR 2,643 million as of 31 March 2007, which is an increase of EUR 743 million since the beginning of the year. Dividends paid for the prior year amounted to EUR 124 million, while newly issued shares totalled EUR 146 million.

Minority interest amounts to just below EUR 5 million; therefore, shareholders' equity is EUR 2,639 million.

The Group's equity ratio was 39.1% as of 31 March 2007; however, the equity ratio was 42.6% 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 11.7% at the end of March.

Consolidated Balance Sheet

(EUR millions)	31 Mar 2007	31 Dec 2006	Change
Assets			
Financial assets designated at fair value	849.5	2,272.7	-63%
Financial assets held for trading	478.1	837.0	-43%
Loans and accounts receivable	773.5	703.8	10%
Goodwill	464.6	464.8	0%
Associates.....	4,056.8	0	
Reinsurance assets	15.7	15.8	-1%
Operational assets	13.4	12.2	9%
Cash and cash equivalents	88.4	76.1	16%
Other assets.....	22.2	12.6	76%
Total assets	6,762.2	4,395.1	54%
Equity			
Share capital	120.6	112.3	7%
Statutory reserves	22.8	22.8	0%
Capital reserves	892.7	697.9	28%
Translation reserve	24.4	-	
Retained earnings	1,578.3	1,061.3	49%
Shareholders' equity	2,638.8	1,894.3	39%
Minority interest.....	4.6	5.9	-22%
Total equity	2,643.4	1,900.2	39%
Liabilities			
Borrowings	3,668.3	2,183.0	68%
Technical provisions	278.8	223.9	25%
Deferred Income tax liability	21.1	60.2	-65%
Other liabilities	150.6	27.8	442%
Total liabilities	4,118.9	2,494.9	65%
Total equity and liabilities	6,762.2	4,395.1	54%

Events in the first quarter of 2007

Purchase of 15.6% stake in Sampo Group

During the quarter, Exista announced that it had acquired 90,118,408 Class A shares in the Finnish company Sampo Group. After Sampo's share capital reduction in February, Exista's holding amounted to 15.6% of total share capital in the company. As a result of the purchase, Exista is the largest shareholder in Sampo Group, followed by the Finnish government, with a holding of 13.7%, and the pension company Varma, which holds 8.5%.

Sampo Group is a financial services company engaged in insurance and investment operations. Among the companies in the group are If, the largest property & casualty insurance company in the Nordic region, and the life insurer Sampo Life. In addition, Sampo is an active investor in the Nordic market.

The purchase of the stake in Sampo was financed through loan agreements, issuance of new shares, own shares, and cash. Exista's ownership was formally approved by the Finnish insurance supervisory authorities on 5 April 2007. At the Sampo Annual General Meeting, held on 12 April, Exista formally declared its support of the election of Sampo's current Board of Directors.

Decisions by the Exista 2007 AGM

Exista's Annual General Meeting was held on 14 March. The meeting approved a proposal to pay shareholders dividends in the amount of 100% of the nominal value of share capital, or a total of over ISK 10.8 billion. The dividend amounts to 29% of the Company's after-tax profit for the year 2006 and will be paid on 30 April 2007, in accordance with the shareholder register as of the close of business on the date of the AGM.

The meeting also approved the proposal to grant the Board the authority to decide to issue share capital in euros instead of Icelandic krónas if the Board considers it feasible. Furthermore, approval was granted for an amendment to the Company's Articles of Association, authorising the Board to issue new share capital for up to ISK 3.6 billion nominal value.

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

- Ágúst Gudmundsson, Great Britain
- Bogi Óskar Pálsson, Iceland
- Gudmundur Hauksson, Iceland
- Lýður Gudmundsson, Great Britain
- Robert Tchenguiz, Great Britain
- Sigurjón Rúnar Rafnsson, Iceland

Changes in the Company's accounting methods

As was stated in Exista's announcement of its operating results for the year 2006, the Company decided to change its method of reporting for its share in strategic holdings effective 1 January 2007. The equity method is now used to record the Company's strategic investments in financial companies; that is, in Sampo Oyj (15.6%) and Kaupthing Bank (23.0%).

Prior to this change, all of the Group's strategic holdings were assessed at fair value, and this practise will continue with regard to non-financial companies, such as Bakkavör Group (39.6%), which is assessed at market value, and Síminn (43.6%), which is valued at the original purchase price.

These changes have been made in order to emphasise financial services as the Group's core business. Exista's strategic holdings in financial companies are long-term investments. Upon quarterly revaluation of the fair value of long-term assets, short-term market fluctuations can make a considerable impact on the recorded operating performance in individual quarters. By recording the share in the profit of long-term strategic assets, the Company expects that fluctuations will diminish and stability in operating revenue will increase.

Exista's report on the operating results for the year 2006 also stated that the Group had requested the authority to present its financial statements in euros. An application to this effect was sent to the Register of Annual Accounts prior to 1 November 2006. Exista's operational region is Northern Europe, and the majority of the Group's revenue and expenses are in currencies other than the Icelandic króna, particularly the euro. In addition, the Group's primary opportunities for growth — both for operating business and for investment businesses — are outside Iceland. The weight of the euro is further increased on the revenue side of the Group now that it uses the equity method to record its strategic holdings in the financial services sector. On the liability side, the Group's financing takes place primarily in euros on international financial markets. Therefore, reporting in euros should significantly reduce currency exchange discrepancies in revenue and liabilities. The authority to prepare the Group's accounts in euros has now been granted, and Exista's Board has decided to utilise it beginning with the interim statements for the first quarter of 2007.

Listing of new share capital

New Exista shares with a nominal value of ISK 522,346,339 were listed on the Main List of the OMX Nordic Exchange in Iceland on 13 April 2007. The new shares correspond to 4.6% of total share capital in Exista following the increase. Total share capital in the Group after the increase is ISK 11,361,092,458, which is divided into the same number of shares, each with a nominal value of ISK 1.0. There is only one class of Exista shares, and the new shares are in that class and are accompanied by the same rights as other shares in the Group.

Funding

The funding has gone well for the Group. In recent months, Exista has undertaken extensive promotional work directed at international credit institutions and has fortified its business relationships with banks and financial institutions. The response has been positive, and the Group is reaping the benefits of healthy operational units and robust strategic holdings, among other things.

During the first quarter, funding totalled EUR 1,677 million, a portion of which was used to refinance outstanding debt. Of that amount, approximately 2/3 came from international capital markets. The emphasis has been placed on funding for three years or longer, which has resulted in increased duration of the Group's liabilities. Exista's access to funding is good and the Group's liquidity position is strong.

Outlook for the year 2007

In the opinion of Exista's management, the Group's operations are sound, and it has successfully strengthened and increased its revenue base. Changes in accounting methods in terms of reporting currency and strategic holdings in core activities should enhance stability and diminish fluctuations in the Group's revenues in the future.

Measures to improve insurance operations have proceeded according to plan. Despite some unusually heavy claims during the current calendar year, the aim is still to bring the combined ratio down below 100% before the end of the year. Asset financing operations have been robust, and the outlook there is excellent.

In general, the Group expects that its strategic holdings will turn in a good performance this year, both the financial companies and those in other sectors. The Group's operations so far this year are in accordance with profit targets.

It is appropriate to emphasise that Exista's performance is 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 assets.

Other matters

Board approval and Auditors' certification

The Exista Board of Directors approved the Group's interim financial statements for the first quarter of 2007 at a Board meeting held at Exista's London office on 26 April 2007. The interim financial statements have been reviewed by the Company's auditing firm, Deloitte hf.

Presentation of operating results

On Friday 27 April 2007, there will be a presentation of the interim operating results of Exista for the first quarter of the year 2007, where management will explain the financial statements and answer questions. The presentation will take place in the Garrick Room, Barbican Centre, Silk Street, London EC2Y 8DS, and will begin precisely at 09:30am GMT London (10:30am CET). The meeting will take place in English and is open to shareholders and market participants.

The presentation will also be webcast in real time on the Group's website: www.exista.com. The webcast will begin at 09:30am GMT London (10:30am CET). It is also possible to participate in the meeting by phone and pose questions by calling +44 (0) 208 817 9301 (UK phone number).

Following the meeting, it will be possible to obtain presentation materials and a video recording of the meeting on Exista's website: www.exista.com.

Financial calendar for 2007

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

- Second quarter: 26 July 2007
- 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 (ir@exista.com).



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