EXISTA

PROSPECTUS JUNE 2008

KAUPTHING BANK

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This Prospectus is published on 2 June 2008.
This Prospectus has been approved by the OMX Nordic Exchange Iceland hf. (OMX ICE) on behalf of the Financial Supervisory Authority in Iceland (FME). It was prepared for admission to trading of 2,813,675,174 New Shares in Exista hf. on the OMX ICE Main Market.

This Prospectus consists of the following separate documents:

- a Summary, published on 2 June 2008;
- a Share Securities Note, published on 2 June 2008 and
- a Share Registration Document, published on 2 June 2008.

This Prospectus is published in Acrobat Adobe format on Exista hf.'s website (www.exista.com).
Additionally,
a hard copy can be obtained from Exista's headquarters at Ármúli 3, 108 Reykjavík, Iceland. This Prospectus is available for twelve months from publication which is the period in which it is valid.

I

I. SUMMARY

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1. NOTICE TO INVESTORS

This Summary should be read as an introduction to a Prospectus and is qualified in its entirety by the more detailed information elsewhere in the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. This Summary forms a part of a Prospectus which consists of the following separate documents:

- this Summary, made public 2 June 2008;
- a Share Registration Document, made public 2 June 2008;
- a Share Securities Note, made public 2 June 2008.

This document constitutes a Summary for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "European Prospectus Directive") on the prospectus to be published when securities are offered to the public or admitted to trading, and of Commission Regulation no. 809/2004 on the implementation of the Directive. The Commission's Regulation has been adopted into Icelandic law by Icelandic Regulation no. 243/2006. The OMX Nordic Exchange Iceland hf. (the "OMX ICE") has approved this Prospectus on behalf of the Icelandic Financial Supervisory Authority (the "FME").

This Prospectus is only published in English.

Information in the Prospectus, should not be considered or construed as a promise by the Company, Manager or other parties, of future success in either operations or return on investment. Investors are reminded that investing in securities entails risk as the decision to invest is based on expectations and not promises. Investors must primarily rely on their own judgement regarding any decision to invest in the securities issued by Exista,, bearing in mind the business environment in which Exista operates, anticipated profits, external conditions, and the risk inherent in the investment itself. Prospective investors are advised to contact independent experts such as financial institutions to assist them in their assessment of securities issued by Exista as an investment opportunity. Investors are advised to consider their legal status and any tax implications, which a purchase of securities issued by Exista may have, and seek independent advice in that respect.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

2. NEW SHARES ADMITTED TO TRADING

Issuer
Exista hf., ID-No. 610601-2350,
Address: Ármúli 3, IS-108 Reykjavík, Iceland

Manager of the admission to trading
Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419,
Address: Borgartún 19, IS-105 Reykjavík, Iceland

Legal advisor to the Manager
BBA Legal ehf., Icelandic ID-No. 661098-2959,
Address: Skógarhlíd 12, IS-105 Reykjavík,

The New Shares
This Summary and the Prospectus is made public in connection with the admission to trading of 2,813,675,174 new shares (the "New Shares") in the Issuer on the Main Market of OMX ICE, where shares in Exista are traded under the symbol "EXISTA". The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will commence trading, which may occur later, will be announced at least one day in advance by OMX ICE.

On 30 May 2008 the share capital was increased from 11,361,092,458 shares by 2,813,675,174 New Shares as a consideration for shares in Skipti hf. acquired as a result of Exista's takeover bid of the entire share capital of Skipti not previously owned by Exista. Of the 2,813,675,174 New Shares, 2,777,771,471 shares are to be settled 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008.

On 19 March 2008 the Issuer announced, after a board decision, that it had decided to make an offer to other shareholders of Skipti hf. ("Skipti") to buy their shares in Skipti. The offer was a voluntary takeover bid pursuant to Art. 101 of Act no. 108/2007 on Securities Transactions. The offer was valid from 31 March 2008 until 26 May 2008. The offer price was ISK 6.64 for each share in Skipti free from any pledges and encumbrances. Because it was announced that a takeover bid for Exista was proposed shortly after Skipti shares were admitted to trading on OMX ICE on 19 March 2008, it is not possible to compare the offer price with previous trading prices in Skipti on OMX ICE. The offer price is, however, the same price as was determined in the offering of 30% of the share capital in Skipti held between 10-13 March 2008 at the end of a book-building process with investors who wished to invest more than ISK 25 million. In the offering 30% of the company's share capital was offered for sale and subscriptions were received for 7.49%. The consideration is shares in Exista priced at ISK 10.10 for each share, which was the closing price in trading on OMX ICE on 18 March 2008, the day before the announcement of the proposed takeover bid was made. In accordance with the terms of the takeover offer, the shareholders of Skipti were paid approximately 0.6574 shares in Exista in exchange for each of their share in Skipti. No expenses or taxes are specifically charged to those that accepted the takeover offer. The estimated cost of the issue is EUR 1.8 million.

3. BUSINESS OVERVIEW

Objectives

The objective of the Company, according to Article 3 of its articles of association, is to be a financial services company through holdings in other companies, among other things in the fields of insurance, such as casualty, personal, and life insurance, and in the fields of finance, loan, and investment activities, such as leasing and security services, and furthermore to engage in the sale and purchase of securities and real estate, the management of real estate, services to subsidiaries and other related activities.

Mission and strategy

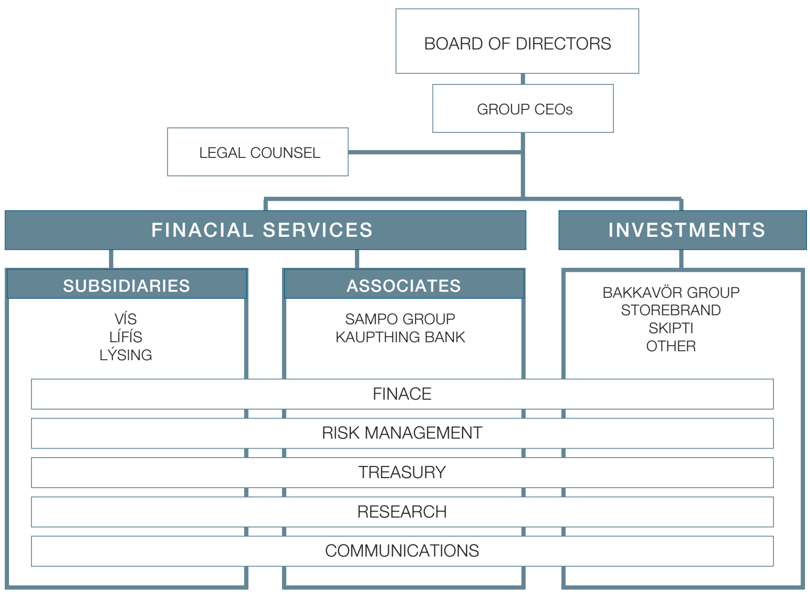
Exista's strategy is to position itself as a leading financial services group with northern Europe as its primary market. Based on profitable underwriting, asset financing and investment activities, the Group's goal is to build and maintain a strong portfolio of superior investments.

Exista's mission is the following:

- To maximise shareholders' long term value through a diversified group of profitable businesses
- To prudently allocate capital from cash-generating operations and insurance float
- To invest in businesses with solid cash flow, strong management and promising market potential

Description of business and organisational structure

Exista is a financial services group with core operations in insurance underwriting and other financial services activities, coupled with international investments. The Group's primary market is northern Europe. Exista focuses on diversification in income streams, solid cash flows and sound financial fundamentals.



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

Financial Services, which account for approximately 84% of Exista's balance sheet as of 31 March 2008, is divided into Subsidiaries and Associates. Subsidiaries are wholly owned by Exista and are accounted for as such in the consolidated financial statements. Associates are long-term strategic holdings in financial companies and are recorded in Exista's accounts using the equity method.

Investments, which make up approximately 16% of Exista's balance sheet as of 31 March 2008, comprises Exista's other shareholdings, including non-financial subsidiaries and associates and investments in listed and unlisted companies. Investments are recorded at fair value in its consolidated accounts and subsidiaries and associates are part of Exista's consolidated accounts. Exista looks for companies with solid financial fundamentals and a healthy cash flow, a strong management team and favourable market prospects. The investment time horizon is open-ended and normally medium or long-term.

Six support divisions, Legal Counsel, Finance, Risk Management, Treasury, Communications, and Research, monitor and support Exista's financial services and investment activities.

The two CEOs of Exista, Erlendur Hjaltason and Sigurdur Valtýsson, are responsible for executing the Board's resolutions regarding policy and development as well as financial performance. They are also responsible for accomplishing Exista's objectives and facilitating synergies within the Group.

The Executive Chairman, Lýdur Gudmundsson, is in charge of Exista's strategy formulation, the vision for the Group as a whole and plays a monitoring role as the Chairman of the Board. Other board members are Ágúst Gudmundsson, Gudmundur Hauksson, Bogi Pálsson, Sigurjón Rúnar Rafnsson, Robert Tchenguiz and Hildur Árnadóttir.

Employees

In 2007, the average number of Exista employees, including subsidiaries, was 433 (corresponding figure for 2006 was 286). Exista's headquarters are based in Ármúli 3, Reykjavík, along with VÍS and Lífís.

The Annual General Meeting held on 28 February 2008 approved the Remuneration Policy of Exista hf. wherein the CEOs are authorised to propose to the Board of Directors that employees and the management of Exista and/or employees and the management of any subsidiary of Exista from time to time should be rewarded in addition to their set terms of employment in the form of delivery of shares, stock options or any payment having to do with Company shares or the future value of such shares. The CEOs are also authorised to propose to the Board of Directors that employees and the management of Exista should be rewarded in addition to their set terms of employment in the form of performance based payments, loan contracts, pension fund contributions, retirement or redundancy payments. The status of the relevant individual, responsibility and future prospects and the main objectives of this Policy shall be taken into consideration when deciding whether he should be granted rewards in addition to his set terms of employment. When granting stock option similar contracts previously made between the Company and the relevant employee or member of management shall be taken into consideration. Ordinarily a stock option shall only subsist while the employee remains employed by Exista or the relevant subsidiary of Exista. The Board of Directors has not, at this time, used this authorisation.

(weighted average numbers of full-time equivalent employees)

	2005	2006	2007	Q1 2008
Exista parent	6	15	34	40
Exista's subsidiaries	-	271	399	381
Total	**6**	**286**	**433**	**421**

Milestones in Exista's history

2001	Exista founded
2002	Exista becoming the largest shareholder in Kaupthing Bank
	Bakkabraedur becomes majority shareholder in Exista
2003	Exista becomes the largest shareholder in Bakkavör Group
2005	Exista acquires 19.6% share in VÍS
	Exista leads a consortium of investors in the privatisation of Landsími Íslands (Iceland Telecom)
2006	Exista acquires VÍS 100%, transforming Exista into a financial services group
	Exista's shares admitted to trading on the OMX ICE
	Exista's shareholders exceed 30,000 when Kaupthing, the second largest shareholder in Exista at that time, sells 10.1% stake in Exista to 7,500 new shareholders prior to the admission to trading and distributes a 7.7% stake as a dividend
2007	Exista becomes the largest shareholder in Sampo Group with a 15.5% stake, which reaches 20.0% in 2008
	Exista announces 5.6% stake in Storebrand, further increased to 8.7% same year
2008	Exista acquires Skipti 99.2% by a voluntary takeover offer and intends to redeem the remaining shareholders

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Licences and material contracts

Exista's operations are to some extent based on Exista's operating licences as an insurance underwriter and an asset financing company and through its associates as providers of other financial services in the countries in which the Group, including its associates operate. Exista's operations or profitability are not dependent on patents, individual agreements or manufacturing processes. Exista's management believes that there are no individual contracts or similar circumstances relating to the business which are of material significance to its operations or profitability.

Regulatory issues and applicable law

Exista is registered in Iceland and operates in accordance with the Companies Act no. 2/1995. VÍS and Líffs are registered in Iceland and operate in accordance with the Companies Act no. 2/1995 and are regulated under Act no. 60/1994 on Insurance Activity. Lýsing is registered in Iceland and operates in accordance with the Companies Act no. 2/1995 and is regulated under Act no. 161/2002 on Financial Undertakings. Foreign subsidiaries operate under the governing law in each relevant country. Exista B.V. is registered in the Netherlands and operates in accordance with the Dutch Civil Code. The FME currently defines three of Exista's operating subsidiaries as entities under the FME's supervision. These are VÍS and Líffs, which are regulated insurance undertakings according to Act. no. 60/1994, and Lýsing, which is a regulated credit institution according to Act. no. 161/2002. Furthermore Exista's associates within insurance, banking and financial services and investments within insurance and telecom are like Exista's operating subsidiaries highly regulated in their own capacity. Each member of Kaupthing's group is subject to government regulation and inquiry as financial companies in the markets in which they operate, most of which are within countries of the European Economic Area and Sampo and Storebrand are regulated in a similar capacity as VÍS and Líffs. As the laws regulating insurance and banking operations within the European Economic Area are derived from the internal market legislation of the European Economic Area and European Union, these companies enjoy regulatory conditions similar to those of other European insurance companies and banks. Skipti's operations are subject to the applicable laws regulating electronic communications, as well as the general laws and regulations, most notably in Iceland where most of the operations are. Skipti's operations are in particular regulated under the Electronic Communications Act no. 81/2003, the Radio Broadcasting Act no. 53/2000 and the Post and Telecom Administration in Iceland which regulates and executes Electronic Communications within the territory of Iceland.

Auditors

The chartered accountants and registered auditor of Exista are Deloitte hf. ID-No. 521098-2449, Smáratorg 3, 201 Kópavogur, Iceland. The auditor responsible for Exista for the duration of the period of 2005-2007 and for the review of the first quarter of 2008 has been Hilmar A. Alfredsson, ID-No. 120759-5159, of Deloitte hf.

4. FINANCIAL INFORMATION

INCOME STATEMENT

	Q1 2008		Q1 2007	2007		*2006		**2005	2006		2005
	Reviewed EUR million	% change	Reviewed EUR million	Audited EUR million	% change	Unaudited translation EUR million	% change	Unaudited translation EUR million	Audited ISK million	% change	Audited ISK million
Financial assets designated at fair value	-173.2	n/a	38.2	0.8	-99.8%	357.6	-42.9%	626.5	31,348	-36.0%	48,952
Financial assets held for trading	58.5	-47.2%	110.8	-46.3	n/a	129.0	950.0%	12.3	11,309	1,078.0%	960
Dividend	4.4	-12.6%	5.0	12.6	-84.0%	78.7	795.1%	8.8	6,902	904.7%	687
Interest revenue	28.5	54.6%	18.4	91.2	81.3%	50.3	3,753.4%	1.3	4,411	4,224.5%	102
Insurance premium	28.8	-18.2%	35.2	129.0	75.3%	73.6	n/a	0.0	6,452	n/a	0
Share of profits of associates	64.6	-85.9%	457.0	756.2	n/a	0.0	n/a	0.0	0	n/a	0
Other revenues	4.6	41.0%	3.3	17.9	135.5%	7.6	n/a	0.0	662	n/a	0
Total revenues	**16.1**	**-97.6%**	**668.0**	**961.5**	**38.0%**	**696.7**	**7.4%**	**648.8**	**61,083**	**20.5%**	**50,700**
Insurance claims	-28.8	8.7%	-26.5	-104.4	78.2%	-58.6	n/a	0.0	-5,136	n/a	0
Operating expenses	-16.5	-1.1%	-16.7	-65.4	28.0%	-51.1	1,529.8%	-3.1	-4,476	1,726.9%	-245
Total expenses	**-45.3**	**4.9%**	**-43.2**	**-169.9**	**55.0%**	**-109.6**	**3,395.6%**	**-3.1**	**-9,613**	**3,823.7%**	**-245**
Profit (loss) before financial expenses	**-29.2**	**-104.7%**	**624.8**	**791.7**	**34.8%**	**587.1**	**-9.1%**	**645.7**	**51,470**	**2.0%**	**50,455**
Interest expense	-105.1	86.5%	-56.4	-350.3	236.5%	-104.1	128.4%	-45.6	-9,123	156.1%	-3,562
Net foreign exchange gain (loss)	88.4	204.3%	29.0	84.3	n/a	-46.4	274.9%	-12.4	-4,067	320.6%	-967
Total financial expenses	**-16.7**	**-38.9%**	**-27.3**	**-266.0**	**76.7%**	**-150.5**	**159.7%**	**-58.0**	**-13,190**	**191.2%**	**-4,529**
Profit (loss) before tax	**-45.9**	**-107.7%**	**597.5**	**525.7**	**20.4%**	**436.6**	**-25.7%**	**587.7**	**38,280**	**-16.6%**	**45,926**
Income tax	2.0	-95.4%	43.2	48.2	n/a	-9.9	n/a	56.2	-872	n/a	4,389
Profit (loss) for the period	**-43.8**	**-106.8%**	**640.7**	**573.9**	**34.5%**	**426.7**	**-33.7%**	**643.9**	**37,409**	**-25.7%**	**50,315**
Earnings per share (cents)											
Basic	-0.37	n/a	5.69	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31
Diluted	-0.37	n/a	5.69	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report at the average mid exchange rate 87.67

** Figures for 2005 in euros have not been audited and were converted at the average mid exchange rate 78.14

*** ISK

BALANCE SHEET

	31 Mar 2008		31 Dec 2007		*31 Dec 2006		**31 Dec 2005	31 Dec 2006		31 Dec 2005
	Reviewed EUR million	% change	Audited EUR million	% change	Unaudited translation EUR million	% change	Unaudited translation EUR million	Audited ISK million	% change	Audited ISK million
Financial assets at fair value through profit or loss	1,017.2	-9.5%	1,123.4	-50.6%	2,272.7	14.2%	1,990.2	215,019	44.6%	148,667
Financial assets held for trading	168.8	-19.7%	210.2	-74.9%	837.0	725.0%	100.4	79,191	956.0%	7,499
Loans and receivables	782.8	-0.3%	785.0	11.5%	703.8	n/a	0.0	66,591	n/a	0
Goodwill and other intangible assets	352.9	-24.8%	469.4	1.0%	464.8	n/a	0.0	43,976	n/a	0
Investments in associates	4,439.8	-6.3%	4,737.6	n/a	0.0	n/a	0.0	0	n/a	0
Reinsurance assets	10.1	0.0%	10.1	-36.1%	15.8	n/a	0.0	1,498	n/a	0
Investment properties	52.1	-25.7%	70.1	n/a	0.0	n/a	1.1	0	n/a	80
Property and equipment	21.4	-22.5%	27.6	126.2%	12.2	802.3%	1.4	1,154	1,042.6%	101
Cash and equivalents	485.5	-14.5%	567.6	645.9%	76.1	14.5%	66.5	7,198	45.0%	4,965
Other assets	28.9	204.2%	9.5	-24.6%	12.6	100.3%	6.3	1,194	154.0%	470
Total Assets	**7,359.5**	**-8.1%**	**8,010.5**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**
Share capital	143.5	19.0%	120.6	7.4%	112.3	-3.5%	116.3	10,629	22.3%	8,689
Reserves	722.0	-1.9%	736.3	2.2%	720.7	177.8%	259.4	68,187	251.9%	19,378
Retained earnings	1,467.7	-2.9%	1,511.3	42.4%	1,061.3	16.5%	910.8	100,407	47.6%	68,037
Equity attributable to equity holders of the Parent	2,333.2	-1.5%	2,368.1	25.0%	1,894.3	47.2%	1,286.5	179,223	86.5%	96,104
Minority interest	0.3	-50.0%	0.6	-89.8%	5.9	n/a	0.0	556	n/a	0
Total Equity	**2,333.5**	**-1.5%**	**2,368.7**	**24.7%**	**1,900.2**	**47.7%**	**1,286.5**	**179,779**	**87.1%**	**96,104**
Borrowings	4,364.3	-14.8%	5,123.7	134.7%	2,183.0	149.0%	876.8	206,534	215.3%	65,499
Hybrid securities	255.4	2.2%	250.0		0.0	n/a	0.0	0	n/a	0
Technical provision	192.6	-13.0%	221.5	-1.1%	223.9	n/a	0.0	21,180	n/a	0
Deferred income tax liability	10.6	-43.6%	18.8	-68.8%	60.2	12,748.4%	0.5	5,697	16,177.1%	35
Other liabilities	203.1	630.6%	27.8	0.0%	27.8	1,342.1%	1.9	2,630	1.726.4%	144
Total Liabilities	**5,026.0**	**-10.9%**	**5,641.8**	**126.1%**	**2,494.9**	**183.8%**	**879.2**	**236,042**	**259.4%**	**65,678**
Total Equity and Liabilities	**7,359.5**	**-8.1%**	**8,010.5**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report and were translated to euros at the year-end mid exchange reaate 94.61. The 2007 mid year-end exchange rate was 91.20.

** Figures for 2005 in euros have not been audited and were converted at year mid exchange rate 74.70.

Financial ratios

The following table shows a number of Exista's relevant financial ratios based on Exista's audited profit and loss and balance sheet statements for the full financial years ending on 31 December 2005 to 2007 and the reviewed interim results for the periods 1 January to 31 March of 2007 and 2008.

FINANCIAL RATIOS (UNAUDITED INFORMATION)

Key Financial Ratios	Q1 2008	Q1 2007	2007	2006	2005
Return on Equity (ROE)	-1.9%	28.2%	23.0%	27.1%	104.0%
Equity ratio (excl. hybrid securities)	31.7%	39.1%	29.6%	43.2%	59.4%
Price to Earnings (P/E)	-27.74	5.63	4.29	6.52	n/a
Price to Book (P/B)	0.52	1.36	1.04	1.36	n/a
Insurance Operation:					
Combined ratio	119.0%	110.0%	99.5%	113.30%	n/a
Leasing Operation:					
CAD ratio	10.10%	11.1%	10.6%	11.0%	11.4%
Ratio of provision to lending position at period end	–	–	2.2%	0.8%	0.8%

Working Capital Statement

The Chairman of the Board of Directors and the CEO, on behalf of the Issuer, declare that in their opinion the Issuer's working capital is sufficient for the Issuer's present requirements.

Capitalisation and Indebtedness

The following tables set forth the consolidated capitalisation and indebtedness as at 31 March 2008 according to the Issuer's reviewed first quarter financial statements. In the capitalisation table, all liabilities (recourse and non-recourse) are unguaranteed. The difference between recourse and non-recourse liabilities and secured and unsecured liabilities is immaterial. Non-recourse financing is all related to investments in assets, which may include listed securities, unlisted securities, real estate assets or any other assets held by the Group, which are secured by the assets invested in and as such can only be used for the purpose of holding the assets in question. All figures are in millions of euros. The information in these tables includes the issue of 2,813,675,174 New Shares and the acquisition of a 57.1% of the active share capital in Skipti, which relates to the New Shares and which brings Exista shareholding in Skipti to 100% of the active share capital. In the Issuer's opinion there has not been a material change in Exista's consolidated capitalisation and indebtedness since 31 March 2008 (see next page).

Capitalisation (EUR million)		31 March 2008
Total current borrowings	**Recourse**	**Non-recourse**
Issued bonds	0	0
Loans from credit institutions	385	120
Other borrowings	242	0
	627	120
Total non-current borrowings	**Recourse**	**Non-recourse**
Issued bonds	301	0
Loans from credit institutions	792	2,125
Other borrowings	399	0
	1,492	2,125
Total borrowings	**2,119**	**2,245**
Total borrowings recourse and non-recourse		**4,364**
Equity		
Share capital		144
Other equity		2,190
Total Equity		**2,333**
Total Capitalisation		**6,698**

Indebtedness (EUR million)	31 March 2007
A. Cash	423
B. Cash equivalent	62
C. Financial assets held for trading	232
D. Total liquidity (A)+(B)+(C)	**717**
E. Current financial receivable	**237**
F. Current bank debt	600
G. Current bonds issued	0
H. Other financial debt	286
I. Total current financial debt (F)+(G)+(H)	**886**
J. Total Net Current Financial Indebtedness (I)-(E)-(D)	**-68**
K. Non current bank loans	3,316
L. Bonds issued	301
M. Other non current loans	0
N. Total non current financial indebtedness (K)+(L)+(M)	**3,617**
O. Total Net financial indebtedness (J)+(N)	**3,549**

Significant change

The Issuer states that there has not been any material adverse change in the prospects of the Issuer since the latest published reviewed financial statements, i.e. the interim report of Exista hf. for the first quarter of 2008.

The Issuer also states that there has not been any significant change in the financial or trading position of its group since the latest published reviewed financial statements, i.e. the interim report of Exista hf. for the first quarter of 2008.

Exista's operations are dependent on the return on invested capital. Hence the results will be affected by general market conditions that affect the whole investment community, such as fluctuations in interest rates and overall conditions on equity markets.

The current economic situation in Iceland is to a large extent dependent on the global financial environment. The Icelandic financial market has joined the growing list of markets around the world that have been affected by the global credit crisis. The Central Bank of Iceland has been hawkish in its statements and interest rates are at record levels at 15.5%. The Icelandic króna has appreciated by 7% from the end of the first quarter to 23 May 2008 which could ease the pressure on inflation, which nevertheless will probably exceed 12% in the coming months. A reduction in GDP growth and consumer consumption is therefore foreseen this year. Money markets have been dysfunctional which has put increased pressure on the currency and equity markets.

5. RISK FACTORS

Investing in shares is subject to numerous risks. Prior to making any investment decision regarding shares in Exista, investors should consider all the information in the Share Registration Document and in the Share Securities Note of the Prospectus, and in particular to consider the risks and uncertainties described in the chapters on risk factors in these documents. The risks and uncertainties described in these two documents are those that the Issuer's management and Board of Directors believe are material to Exista's shares in order to assess the risk associated with the Issuer and any investment made in its shares. If any, or a combination, of these events occurs, the trading price of the Issuer's shares could decline and investors might lose part of their investment or even all of it. Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Issuer is unaware may also impair its business and operation. These risks and uncertainties could have a materially adverse impact on the business, income, profits, assets, liquidity and/or the share price of Exista. The following list is meant to be a list of risk factors are specific to the Issuer or its industry and cover the risks that are material to investments made in the Issuer's shares. The list is not in order of importance.

Risk factors related to investment in the Issuer's shares, market risk

- Risks inherent in equity investments
- Securities regulation
- Further share capital increase can dilute shareholdings
- The market price of the Issuer's shares may be volatile
- Shareholder structure
- Purchasers of shares in the Issuer are exposed to currency risk
- Consideration for the new shares
- Shareholders in certain jurisdictions outside Iceland, including the United States, may not be able to exercise their pre-emptive rights to acquire additional shares

Operational and market risk factors

- The Group's business, financial condition and results of operations and those of the Group's strategic holdings are affected by economic, political and market conditions
- Exista has undergone a number of significant changes which makes it more difficult to evaluate its future prospects
- There can be no assurance that the growth that the Group has experienced will continue. Failure to effectively manage growth could have a materially adverse effect on its business, financial condition and results of operations
- The Group's financial performance depends on its key personnel and its ability to attract, motivate and retain highly skilled personnel
- Potential risk of conflicts of interest
- The Group, associates within financial services and Skipti, are subject to extensive regulation, the impact of regulatory non-compliance and changes in regulation
- The Group and its strategic holdings are exposed to litigation
- Damage to the Group's reputation could impair its ability to grow and/or adversely impact its future earnings
- The Group may be vulnerable to disruptions to its IT systems
- The Group's financials depend on the adequacy and success of its internal controls
- The Group may be affected by adverse changes in taxation law or by taxation-related investigations
- Exista's financial soundness is subject to management's judgements, estimates and assumptions including impairment testing of goodwill and value in use
- Exista's quarterly statements are subject to estimates performed by analysts
- The Group's business relies on the continued ability to exploit its intellectual property
- The Group could suffer adverse financial consequences as a result of rescission of financing agreements
- The Group is subject to liquidity risk

- The Group could suffer adverse financial consequences as a result of high inflation and increased cost of borrowing

- The Group may require additional capital in the future, which may not be available or may only be available on unfavourable terms

- Fluctuations in the fixed income and equity markets may adversely affect the profitability of the Group

- The Group's financial condition and results of operations may be adversely affected by currency fluctuations

Financial services

- The Group and its strategic holdings face significant competition in the markets in which they operate

- The cyclical nature of the Nordic insurance industry may adversely effect the Group's and Sampo Group's financial position and results of operation

- The operation of and large stakes owned in insurance companies makes the Group vulnerable to changes in the underwriting business

- Differences between actual claims experience and estimated losses at the time a product is priced may result in increased liabilities and losses

- The failure of reinsurers to meet their financial obligations or a decrease in the availability or an increase in the cost of reinsurance could have a material adverse effect on the Group's financial position and results of operations

- Efforts to reduce exposure to catastrophic events may only be partially successful or not successful at all and such events may cause substantial losses

- Various provisions in insurance policies designed to limit the Group's exposure may not be enforceable in the manner intended or at all

- The Group and Kaupthing Bank are exposed to the credit risk of its customers and may be unable to adequately assess the credit risk of potential customers

- The concentration of the Group's credit exposure may adversely affect its profitability

- Collateral taken to support lending may be inadequate to cover losses arising from defaulting loans

- The Group's loan portfolio is heavily focused on the Icelandic market and specific sectors and products within the Icelandic market

- The Group is reliant on its strategic partnerships with retailers for automobiles, machinery and equipment for the sale of loans to customers

- Exista is exposed to risks affecting the businesses of large associated companies and the occurrence of any such risks could have a materially adverse effect on Exista's business, results of operations and financial position

Investments

- Exista may not be able to successfully implement its investment strategy, which includes its ability to exert influence over its investments. Any failure to implement its investment strategy could have a materially adverse effect on its financial position and results of operations

- Exista has a number of large investments and any adverse developments affecting these companies or their share price could have a materially adverse effect on its business, financial position and results of operations

- Valuation methodology for unlisted shares is subject to significant subjectivity and the fair value of such assets established pursuant to such methodologies may never be realised

- Investments in unlisted shares are less liquid than investments in listed companies and Exista may fail to realise the value of its unlisted investments or fail to realise value in them for a considerable period of time

- Exista's estimates of the market value of its investment properties affects its financials

6. SHARE CAPITAL

Share capital and own shares

The share capital of Exista amounts to ISK 14,174,767,632 nominal value divided into as many shares of one ISK each (the par value per share is ISK 1). Thereof, the Issuer holds 1,162,793 own shares, which equals to 0.01% of total issued shares and by law do not carry voting rights.

On 30 May 2008, the number of total issued shares was increased from 11,361,092,458 shares up to 14,174,767,632 or by 2,813,675,174 New Shares. The New Shares are to be used as a consideration for shares in Skipti hf. which is acquired as a result of Exista's takeover bid of the entire outstanding share capital of Skipti not previously owned by Exista. Of the 2,813,675,174 New Shares, 2,777,771,471 shares are to be settled on 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining New Shares, or 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008.

The New Shares are granted rights within the Issuer as of the date of registration of the increase of share capital as of 30 May 2008. Nevertheless, any shareholders' rights attached to the New Shares cannot be exercised before the delivery of the shares to the relevant shareholder have been registered in the Issuer's Register of Shares, which will happen with the settlement of the shares. Consequently the discussion below regards the active share capital at the time of the publishing of the prospectus, taking into account the issue of the shares but the delivery being subject to settlement, additionally estimates of post transactional ownership is presented in the table below. As existing shareholders in the Issuer waived their pre-emptive rights in respect of any of the New Shares, the proportional holdings of shareholders was diluted by 19.8% (calculated as a percentage of the total issued shares past the issue of the New Shares) by the issue of the New Shares.

7. SHAREHOLDERS

On 29 May 2008 there were 28,965 shareholders in Exista. This number is expected to increase to 29,800 following the settlement on 2 June 2008.

All active shares have the same rights, including voting rights. The Company has no knowledge of any agreement between the shareholders on the treatment of voting rights. The Issuer is not aware of any arrangements which may at a subsequent date result in a change of control.

Bakkabraedur Holding B.V. holds 45.21% of the active share capital in Exista hf. prior to the acquisition of Skipti and the acquisition of the right to 1,271,961,953 new shares to be delivered as a result of the takeover offer of Skipti from Kaupthing Bank means that Bakkabraedur Holding B.V.'s ownership in Exista will remain unchanged after the issue of new shares in Exista in relation to the takeover of Skipti hf. and the subsequent squeeze out. This stake is 5.21% over 40% of the share capital, which is the mandatory takeover bid threshold. According to the FME's published interpretation of Article 100 of the Icelandic Act on Securities Transactions no. 108/2007, the obligation to issue a takeover bid does not arise due to a single shareholder or a shareholder acting in concert with others having legal control over a company at the time of admission to trading on a regulated market. This exemption is subject to the shareholding having been disclosed at the time of admission to trading.

List of Shareholders - 29 May 2008

Exista's share registry 29 May 2008	PRE-acquisition of Skipti			Consideration	POST-acquisition of Skipti		
Shareholder	Shares	% of active shares	% of total issued shares	Shares	Shares	% of active shares	% of total issued shares
Bakkabraedur Holding B.V.	5,135,943,722	45.21%	36.23%	1,271,961,953	6,407,905,675	45.32%	45.21%
Kista-fjárfestingarfélag ehf.	1,015,846,914	8.94%	7.17%		1,015,846,914	7.19%	7.17%
Gift fjárfestingarfélag ehf.	615,509,009	5.42%	4.34%		615,509,009	4.35%	4.34%
Lífeyrissjódur verslunarmanna	146,020,443	1.29%	1.03%	387,631,622	533,652,065	3.77%	3.76%
Gildi - lífeyrissjódur	197,482,099	1.74%	1.39%	387,631,622	585,113,721	4.14%	4.13%
Castel (Luxembourg) S.a.r.l.	579,101,094	5.10%	4.09%		579,101,094	4.10%	4.09%
Arion custody account	610,946,082	5.38%	4.31%	19,078,849	630,024,931	4.46%	4.44%
SPRON hf.	340,965,708	3.00%	2.41%		340,965,708	2.41%	2.41%
AB 47 ehf.	265,435,668	2.34%	1.87%		265,435,668	1.88%	1.87%
Lífeyrissjódir Bankastræti 7	209,197,306	1.84%	1.48%	435,874	209,633,180	1.48%	1.48%
Total of 10 largest	**9,116,448,045**	**80.25%**	**64.31%**		**11,183,187,965**	**79.10%**	**78.90%**
Eignarhaldsfélagid Stofn ehf.	173,156,147	1.52%	1.22%		173,156,147	1.22%	1.22%
Den Danske Bank A/S	203,144,264	1.79%	1.43%		203,144,264	1.44%	1.43%
Eignarhaldsfélagid Andvaka gt.	170,120,118	1.50%	1.20%		170,120,118	1.20%	1.20%
Icebank hf.	95,259,243	0.84%	0.67%	1,314,852	96,574,095	0.68%	0.68%
Kaupthing Ís-15	131,383,545	1.16%	0.93%	17,326,733	148,710,278	1.05%	1.05%
Kaupthing Bank hf.	111,545,233	0.98%	0.79%	29,807,194	141,352,427	1.00%	1.00%
Stafir lífeyrissjódur	21,885,192	0.19%	0.15%	105,778,343	127,663,535	0.90%	0.90%
Sameinadi lífeyrissjódurinn	23,002,001	0.20%	0.16%	105,717,715	128,719,716	0.91%	0.91%
Sparisjódurinn í Keflavík	105,859,881	0.93%	0.75%		105,859,881	0.75%	0.75%
Imis ehf.	0	0.00%	0.00%	93,971,303	93,971,303	0.66%	0.66%
Total of 20 largest	**10,151,803,669**	**89.37%**	**71.62%**		**12,572,459,729**	**88.93%**	**88.70%**
Total of other shareholders	1,208,125,996	10.63%	8.52%	357,115,411	1,565,241,407	11.07%	11.04%
Total active	**11,359,929,665**	**100.00%**	**80.14%**	**2,777,771,471**	**14,137,701,136**	**100.00%**	**99.74%**
Exista - own shares	1,162,793		0.01%		1,162,793		0.01%
Total issued pre-acquisition	**11,361,092,458**		**80.15%**				
New Shares - To be delivered	2,813,675,174	24.77%	19.85%	-2,777,771,471	35,903,703		
Total issued post-acquisition	**14,174,767,632**		**100.00%**		**14,174,767,632**		**100.00%**

Holding of the Issuer´s Board of Directors and Exsita CEO´s and related parties to the Issuer´s Board of Directors and Exista CEO´s

(Number of shares)	Holding	Parties financially related
Lýdur Gudmundsson	0	5,135,943,926
Ágúst Gudmundsson	0	5,135,943,722
Gudmundur Hauksson	3,504,198	1,356,812,622
Bogi Pálsson	141,091	174,196,147
Sigurjón Rúnar Rafnsson	0	11,146
Hildur Árnadóttir	0	2,325,582
Erlendur Hjaltason	13,109,699	11,683,751
Sigurdur Valtýsson	0	24,716,713

The sum of the number of shares held by those listed in the table above amount to 16,754,988 shares and the sum of the number of shares held by parties financially related to them listed in the table above amount to 6,705,689,887 shares. This does not imply that these shareholders are related in any other way than stated in this Prospectus, but only that the composition of the Board of Directors together with the CEOs of Exista is such that among the afforementioned there is a representation of 47.53% of Exista's share capital or 6,722,444,875 shares.

8. RELATED PARTY TRANSACTIONS

General:

During the period from 1 January 2005 till 31 May 2008, no losses on receivables from related parties and loans and deposits to related parties or write-down for such losses have been incurred. No unusual transactions have taken place between Exista and its related parties. The Board believes that all of the related party transactions are conducted on an arm's length basis, both transactions between entities within the Group and transactions between Group companies and related parties who are not part of the Group. Exista engages in and expects to continue to engage in transactions with its related parties.

Entities with significant influence

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Cash and cash equivalents	0.0	0.0	0.0	59.3	0.4
Borrowings	0.0	0.0	0.0	45.9	39.1
Other liabilities	0.0	0.0	0.0	1.6	0.0

Prior to Exista's initial public offering and the admission to trading on OMX ICE in September 2006, Kaupthing Bank was the second largest shareholder with a holding of 21 per cent. of Exista's shares. The cross shareholding was dissolved from August to November 2006.

SPRON, which is through the directorship of Gudmundur Hauksson in Exista, a shareholder with significant influence in Exista provides integrated financial services to Exista. The service rendered by SPRON has been conducted on arm's length basis.

Entities which are Exista's associates and other companies where Exista has a significant influence

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Cash and cash equivalents	242.5	167.9	28.2	0.0	0.0
Loans and receivables	0.0	0.1	0.1	0.0	0.0
Borrowings	597.3	686.0	557.3	0.0	0.0
Other liabilities	51.0	1.7	0.1	0.0	0.0

In March 2008 Kaupthing Bank sold its 27.8% shareholding in Skipti to Exista, by accepting Exista's voluntary takeover offer in Skipti, in exchange for the right to 1,301,769,147 new shares in Exista. In accordance with Kaupthing Bank's management statement that the bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that it will receive as a consideration for its previous ownership in Skipti, the Bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the Bank's right to 1,271,961,953 new shares. The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008. Kaupthing Bank hf. will, accordingly, taking into account its current shareholding, own 2.69% of the active share capital in Exista.

Lýsing hf., one of Exista's subsidiaries since the acquisition of VÍS Holding, was formerly owned by Kaupthing Bank, but was sold to VÍS in February 2005. In May 2006 Kaupthing Bank sold its 24.1% shareholding in VÍS Holding to Exista in exchange for 596,145,799 new shares in Exista. As a result of Exista's becoming the owner of Skipti pursuant to the takeover offer for Skipti and the subsequent squeeze out, Exista will have a related party relations with Thraedir hf. Thraedir ehf. have accepted the takeover bid made by Exista and will subsequently become shareholders in Exista. Thrædir ehf. is a holding company, founded on 1 September 2006, owned by Skipti hf. (46.66%) and eight senior managers of Skipti hf. and its subsidiary Síminn hf. Skipti hf.'s loan to Thraedir ehf. currently stands at ISK 128 million. The maturity of the loan is 31 August 2009, it carries annual coupons that accumulate and are based on Skipti's cost of capital as set out in the financial accounts of the previous fiscal year.

The Group's associates and other companies where Exista has a significant influence provide comprehensive services within certain niches. The companies (the related parties) which offer services to the Group are: Kaupthing Bank,Skipt, Sampo Oyj.

The Issuer´s Board of Directors, CEOs and the managing directors of its principal subsidiaries VÍS and Lýsing and support divisions and close family members of those individuals:

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Loans and receivables	5.5	4.5	3.9	4.9	0.0

Exista granted the CEOs and managing directors, and to companies wholly owned by these persons loans for purchasing shares in Exista in 2005 loan amounting to EUR 4.9 million was granted, in 2006 loan amounting to EUR 0.4 million was granted, and in 2007 loan amounting to EUR 0.0 million was granted and in the first quarter of 2008 loan amounting to EUR 2.1 million was granted. As of 31 May 2008 loans granted to CEOs Erlendur Hjaltason amounted to EUR 0.9 million and Sigurdur Valtýsson amounted to EUR 2.1 million and to other four employees a total of EUR 2.5 million. The loans carry interests that are comparable to Exista's cost of funding and have up to 4 years' maturity.

Exista has provided guarantee for loans amounting to EUR 11.1 million to all employees of Exista, its subsidiaries and related companies that participated in the employee offering of Exista in September 2006.

On 2 February 2007 Exista agreed to acquire Exafin B.V. a owner of 55,340,400 A-shares in Sampo Oyj. Exafin B.V. was previously indirectly owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz is a beneficiary. The acquisition which was completed on 11 April 2007 was financed by 772,134,791 shares in Exista, of which 522,346,339 were new shares with an average price of ISK 24.60 per share and 249,788,452 outstanding own shares. The price of ISK 24.60 per share was among other things, based on the closing share price on the agreements reference date, 17 January 2007, and on a calculation of Exista's forward share price for the dividend payment date. Robert Tchenquiz was elected for the Board of Directors at Exista's Annual General Meeting on 14 March 2007.

Remuneration of the Group's CEOs and the Board of Directors is stated in the Share Registration Document.

The Group's subsidiaries provide comprehensive services within certain niches. The related parties, the Board of Directors of the issuer and CEOs, the managing directors of its principal subsidiaries and close family members of those individuals are customers of Vátryggingafélag Íslands hf., Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. The services rendered by Exista's subsidiaries to these related parties during the period when they have been regarded as related parties have been conducted on arm's length basis. The terms and conditions of the rendered services are similar for the aforementioned related parties as for other customers of Exista's subsidiaries. The aforementioned amounts do not include transactions related to the business activities of the Board members, the managing directors of its principal subsidiaries and close family members of those individuals.

Exista's subsidiaries:

There is no effect on the Group's financial statements of any relationship between the Group's subsidiaries and the Group. The funding of the Group is centralised. Exista hf. has therefore provided loans and guarantees to its subsidiaries for the following amounts:

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Loans	1,376.6	1,302.6	394.2	307.8	0.0
Guarantees	10.4	13.3	0.0	0.0	0.0

A subsidiary of Exista hf., Exista Properties ehf. acquired Skipti's shareholding in Fasteignafélagid Jörfi ehf. for a total consideration of ISK 4,425 million in September 2007.

The Group's subsidiaries provide comprehensive services within certain niches particularly in Iceland, Vátryggingafélag Íslands hf., Líftryggingarfélag Íslands hf., Lýsing hf., and Öryggismidstöd Íslands hf.. Parties related to Exista are customers of Vátryggingafélag Íslands hf. Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. The services rendered by Vátryggingafélag Íslands hf., Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. to these related parties during the period when they have been regarded as related parties have been conducted on arm's length basis. This applies also to office premises e.g. Exista and Bakkavör share a part of its premises in the Reykjavík and London offices. The terms and conditions of the rendered services are similar for the aforementioned related parties as for other customers of Exista's subsidiaries.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

The shares are issued electronically at the ISD, pursuant to the Act on Electronic Registration of Securities. Once a shareholder has paid in his share in full to the Company, he shall be issued an electronic certificate in a securities depository and a registered title which confers on him the full rights provided for in the Issuer's articles of association. Transfer of shares becomes effective at registration with the ISD. The shares are not in different classes.

After the Issuer's last share increase on 30 May 2008, the Board of Directors of the Company is authorised to increase the share capital of the Company by up to ISK 4,186,324,826, or its equivalent in euros, nominal value through the subscription of up to 4,186,324,826 new shares. The current shareholders have waived their pre-emptive rights to the new shares pursuant to Article 34 of the Companies Act and pursuant to the Issuer's articles of association. This authorisation was originally of up to 7,000,000,000 new shares, but was partly used on 30 May 2008 and is effective until 28 February 2013 to the extent that it has not been exercised before that date.

The Company is not permitted to grant credit against share certificates in the Company unless permitted by law. The Board of Directors may, over the next 18 months as of 28 February 2008, purchase up to 10% of the Company's own shares. The shares' purchase price may be up to 20% above the average sales price of shares registered on the OMX Nordic Exchange in Iceland in the two weeks immediately preceding the purchase. No lower limit is set on this authorisation, either regarding the purchase price or the size of the share purchased each time.

At shareholders' meetings each share carries one vote. It is not permitted to exercise voting rights for the Company's own shares.

Shareholders' meetings may decide on an increase in the share capital. Shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Company. If a shareholder does not exercise all of his right to subscribe, other shareholders are entitled to an increased right to subscription.

The shareholders' pre-emption rights may be waived by the shareholders by a resolution passed with the approval both of 2/3 of the votes cast and shareholders controlling at least 2/3 of the shares in the Company represented at the meeting, cf. Article 34 of the Companies Act. The shareholders have already waived their pre-emption rights in respect of the authorised increase in share capital by up to ISK 4,186,324,826.

As the Company's shares are traded on the OMX ICE Main Market, the Company will be subject to the disclosure requirements set out in Act no. 108/2007 on Securities Transactions, government regulations and OMX ICE rules. Act no. 108/2007 stipulates for example rules that apply to changes in the ownership of substantial holdings in a company which has had one or more classes of its shares admitted to trading on a regulated securities market. According to the Act, a substantial holding is 5% of voting rights or the nominal value of share capital, and multiples thereof of up to 40%, as well as 50%, 66.67% and 90%. When a party acquires a substantial holding, or increases a holding to exceed or reduces a holding to fall below these limits, the party must immediately give notice to both the relevant registered securities market, on behalf of the FME, and the Company.

The shares of Exista are subject to taxation according to law in effect at any given time. Investors are advised to seek external tax advice on the tax implications of any investment in the shares. The Issuer's shares are subject to stamp duty in Iceland which the Issuer shall pay within a year of the issue of the shares. Stamp duty has been paid on all shares that have already been issued. The Issuer is obliged to retain PAYE taxes on dividend payments, according to Article 3, paragraph 2 and Article 5, paragraph 4, of Act no. 94/1996 on Capital Income Tax. For Icelandic parties other than those exempt from PAYE tax on capital earnings, the PAYE tax is a final taxation. As regards parties living abroad, it must be established whether there is a double taxation agreement with the state where the party in question resides and, if so, it must be established whether there is any taxation payable in addition to that in Iceland. Profit from the sale of shares in Exista is taxable in Iceland. As regards parties living abroad, it must be established whether there is a double taxation agreement with the state where the party in question resides and, if so, it should be determined which state has the right of taxation. Shares in Exista fulfil the conditions of item 1 of section B of Article 30 of Act. no. 90/2003, with subsequent amendments, on Income Tax. That provision contains rules concerning the deductibility of increased investments in shares before the end of 2002 from the income tax base.

Each shareholder is under obligation to abide by the Issuer's articles of association. Shareholders' liability for the Company's affairs is limited to their share contribution. The articles may be amended at a lawfully convened shareholders' meeting. The notice of the meeting shall state the business of the meeting. Proposals for amendments of the articles of association cannot be discussed at shareholders' meetings unless they were mentioned in the call to the meeting. If the agenda includes a motion to amend the articles, the main substance of the motion shall be included in the notice of the meeting. A decision to amend the Issuer's articles of association is only valid if approved with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, on the condition that other voting power is not reserved in the articles of association or in statutory law. The consent of all shareholders is required to:

1) *Oblige shareholders to contribute funds etc. for Company needs beyond their commitments.*

2) *Limit shareholders' rights to dispose of their shares.*

3) *Amend provisions of the articles of association regarding voting, shareholdings in the Company or the equal rights of the shareholders.*

4) *To amend the purpose of the Company substantially.*

The Annual General Meeting shall be called with at least one week's notice and at most four weeks' notice. Shareholders shall be notified of Annual General Meetings by verifiable means, including through an advertisement in a daily newspaper. Extraordinary meetings should be called in the same manner and with the same notice. All shareholders are authorised to attend shareholders' meetings. Shareholders may, with a written letter of proxy, grant a proxy a permission to attend a shareholders' meeting on their behalf and exercise their voting rights. A shareholder may also attend a meeting accompanied by an advisor. The Board of Directors may determine that shareholders may participate electronically in shareholders' meetings without being present. Shareholders who intend to take advantage of their right to participate electronically shall notify the Company's office with 5 day prior notice and submit, in writing, any questions they might have regarding the agenda or presented documents they wish to have answered at the meeting.

The Board of Directors of the Company shall be comprised of up to seven members. They are to be elected at the Annual General Meeting for a term of one year. The Company currently has seven directors. Elections of directors are carried out by ballot where the number of nominations exceeds the number of directors to be elected. Unless a shareholder or shareholders representing at least 10% of the issued shares requests proportional or multiple voting, elections of directors are carried out as a majority vote. Any requests for such vote must be made at least five days prior to the shareholders' meeting, and in the event that both proportional voting and multiple voting are validly requested, the method used will be multiple voting. The chairman of the Board of Directors and the managing directors of the Company are appointed by the directors.

10. DOCUMENTS ON DISPLAY

For the next twelve months counting from the date of the Prospectus, it can be obtained from the Issuer's website (www.exista.com) and as a hard copy from the Issuer's headquarters at Ármúli 3, 108 Reykjavík, Iceland. During the same period, a copy of the following documents, incorporated by reference to the Share Registration of the Prospectus and/ or on display, can also be obtained from the Issuer's website and a hard copy of these documents can be obtained from the Issuer's headquarters.

a) The condensed consolidated interim financial statements for Exista for the period from 1 January to 31 March 2008

b) The condensed consolidated interim financial statements for Exista for the period from 1 January to 31 March 2007

c) The consolidated financial statements along with the annual report of Exista for the year 2007

d) The consolidated financial statements along with the annual report of Exista for the year 2006

e) The consolidated financial statements along with the annual report of Exista for the year 2005

f) The articles of association of Exista, dated 30 May 2008

g) The Prospectus of Skipti hf. made public on 4 March 2008

h) The Public Offer Document from Exista hf. to other share-holders in Skipti hf., made public on 27 March 2008

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II. SHARE SECURITIES NOTE

CONTENTS

1.RISK FACTORS

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Investing in shares is subject to numerous risks. Prior to making any investment decision regarding shares in the Issuer, investors should consider all the information provided in this Share Securities Note made public on 2 June 2008 and in the Share Registration Document of the Prospectus, and in particular to consider the risks and uncertainties described below in this Share Securities Note and the chapter on risk factors in the Share Registration Document made public 2 June 2008.The risks and uncertainties described in these two documents are those that the Issuer's management and Board of Directors believe are material to its shares in order to assess the risk associated with the Issuer and any investment made in its shares. If any or a combination of these events occurs, the trading price of the Issuer's shares could decline and investors might lose part, or even all, of their investment. Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Issuer is unaware may also impair the business and operation of the Issuer. These risks and uncertainties could have a materially adverse impact on the business, income, profits, assets, liquidity and share price of the Issuer. The following discussion is not listed in order of importance. The following discussion is a prominent disclosure of risk factors that are material to the shares being admitted to trading in order to assess the market risk associated with these shares.

1.1 RISKS INHERENT IN EQUITY INVESTMENTS

Equity investments involve a variety of risks. Examples of such risk factors that may have a material effect on the price of the Issuer's shares, and thereby on the investment value, are market risk, liquidity risk and counterparty risk. The share price can fluctuate considerably due to factors such as variations in operating income or cost, changes in the market environment, adverse coverage of the Issuer and its operations and services in the media and changes to the Issuer's competitive position. Moreover, it must be kept in mind that shares are a subordinated claim on the assets of companies. This means that in the event of the Issuer's liquidation, the shareholders will receive what is left of assets after all other claims have been paid. In many countries, shares have yielded a better return than bonds measured over long periods of time. Nevertheless, long periods can also be found where the return on shares has been worse than on bonds and even negative. Those who intend to invest in the Issuer should know that there is no guarantee of a return on their investment in the future and investors should bear in mind that even though stocks can provide a good return in general, there is always a risk that an investment in the shares of individual companies will decline in value. It is therefore suggested that those who intend to invest in stocks pay close attention to diversifying their risk and seek investment advice. Investors should notice that there is risk both in terms of market risk in general and business risk which might have a negative effect on their share price.

1.2 SECURITIES REGULATION

The Issuer is subject to the provisions of Icelandic regulations on securities, contained inter alia in the Securities Act no. 108/2007, Commission Regulation (EC) no. 809/2004 on the implementation of Directive 2003/71/EC[1] and ministerial regulations and rules, or guidelines from the FME. Due to the fact that the Issuer's shares are traded on the Main Market of OMX ICE, the Issuer is also subject to the provisions of rules adopted by OMX ICE. The Issuer endeavours to comply with the said provisions, and any violation of these provisions may have a financial impact on the Issuer. Serious breaches may result in OMX ICE removing the Issuer's securities from trading. Should the Issuer violate the respective rules, it may furthermore have an impact on the Issuer's reputation and consequently result in the price of the shares dropping.

Those investing in the Issuer's shares may become subject to such public regulation relating to securities transactions, such as rules relating to takeover bids, public disclosure of ownership stakes, public disclosure of material change in voting rights, rules on handling of insider information and insider trading and rules that prohibit market abuse.

1.3 FURTHER SHARE CAPITAL INCREASE CAN DILUTE SHAREHOLDINGS

If the Issuer increases its share capital by issuing new shares, the proportional shareholding of existing shareholders will be reduced accordingly, unless they themselves acquire the new shares pro rata to their existing holdings.

The Issuer's purpose in increasing capital is generally to finance projects with the long-term intention of making the Issuer more valuable in the future. Shareholders may therefore be faced with increased risk for their investment alongside the dilution of their shares. There can be no guarantee that such further fundraising or any other type of fundraising will be successful and the development and growth of the business may be constrained if the Issuer is not successful in such fundraising or if funds are raised on unfavourable terms.

1.4 THE MARKET PRICE OF THE ISSUER'S SHARES MAY BE VOLATILE

The Issuer's share price may be volatile. Consequently, the current or historical share price may not be indicative of prices that will subsequently prevail in the market. Investors that receive shares in Exista in exchange for their shares in Skipti according to Exista's takeover offer for all outstanding shares in Skipti may

1 The Commission Regulation has been adopted into relevant law by Icelandic Regulation no. 243/2006.

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not be able to resell their shares at or above the price referred to in the takeover offer. Factors that could affect the market price of the Issuer's shares include changes in the Issuer's results of operations, changes in general economic conditions, in particular in Iceland, stock market analyst recommendations regarding the Issuer's or the financial sector in general and volatility in the financial markets. In particular, the equity markets have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. Volatility in the equity markets may have a materially adverse effect on the price of the Issuer's shares.

1.5 SHAREHOLDER STRUCTURE

The structure of shareholder ownership and voting rights can be a risk factor for investors. A lack of leading investors or large concentrations of ownership and voting rights are examples of circumstances that can have negative effects. Investors should be aware of the fact that ownership and voting rights of the Issuer can change rapidly and without any prior warning.

On 29 May 2008 there were 28,965 shareholders in Exista. The ten largest shareholders owned a total of 80.75% of the Company's active share capital.

To the knowledge of the Issuer, there are four legal entities which have direct or indirect interests of more than 5% in the Issuer's total share capital and/or voting rights as of 29 May 2008; 5% is the first notification threshold of major holdings under the Securities Act. no. 108/2007. These four largest shareholders in Exista own a total of 64.66% of the total issued share capital. These are Bakkabraedur Holding B.V., Kista-fjárfestingarfélag ehf., Gift fjárfestingarfélag ehf. and Castel (Luxembourg) S.a.r.l. One nominee account, Arion Custody accounts, is additionally registered with over 5% stake.[2]

These shareholders may be able to significantly influence matters submitted to voting by the shareholders. These shareholders may also have the power to prevent a change of control and may take actions that could have a materially adverse effect on the value of the shares.

Investors should also be aware that Lýdur Gudmundsson and Ágúst Gudmundsson, through their holdings in Bakkabraedur Holding B.V., will retain a significant interest in the Issuer and may be in a position to exert a significant influence over the Issuer's business. In addition Lýdur Gudmundsson is the Executive Chairman of the Board of the Issuer and Ágúst Gudmundsson is a member of the Board of Directors of the Issuer. Accordingly, these persons may be in a position to exert significant influence over the outcome of matters relating to the Issuer, including appointments to the Board of Directors and the approval of significant transactions. The interests of these shareholders may be different from the Issuer's interests or the interests of other Issuer's shareholders. In addition, this control may have the effect of making certain transactions more difficult or of delaying or preventing an acquisition or other change in control of the Issuer.

The Issuer has no knowledge of any agreements between shareholders on the treatment of voting rights or knowledge. The Issuer is not aware of any arrangements which may at a subsequent date result in a change of control of the Issuer. However, investors are advised to study the relationship between the largest shareholders and the information under the heading *"Principal Shareholders"* in the Share Registration Document made public 2 June 2008.

1.6 PURCHASERS OF SHARES IN THE ISSUER ARE EXPOSED TO CURRENCY RISK

The Issuer's shares are traded on the Main Market of OMX ICE in ISK. The Issuer is an Icelandic public limited company and its shares are denominated in ISK. Consequently, all payments or distributions on the shares, including payments of dividends, if made, will be made in ISK. This involves currency risk for purchasers of shares in the Issuer which have another base currency than ISK.

1.7 SHAREHOLDERS IN CERTAIN JURIDICTIONS OUTSIDE ICELAND, INCLUDING THE UNITED STATES, MAY NOT BE ABLE TO EXERCISE THEIR PRE-EMPTIVE RIGHTS TO ADDITIONAL SHARES

Under Icelandic law, holders of shares of the Issuer generally have the right to subscribe for and pay for a sufficient number of shares to maintain their relative ownership and voting rights percentages prior to the issuance of any new shares, although this right may be waived. However, certain holders of the Issuer's shares may not be able to exercise their pre-emptive rights. For example, US holders may not be able to exercise such rights unless a registration statement under the US Securities Act is

2 For further information:

• Bakkabraedur Holding B.V. is owned by Lýdur Gudmundsson and Ágúst Gudmundsson,

• Kista-fjárfestingarfélag ehf. is a holding company owned by four savings banks; Sparisjódur Reykjavíkur og nágrennis hf. (SPRON), Sparisjódurinn í Keflavík, Sparisjódur Mýrasýslu and Sparisjódur Svarfdæla. SPRON is the largest shareholder with a 48.4% stake in Kista-fjárfestingarfélag ehf. as of 29 May 2008. Gudmundur Hauksson, Board member of Exista hf., is the Chairman of the Board of Kista-Fjárfestingarfélag ehf.

• Gift fjárfestingarfélag ehf. is owned by the beneficiary owners of Eignarhaldsfélag Samvinnutrygginga, i.e. former insurees of Samvinnutryggingar gt and Samvinnusjódurinn, according to the company's articles of association. Sigurjón Rúnar Rafnsson, Board Member of Exista hf., is a Board Member of Gift fjárfestingarfélag ehf.

• Castel (Luxembourg) S.a.r.l. (wholly owned subsidiary of Glenalla Properties Limited. Glenalla Properties Limited is 95% owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz, Board member of Exista hf., is beneficiary effective with respect to such rights and the related shares or an exemption from the registration requirements is available. The Issuer currently does not intend to register its shares under the US Securities Act and no assurance can be given that an exemption from such registration requirements will be available to US holders of the Issuer's shares. To the extent that holders of the Issuer's shares are not able to, or select not to, exercise pre-emptive rights, such pre-emptive rights will lapse and the proportional interest of such holders in the Issuer may be reduced in the event of any issuance of new shares of the Issuer.

1.8 CONSIDERATION FOR THE NEW SHARES

The shares that were issued are consideration to the shareholders of Skipti in relation to Exista's takeover offer for all outstanding shares in Skipti, which was valid from 31 March 2008 until 26 May 2008. Accordingly, the shareholders of Skipti have become shareholders of Exista. Skipti's shareholders initially invested in a telecommunications company and given the difference between the business areas of Skipti and Exista, the market could experience an increased supply of Exista's shares which could result in downward pressure on the market price of the shares. Furthermore, the increased supply and trading of Exista's shares could alter the shareholder structure substantially.

2. PERSONS RESPONSIBLE

Exista hf., in its capacity as the Issuer, Icelandic ID-No. 610601-2350, with its registered office at Ármúli 3, 108 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 2 June 2008
On behalf of the Issuer

Lýdur Gudmundsson
Chairman of the Board

Erlendur Hjaltason
CEO

Sigurður Valtýsson
CEO

3. STATUTORY AUDITORS

Deloitte hf., Icelandic ID-No. 521098-2449, with its registered office at Smáratorg 3, 201 Kópavogur, Iceland, is the appointed auditors of Exista hf.

Deloitte hf. hereby declares that it reviewed the interim financial statement of the Issuer for the three-month financial period ended 31 March 2008 and 31 March 2007, and based on the review nothing came to its attention that caused it to believe that the interim financial information did not give a true and fair view of the financial position of the Issuer as of 31 March 2008 and 31 March 2007 and of its financial performance and cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Deloitte hf. hereby confirms that the information contained in the Share Securities Note based on the above mentioned documents is in accordance with Deloitte hf.'s previous reviews.

Reykjavík, 2 June 2008
Deloitte hf.
State Authorised Public Accountants
Member of Deloitte Touche Tohmatsu
Smáratorg 3, 201 Kópavogur
Iceland

Hilmar A. Alfredsson
State Authorised Public Accountant

4. MANAGER AND LEGAL MATTERS

Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419, with its registered office at Borgartún 19, 105 Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Share Securities Note and the advisor on the admission to trading on the OMX ICE. This role defines Kaupthing Bank hf. – Investment Banking as the Manager of the arrangement for the admission to trading the New Shares on the Main Market of OMX ICE that are issued as a result of the Issuer's voluntary takeover bid to other shareholders of Skipti, which was announced by the Issuer on 19 March 2008. Kaupthing Bank – Investment Banking also acted as the manager of this takeover bid and the following squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008. The Manager has in consultation with the management and the Board of Directors of the Issuer compiled this Share Securities Note, which is based on information gathered from the Issuer.

Reykjavík, 2 June 2008
On behalf of Kaupthing Bank hf. - Investment Banking

Thórólfur Jónsson
Managing Director

BBA Legal ehf., Icelandic ID-No. 661098-2959, with its registered office at Skógarhlíd 12, 105 Reykjavík, Iceland has advised the Manager as to Icelandic law in connection with this Share Securities Note, the issue of new shares and admission to trade the New Shares.

Attention is drawn to the following interests of the Manager, Kaupthing Bank, and the Issuer.

- Kaupthing Bank – Investment Banking acts as the manager of the arrangement for the admission to trading of New Shares on the Main Market of OMX ICE that are issued as a result of the Issuer's voluntary takeover bid to other shareholders of Skipti, which was announced by the Issuer on 19 March 2008. Kaupthing Bank – Investment Banking also acted as the manager of this takeover bid and the following squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008.

- Exista, through its subsidiaries, is the largest shareholder in Kaupthing Bank and holds as of 29 May 2008, 24.75% of the Bank's total issued shares.

- Lýdur Gudmundsson, the Executive Chairman of the Board of the Issuer is a board member of Kaupthing Bank. Hildur Árnadóttir, member of the Board of the Issuer is an alternative board member of Kaupthing Bank.

- Exista is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Exista's largest creditors.

- Bakkavör, Skipti and Flaga, companies in which Exista holds large stakes, are customers of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Bakkavör's, Skipti's and Flaga's largest creditors.

- In March 2008 Kaupthing Bank sold its 27.8% shareholding in Skipti to Exista, by accepting Exista's voluntary takeover offer in Skipti, in exchange for the right to 1,301,769,147 new shares in Exista. In accordance with Kaupthing Bank's management statement that the Bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that they receive as a consideration for their previous ownership in Skipti, the Bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the Bank's right to 1,271,961,953 new shares.[3] The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008. Kaupthing Bank hf. will, accordingly, taking into account its current shareholding, own 2.69% of the active share capital in Exista.

- Both Kaupthing Bank and Exista own significant holdings in Storebrand ASA and Flaga Group hf.

- A comprehensive financial, insurance and home security service by VÍS, Lífís, Kaupthing Líftryggingarfélag hf., Öryggismidstöd Íslands, Lýsing and Kaupthing Bank, Vöxtur, consists of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from Kaupthing Líftryggingar hf. and Lífís, home security services from Öryggismidstöd Íslands, and asset financing from Lýsing.

3 Bakkabraedur Holding B.V.'s acquisition of the right to 1,271,961,953 new shares means that Bakkabraedur Holding B.V.'s ownership in Exista will remain unchanged after the issue of new shares in Exista in relation to the takeover of Skipti hf. and the subsequent squeeze out.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Exista" and "the Company" in this Share Securities Note shall be construed as referring to Exista hf., Icelandic ID-No. 610601-2350, Ármúli 3, 108 Reykjavík, unless otherwise clear from the context. Exista hf. is the legal Icelandic name of the Issuer. Reference to "the Group" in this Share Securities Note shall be construed as referring to Exista, including its subsidiaries as it is composed at any relevant time, unless otherwise clear from the context.

References to "OMX ICE" in this Share Securities Note shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No. 681298-2829, Laugavegur 182, 105 Reykjavík, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on OMX ICE" in this Share Securities Note shall be construed as referring to admission to trading of shares on the OMX Nordic Exchange Iceland hf., unless otherwise clear from the context.

References to the "ISD" in this Share Securities Note shall be construed as referring to the Icelandic Securities Depository, i.e. to Verdbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavík, unless otherwise clear from the context.

References to the "Manager" in this Share Securities Note shall be construed as referring to Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419, Borgartún 19, 105 Reykjavík, unless otherwise clear from the context

Abbreviations used in this Share Securities Note are listed in the following table:

CEO	Chief Executive Officer
FME	Icelandic Financial Supervisory Authority
ISK	Icelandic króna
Kaupthing Bank	Kaupthing Bank hf.
Lífís	Líftryggingafélag Íslands hf.
Skipti	Skipti hf.
The Companies Act or Act no. 2/1995	Act on Public Limited Companies no. 2/1995
The Securities Act or Act no. 108/2007	Act on Securities Transactions no. 108/2007
US Securities Act	United States Securities Act of 1933
VÍS	Vátryggingafélag Íslands hf.

6. NOTICE TO INVESTORS

This Share Securities Note, made public on 2 June 2008, forms a part of a Prospectus, referred to as "The Prospectus" throughout this document (unless otherwise clear from the context). The Prospectus consists of the following separate documents:

- this Share Securities Note, made public on 2 June 2008;
- a Share Registration Document and its appendices, made public on 2 June 2008;
- a Summary, made public on 2 June 2008.

This Share Securities Note is made public in connection with the admission to trading of 2,813,675,174 new shares (the "New Shares") in the Issuer on the Main Market of OMX ICE, where shares in Exista are traded under the symbol "EXISTA". The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading will be announced at least one day in advance by OMX ICE. Of the New Shares 2,777,771,471 shares will be delivered against delivery of shares in Skipti on 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining New Shares, or 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008. The total nominal value of share capital in Exista after the Board decision to increase the share capital as of 30 May 2008 as a result of the takeover offer and the squeeze out is ISK 14,174,767,632.

This document constitutes a "Share Securities Note" for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "European Prospectus Directive") on the prospectus to be published when securities are offered to the public or admitted to trading, and the Commission Regulation no. 809/2004 on the implementation of the Directive. The Commission Regulation has been adopted into relevant Icelandic law by Icelandic Regulation no. 243/2006. The OMX ICE has approved this Prospectus on behalf of the FME and admits the New Shares to trading on the Main Market of OMX ICE following the publication of the Prospectus of which this Share Securities Note is a part.

This Share Securities Note does not constitute an offer to sell, or a solicitation of an offer to buy, the New Shares or any other securities and no offers of the New Shares will be made to the public in any member state of the European Economic Area. The New Shares have not been and will not be registered under the US Securities Act as amended, or the laws of any state of the United States. The New Shares have not been and will not be registered under the securities laws of Australia, Canada or Japan.

This Share Securities Note is only published in English.

Any financial information more recent than 31 March 2008 which is provided in this Share Securities Note is based on information provided by the Issuer's management.

This Share Securities Note or any other of the documents forming a part of the Prospectus should not be considered or construed as a promise by the Issuer, or other parties, of future success in either operations or return on investment. Investors are reminded that investing in shares entails risk as the decision to invest is based on expectations and not promises. Investors must primarily rely on their own judgement regarding any decision to invest in the Issuer's shares, bearing in mind the business environment in which Exista operates, anticipated profits, external conditions, and the risk inherent in the investment itself. Prospective investors are advised to contact independent experts such as financial institutions to assist them in their assessment of the shares in Exista as an investment opportunity. Investors are advised to consider their legal status and any tax implications, which a purchase of the Issuer's securities may have, and seek independent advice in that respect.

Since Exista's shares are admitted to trading on the Main Market of OMX ICE, any information that the Issuer feels could have a significant impact on the market price of its securities is to be published in accordance with governing rules effective at the time. The current Rules for Issuers of Financial Instruments listed on the OMX Nordic Exchange Iceland hf. effective as of 1 November 2007 stipulate that all material documentation regarding the Issuer shall be made publicly available in the European Economic Area and sent to OMX ICE for supervision purposes.

7. KEY INFORMATION

7.1 WORKING CAPITAL, CAPITALISATION AND INDEBTEDNESS

7.1.1 Working Capital Statement

The Chairman of the Board of Directors and the CEO, on behalf of the Issuer, declare that in their opinion the Issuer's working capital is sufficient for the Issuer's present requirements.

7.1.2 Capitalisation and Indebtedness

The following tables set forth the consolidated capitalisation and indebtedness as at 31 March 2008 according to the Issuer's reviewed first quarter financial statements. In the capitalisation table, all liabilities (recourse and non-recourse) are unguaranteed. The difference between recourse and non-recourse liabilities and secured and unsecured liabilities is immaterial. Non-recourse financing is all related to investments in assets, which may include listed securities, unlisted securities, real estate assets or any other assets held by the Group, which are secured by the assets invested in and as such can only be used for the purpose of holding the assets in question. All figures are in millions of euros. The information in these tables includes the issue of 2,813,675,174 New Shares and the acquisition of a 57.1% of the active share capital in Skipti, which relates to the New Shares and which brings Exista shareholding in Skipti to 100% of the active share capital. In the Issuer's opinion there has not been a material change in Exista's consolidated capitalisation and indebtedness since 31 March 2008.

Capitalisation (EUR million)		31 March 2008
Total current borrowings	**Recourse**	**Non-recourse**
Issued bonds	0	0
Loans from credit institutions	385	120
Other borrowings	242	0
	627	120
Total non-current borrowings	**Recourse**	**Non-recourse**
Issued bonds	301	0
Loans from credit institutions	792	2,125
Other borrowings	399	0
	1,492	2,125
Total borrowings	**2,119**	**2,245**
Total borrowings recourse and non-recourse		**4,364**
Equity		
Share capital		144
Other equity		2,190
Total Equity		**2,333**
Total Capitalisation		**6,698**

Indebtedness (EUR million)	31 March 2007
A. Cash	423
B. Cash equivalent	62
C. Financial assets held for trading	232
D. Total liquidity (A)+(B)+(C)	**717**
E. Current financial receivable	**237**
F. Current bank debt	600
G. Current bonds issued	0
H. Other financial debt	286
I. Total current financial debt (F)+(G)+(H)	**886**
J. Total Net Current Financial Indebtedness (I)-(E)-(D)	**-68**
K. Non current bank loans	3,316
L. Bonds issued	301
M. Other non current loans	0
N. Total non current financial indebtedness (K)+(L)+(M)	**3,617**
O. Total Net financial indebtedness (J)+(N)	**3,549**

7.2 DECLARATION OF INTEREST

The investor's attention is drawn to the interests of the Manager and the Issuer under the heading *"4. Manager and legal matters".*

7.3 BACKGROUND TO THE ISSUE AND THE ISSUE OF THE NEW SHARES

On 19 March 2008 the Issuer announced, after a board decision, that it had decided to make an offer to other shareholders of Skipti hf. ("Skipti") to buy their shares in Skipti. The offer was a voluntary takeover bid pursuant to Art. 101 of Act no. 108/2007 on Securities Transactions (hereinafter called the "Securities Act"), cf. chapters X and XI of the Act. The offer was valid from 31 March 2008 until 26 May 2008. The offer price was ISK 6.64 for each share in Skipti free from any pledges and encumbrances. Because it was announced that a takeover bid for Exista was proposed shortly after Skipti shares were admitted to trading on OMX ICE on 19 March 2008, it is not possible to compare the offer price with previous trading prices in Skipti on OMX ICE. The offer price is, however, the same price as was determined in the offering of 30% of the share capital in Skipti held between 10-13 March 2008 at the end of a book-building process with investors who wished to invest more than ISK 25 million. In the offering 30% of the company's share capital was offered for sale and subscriptions were received for 7.49%. The consideration is shares in Exista priced at ISK 10.10 for each share, which was the closing price in trading on OMX ICE on 18 March 2008, the day before the announcement of the proposed takeover bid was made. In accordance with the terms of the takeover offer, the shareholders of Skipti were paid approximately 0.6574 shares in Exista in exchange for each of their share in Skipti. No expenses or taxes are specifically charged to those that accepted the takeover offer. The estimated cost of the issue is EUR 1.8 million.

The offer extended to all shares in Skipti which were not already owned by the Issuer or its subsidiaries, or owned by Skipti itself, on the same day on which the offer was made. The offer also extended to shares that Skipti had undertaken to issue in relation to acquisitions of companies. On 19 March, prior to the bid Exista held 43.68% of the share capital of Skipti through its subsidiaries, Exista B.V., Vátryggingafélag Íslands and Líftryggingafélag Íslands hf., or 42.90% taking into account Skipti's share capital increase on 31 March 2008 in connection with the company's acquisitions of Sensa ehf. and Anza ehf..

Skipti was listed on OMX ICE on 19 March 2008, following a share offering. The offering and stock market listing of the company was in compliance with the provisions of the purchase agreement, which was originally entered into upon the sale of the government's 98.8% holding in Landssími Íslands hf. (now Skipti) in 2005. When Landssími Íslands hf. was privatised in 2005 a condition was set by the government of Iceland that Skipti hf.'s shares would be listed on the Main List of the Icelandic Stock Exchange (now OMX ICE Main Market) before the end of 2007 and that 30% of the share capital would be offered for sale in a public offering. The Ministry of Finance granted an extension until the end of the first quarter of 2008 due to Skipti's participation in the privatisation process of Telekom Slovenije d.d. The privatisation committee in Slovenia decided on 3 March 2008, not to propose to the government the acceptance of Skipti's offer. Furthermore, Skipti's offer lapsed at GMT 16:00 on 3 March 2008. At Skipti's shareholders' meeting on 27 February 2008 the proposal to seek admission to trading of Skipti's shares in accordance with this requirement was approved. The application for admission to trading on OMX ICE Main Market, was in accordance with the requirement set by the government of Iceland. The consortium of investors that acquired 98.8% of Landssími Íslands hf. in the privatisation agreed between themselves that Kaupthing Bank hf. would offer all of its shares in the Offering and that Exista hf. would offer the remaining shares that were required to reach 30% of the share capital of Skipti hf. Kaupthing Bank hf. therefore offered its 27.8% stake in Skipti hf. and Exista hf. offered 2.2%. In the offering, which was held between 10 March and 13 March 2008, 30% of Skipti's share capital was offered to the public and other investors and subscriptions were received for 7.5% of the share capital. The Skipti share offering was clearly affected by the unusually difficult conditions of the financial markets at that time. The timing of the offering and the listing of Skipti was determined by the agreement which was made upon the sale of the company in 2005, and not by the current conditions. Exista believed that there was insufficient basis for normal price formation with Skipti shares on the market, in light of the results of the aforementioned share offering and the unusually difficult market conditions which prevailed. Owing to a relatively small shareholder base and the adverse market conditions, it would be unlikely that Skipti hf. and its shareholders would enjoy the intrinsic benefits of a stock market listing. In the public offer document regarding the bid to shareholders of Skipti made public on 27 March 2008 it was announced that if Exista acquired more than 90% of share capital and controlled a corresponding proportion of voting rights in Skipti, it intended to propose to the board of directors of Skipti that shares owned by other Skipti shareholders be redeemed in accordance with Art. 110 of the Securities Act. no. 108/2007. As of 26 May 2008, when the takeover bid expired, shareholders in Skipti owning in total 4,225,224,096 shares or 56.32% had accepted the offer and consequently Exista became the owner of 99.22% of Skipti's share capital upon settlement 2 June 2008. After the squeeze-out process, which is expected to be finalized at the beginning of July 2008, Exista will own 100% of the active share capital.

According to Article 4 of the Issuer's articles of association, the Board of Directors decided on 30 May 2008 to increase the Issuer's share capital by ISK 2,813,675,174 representing an increase amounting to ISK 28.4 billion. As a result of the aforementioned increase the total nominal value of share capital in Exista went from 11,361,092,458 to 14,174,767,632 shares. An announcement thereof was made public on 30 May 2008. The New Shares are to be used as a consideration for shares in Skipti hf. which is acquired as a result of the Issuer's takeover bid for the share capital of Skipti as described above. Of the 2,813,675,174 shares (the "New Shares"), 2,777,771,471 shares are to be delivered against delivery of shares in Skipti on 2 June 2008 before 18:00 GMT. Of the 2,777,771,471 shares Kaupthing Bank had the right to 1,301,769,147 shares based on Kaupthing Bank's acceptance of Exista's voluntary takeover offer in Skipti. Kaupthing Bank owned 27.8% stake in Skipti. In accordance with Kaupthing Bank's management statement that the Bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that they would receive as a consideration for their previous ownership in Skipti, the bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the bank's right to 1,271,961,953 new shares in Exista. The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008. Of the 2,813,675,174 New Shares, Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of the squeeze-out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008. The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading, which may occur later, will be announced one day in advance by OMX ICE.

The Issuer's capital increase of ISK 2,813,675,174 New Shares represents an increase amounting to ISK 28.4 billion (EUR 232.0 million[4]). Net proceeds (the value of the share increase minus costs) amount to EUR 230.2 million.

The shareholders of the New Shares cannot exercise their rights as shareholders before the shares have been registered in the Register of Shares. Registration in the Register of Shares takes place with the settlement of the New Shares.

7.4 DISTRIBUTION OF THE SHARES

The New Shares are distributed to those that hold the rights to receiving the shares in Exista based on Exista's offer to other shareholders of Skipti hf. ("Skipti") to buy their shares in Skipti and which they have committed to render based on their acceptance of the takeover offer. To the extent known to the Issuer a related party to Hildur Árnadóttir, member of the Board of Directors of Exista, has the right to 75,178 shares. To the extent known to the Issuer, the following have the right to more than 5% of the increase: Lífeyrissjódur Verslunarmanna (Pension Fund of Commerce) has the right to 387,631,622 shares in Exista or 13.78% of the increase and Gildi-lífeyrssjóður (Gildi-pension fund) has the right to 387,631,622 shares in Exista or 13.78% of the increase Kaupthing Bank hf. had the right to 1,301,769,147 shares in Exista or 46.26% of the increase. In accordance with Kaupthing Bank's management statement that the Bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that they would receive as a consideration for their previous ownership in Skipti, the Bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the Bank's right to 1,271,961,953 new shares in Exista or 45.2% of the increase. The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008.

4 Based on EUR exchange rate as of 19 March 2008 EUR 122.51

8. THE REGISTRATION OF THE ISSUER'S SHARES AND THE ADMISSION TO TRADING

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8.1 AUTHORISATION

According to a resolution passed at Exista shareholders' last annual general meeting on 28 February 2008 it was approved to amend article 4, paragraph 2 of the Issuer's articles of association. With the amendment the Board of Directors of Exista was authorised to increase the share capital of the Issuer by up to 7,000,000,000 Icelandic króna, or its equivalent in euros, nominal value through the subscription of up to 7,000,000,000 new shares.[5] The current shareholders waived their pre-emptive rights to the new shares pursuant to Article 34 of Act no. 2/1995 on Public Limited Companies and pursuant to Exista's articles of association. The Board of Directors may, however, authorise individual shareholders in each instance to subscribe for the new shares in part or in whole. There will be no restrictions on trading in the new shares. The new shares shall belong to the same class and carry the same rights as other shares in the Company. The new shares shall grant rights within the Issuer as of the date of registration of the increase of share capital. The Board of Directors of the Company shall determine more specifically how this increase will be executed, with reference to price and terms of payment. The Board of Directors of the Company is authorised to decide that subscribers may pay for the new shares in part or in whole with other valuables than cash. This authorisation is effective until 28 February 2013 to the extent that it has not been exercised before that date.

In accordance with Article 4 of the Issuer's articles of association, the Board of Directors decided on 30 May 2008 to increase the Issuer's share by 2,813,675,174. The New Shares are to be used as a consideration for shares in Skipti hf. which is acquired as a result of the Issuer's takeover bid for the share capital of Skipti as described above. As stated above 2,777,771,471 of the New Shares are to be settled 2 June 2008 and Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008. After the above-described share issuance, there will remain an authorisation for the Board of Directors to further increase the Issuer's share capital by up to ISK 4,186,324,826, or its equivalent in euros, nominal value through the subscription of up to 4,186234,826 new shares pursuant to the aforementioned Article 4, paragraph 2 of the Issuer's articles of association.

8.2 TRADING AND ADMISSION TO TRADING

Shares in Exista are traded on the Main Market of OMX ICE under the ticker symbol "EXISTA". Exista's Board of Directors has not adopted any resolution on seeking an admission to trading for the Company's shares on any other regulated markets than OMX ICE. Of the 2,813,675,174 shares (the "New Shares"), 2,777,771,471 shares are to be settled 2 June 2008 before 18:00 GMT. Kaupthing Bank hf. as the Manager has subscribed for the remaining New Shares or 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008. The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading, which may occur later, will be announced at least one day in advance by OMX ICE.

8.3 ISSUE AND SHARE CHARACTERISTICS

All issued Shares in Exista have been created under the Companies Act No. 2/1995, see in particular section V under the heading "Increase of Share Capital and Subscription Rights" of the Act.

There are no restrictions on trading with the New Shares. The New Shares belong to the same class and carry the same rights as other shares in the Issuer. The New Shares granted rights within the Issuer as of the date of registration of the increase of share capital, which was 30 May 2008. Nevertheless, any shareholders rights attached to the New Shares cannot be exercised before the delivery of the shares has been registered in the Issuer's Register of Shares, which will happen with the settlement of the shares.

All the shares of the Issuer are of the same class and carry equal rights. The Issuer's shares carry no special rights and no restrictions are placed on them. The Issuer's shares enjoy all rights provided for according to the Companies Act no. 2/1995, including but not limited to: the right to vote at shareholders' meetings, the right to receive dividend when declared, the right to exercise pre-emptive rights to new shares, unless waived, and the right to a portion of the Issuer's assets upon liquidation, all proportionately according to share ownership, statutes and the Issuer's articles of association in effect at any given time. Shareholders do not have other rights to a share in the Issuer's profit. Shareholders are not obliged to redeem their shares unless otherwise provided by law.

The Issuer's shares are all issued electronically at the ISD and are registered there under the name of the relevant shareholder or his/her nominee. EXISTA is the symbol for the Issuer's shares in the ISD clearing and settlement system. The ISIN number of the shares is IS0000013175. The currency of the securities issue is ISK.

5 The remaining authorisation of the initial authorisation for 7,000,000,000 new shares is 4,186,324,826 shares. For further description see the subsequent paragraph.

8.4 DIVIDENDS

Exista's Board of Directors has not set a dividend policy for the Issuer. Distribution of dividend is decided by a shareholders meeting.

In general, it is the Board's policy to pay dividends to shareholders if external and internal conditions allow it. The amount of dividends that Exista pays at any given time will depend on a number of factors, including earnings, financial condition, cash requirements (including capital expenditure and investment plans), the liquidity position, current and projected external market conditions and such other factors as Exista deems relevant at the time. The amount of dividends declared is subject to applicable restrictions on the payment of dividends under Icelandic law and other factors as the Board of Directors may deem relevant.

A resolution on the distribution of dividends shall be made at an annual general meeting which shall be held before the end of May each year. According to Article 6, paragraph 3, of the Issuer's articles of association, dividends shall be paid to those parties that are registered as the owners of the Company's shares at the end of the day of the annual general meeting when dividends payment is decided.

According to Article 6, paragraph 3 i.f., of the Issuer's articles of association, the Company assumes no responsibility for payments or notices being lost owing to the neglect to notify the Company of changes of ownership or address. Therefore each shareholder shall inform the Board of Directors of his address. If the shareholder does not do so, all announcements to the shareholder will be considered lawful if they are addressed to the address in the share register of the Company, cf. Article 6, Paragraph 4 of the Issuer's articles of association. In the event that shareholders neglect to provide information of such address, they shall neither have any claim towards the Issuer to receive any notice nor payments which have been misplaced. However, if shareholders' dividends have not been paid, then the shareholders may collect their dividends at the Issuer's office within four years of payment being due. This right to a dividend lapses four years later according to Act no. 150/2007 on the Lapse of Claim Rights.

8.5 RIGHT OF OWNERSHIP AND TRANSFER

There are no restrictions on the disposal of shares in the Company. Shares in the Company may be sold and pledged to the extent permitted by law. Those who have acquired shares in the Company cannot exercise their rights as shareholders until their names have been registered in the Register of Shares, or until they have given due notice and submitted proof of their ownership of the share. At the time of the publication of this document, no provision limiting the transfer of the shares exists under Icelandic law, and there are no provisions that would have an effect of delaying, deferring or preventing a change in control of the Company.

Once a shareholder has paid in his share in full to the Company, he shall be issued an electronic certificate in a securities depository and a registered title which confers on him the full rights provided for in the articles of association of the Company. Transfer of shares becomes effective at registration with ISD. The electronic registration of securities is governed by Act no. 131/1997 on electronic registration of securities and Regulation no. 397/2000 which is based on that Act. It is forbidden to issue share certificates for registered rights according to an electronic share or endorse them, and such transactions are void.

A printout from the ISD on the ownership of shares in Exista is considered a valid registration of the shares. For the Company, the share register shall be regarded as full proof of ownership rights to any shares in the Company, and dividends at any time, as well as bonus shares. Notices of meetings and other notices shall be sent to the party registered as the owner of the shares in question in the share register of the Company. The Company assumes no responsibility for payments or notices being lost owing to the neglect to notify the Company of changes of ownership or address.

Rights to electronic shares must be registered at ISD if they are to enjoy legal protection against legal enforcement and disposal by means of an agreement. Only account operators which have concluded a valid agreement of association with ISD are authorised to act as intermediaries in registration of title in ISD. A shareholder must therefore select an associated account operator which shall serve as intermediary in electronic registration of title of securities in his/her name. Registration of the ownership of an electronic share at ISD, subsequent to a securities depository final entry, formally gives a registered owner legal authorisation to the rights for which he is registered. The priority of incompatible rights is determined by the chronological order of requests from an associated account operator reaching ISD.

8.6 NOMINEE ACCOUNTS

Provisions on nominee accounts are contained in the Securities Act no. 108/2007, the Act no. 131/1997 on Electronic Registration of Title to Securities and the Companies Act no. 2/1995.

In Article 31 of the Companies Act no. 2/1995 it is stated that those who own shares cannot exercise their rights unless the ownership has been registered in the share register or until they have given due notice and submitted proof of their ownership of the share. This does not include the right to dividends or other payments and the right to new shares in the case of a new share issue. According to the foregoing a shareholder does not have voting rights at a shareholders' meeting unless his/her name is registered in the share register or he/she has given due notice and submitted proof of his/her ownership of the share. The same applies to financial institutions which are registered as nominees as the shareholder does not have the right to issue a proxy to exercise the voting right. Shares held by a nominee do therefore not provide voting rights at shareholders' meetings.

Having shares registered by a nominee does not exempt the respective shareholder from being subject to the relevant rules relating to the acquisition and disposal of major holdings in the Securities Act. Customers' ownership in nominee accounts shall be included when assessing the need for disclosing such transactions.

In Article 12, paragraph 1, of the Securities Act it is stated that a financial undertaking, which is authorised to hold financial instruments owned by its customers, may seek authorisation from the FME to hold them in a special account (nominee account) and accept payment on behalf of its customers from individual issuers of financial instruments, provided the financial undertaking has explained to the customer the legal effects of such and the customer has given approval thereto. The financial undertaking must keep a record of the holdings of each individual customer. Article 12, paragraph 2, states that in the event that a financial undertaking is sent into receivership or granted a debt moratorium, or the undertaking is wound up or comparable measures taken, the customer can, on the basis of the record provided for in the first paragraph, withdraw his/her financial instruments from the nominee account, provided there is no dispute as to the holding.

8.7 GENERAL MEETINGS AND VOTING RIGHTS

Pursuant to Exista's articles of association, the Annual General Meeting of shareholders shall be held before the end of May each year. Shareholders are entitled to participate in the shareholders' meeting pursuant to the articles of association and Act no. 2/1995 on Public Limited Companies.

Shareholders shall be notified of shareholders' meetings by verifiable means, including through an advertisement in a daily newspaper. The notice of the meeting shall state the business of the meeting. Proposals for amendments of the articles of association or merger with other companies cannot be discussed at shareholders' meetings unless they were mentioned in the call to the meeting. If the agenda includes a motion to amend the articles of the Company, the main substance of the motion shall be included in the notice of the meeting. A shareholders' meeting shall be called with at least one week's notice and at most 4 weeks' notice.

The shareholders' meeting is valid if it has been legitimately called. A shareholders' meeting shall elect a chairman and a secretary. A record of minutes shall be kept and proceedings of the meeting entered into it. The Board of Directors may determine that shareholders may participate electronically in shareholders' meetings without being present. Shareholders who intend to take advantage of their right to participate electronically shall notify the Company's office with 5 day prior notice and submit, in writing, any questions they might have regarding the agenda or presented documents they wish to have answered at the meeting.

If the Board of Directors is of the opinion that sufficiently secure equipment is available and decides to use this authorisation it shall be clearly noted in the invitation to the meeting. The Board of Directors is also authorised to decide that the shareholder's meeting only be held electronically.

Otherwise Article 80a of Act no. 2/1995 on Public Limited Companies shall apply.

The Agenda of the Annual General Meeting includes:

a) The report of the Board of Directors on the activities of the Company in the preceding year of activities.

b) The accounts of the Company for the preceding financial year, including an audit report, shall be submitted for confirmation.

c) Elections to the Board of Directors.

d) Election of an Auditor.

e) Decision on remuneration to the members of the Board of the Company.

f) Decision on the disposal of earnings or loss of the Company for the preceding financial year.

g) The Board of Directors' proposal for a Remuneration Policy.

h) Any other business.

At shareholders' meetings each share shall carry one vote. Shareholders may, with a written letter of proxy, grant a proxy a permission to attend a shareholders' meeting on their behalf and exercise their voting rights. Decisions at shareholders' meetings shall be taken by majority vote unless otherwise provided for in the Issuer's articles or statutory law. The consent of all shareholders is required to:

1) Oblige shareholders to contribute funds etc. for Company needs beyond their commitments.

2) Limit shareholders' rights to dispose of their shares.

3) Amend provisions of the articles of association regarding voting, shareholdings in the Company or the equal rights of the shareholders.

4) Amend the purpose of the Company substantially.

In other respects reference is made to Art. 94. of the Companies Act no. 2/1995.

Shareholders' meetings may decide on an increase in the share capital of the Issuer, whether through subscription to new shares or through the issue of bonus shares. The Issuer's shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Issuer. If a shareholder does not use all of his right to subscribe, other shareholders are entitled to an increased right to subscription.

The Issuer's articles of association may be amended at a lawfully convened shareholders' meeting. A decision to amend the articles of association is only valid if approved with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, on the condition that other voting power is not reserved in the articles of association or in statutory law.

8.8 MANDATORY TAKEOVER BID RULES

In chapter X of the Securities Act no. 108/2007 it is stated that if a party has directly or indirectly acquired control in a company which shares are admitted to trading on a regulated market, it shall make other shareholders a takeover bid. A party is considered having control if it alone or in collaboration with others has (1) reached at least 40% of the total voting powers through ownership; (2) reached at least 40% of the total voting powers through agreements with other shareholders; or (3) gained power to appoint or dismiss the majority of the Board of Directors in the company. The takeover bid to other shareholders is to be made no later than 4 weeks from the time when control was acquired. The offering party shall offer all the shareholders in the same class the same terms. The price offered shall be at least the highest price which the offering party or related parties in collaboration with the party have paid for shares in the company in the last 6 months prior to the offer. The price offered shall, however, at least be equal to the last price the day before the offering party acquired control or at the date of the announcement.

8.9 SQUEEZE-OUT AND SELL-OUT RULES

In chapter X of the Securities Act no. 108/2007 it is stated that if the offering party has acquired more than 9/10 of the share capital of the company following a takeover bid then the offering party and the board of the company can jointly agree to unilaterally squeeze out the remaining shareholders. The price is the same as in the takeover bid if the squeeze-out is initiated within three months from the end of the offer period. Furthermore if the offering party has acquired more than 9/10 of the share capital of the company then the remaining shareholders can unilaterally sell out their remaining shares to the offering party for the same price as in the takeover bid, if the remaining shareholder(s) have made a request for such redemption of shares within three months from the end of the offer period.

8.10 DISSOLUTION OF THE COMPANY

Pursuant to Article 21 of the Issuer's articles of association, proposals on the division or dissolution of the Company will be subject to the same provisions as amendments to the articles of association. Any decision on the dissolution of the Company shall be made by shareholders controlling at least 2/3 - two thirds - of the Company's share capital. A shareholders' meeting which has made a lawful decision on the division or dissolution of the Company shall also decide on how the assets of the Company should be disbursed and debts paid. The meeting shall also decide whether the Company is to be divided by a public authority or whether a Winding-up Committee is to be elected in accordance with provisions in the Companies Act. If a shareholders' meeting has decided on dissolution of the Company, it shall without delay be announced to the Register of Limited Companies. Otherwise, the dissolution or division of the Company, or a merger with another company shall be governed by the current Companies Act no. 2/1995 as the provisions are set out in chapters XIII and XIV of that Act.

8.11 REPORTS TO SHAREHOLDERS

Shareholders are entitled to attend and free to speak at the Annual General Meeting of the Company and at extraordinary meetings. At the Annual General Meeting the Board of Directors reports to the shareholders on the activities of the Company during the previous year of operation. Furthermore, the Consolidated Financial Statements for the preceding year's activities are submitted for approval, together with the Auditor's Report.

According to Article 85 of the Companies Act no. 2/1995, shareholders controlling more than 10% of the total share capital of the Company can submit a request for an extraordinary shareholders' meeting. In that case, the Board of Directors must call the extraordinary meeting within 14 days.

8.12 DILUTION

If the Issuer increases its share capital by issuing new shares, the proportional shareholding of existing shareholders will be reduced accordingly, unless they themselves acquire the new shares pro rata to their existing holdings. The Issuer's purpose in increasing capital is generally to finance projects with the long-term intention of making the Issuer more valuable in the future. Shareholders may therefore be faced with increased risk for their investment alongside the dilution of their shares.

The New Shares are equal to a share increase of 24.8%, calculated as a percentage of the total issued shares prior to the issue of the New Shares.

As existing shareholders in the Issuer have waived their preemptive rights in respect of any of the New Shares, the proportional holdings of shareholders are diluted by 19.8% (calculated as a percentage of the total issued shares past the issue and delivery of the New Shares) by the issue of the New Shares.

8.13 MARKET MAKING

Kaupthing Bank and Straumur-Burdaras Investment Bank hf. act as market makers through their own accounts for the Issuers shares on the OMX ICE. The market making is pursuant to two separate agreements with Kaupthing Bank and Straumur-Burdaras Investment Bank hf.

According to the agreements, Kaupthing Bank and Straumur-Burdaras Investment Bank hf. must each submit, through their own accounts, daily bids and offers to OMX ICE for a minimum of 1.0 million shares on each side at a price determined by the market maker on any given occasion. The maximum spread between bids and offers may not exceed 1%, and the difference from the last price paid may not exceed 3%. The market makers, Kaupthing Bank and Straumur-Burdaras Investment Bank hf., are obliged to provide liquidity for up to ISK 300 million and ISK 200 million, respectively, per day.

8.14 MAJOR HOLDINGS

As Exista's shares are traded on the Main Market of OMX ICE, shareholders in Exista are subject to the disclosure requirements set out in the Securities Act no. 108/2007 and in government regulations. Act no. 108/2007 contains, for example, rules that apply to changes in the direct or indirect ownership of major holdings in a company which has had one or more classes of its shares traded on a regulated securities market. According to the Act, a substantial holding is 5% of voting rights, and multiples thereof of up to 40%, as well as 50%, 662/3% and 90%. When a party makes an acquisition or disposes of voting rights (or the issuer increases or reduces its share capital or the number of voting rights or a change occurs in the proportion of voting rights), which results in the party's voting rights exceeding or falling below these limits, the party must immediately give notice to the FME and the Issuer, which shall make the notice public no later than 12:00 GMT on the next business day after receiving the notice.

9. TAXATION

The shares of the Issuer are subject to taxation according to law in effect at any given time. The following is a general summary of certain tax consequences for shareholders. The tax treatment for shareholders depends in part on their particular circumstances and can differ depending on their residence. Each shareholder should consult a tax advisor regarding the tax consequences which may arise for such person as a result of buying or selling the Shares, including the applicability and effect of foreign income tax regulations and provisions contained in treaties entered into by Iceland to avoid double taxation. The summary does not cover tax issues where the shares are held as assets in business operations or by a partnership.

9.1 TAX CONSIDERATIONS FOR RESIDENTS OF ICELAND

9.1.1 Dividends

Exista is obligated to retain taxes on dividends payments, according to Art. 3, paragraph 2, and Art. 5, paragraph 4, of Act no. 94/1996 on Capital Income Tax. The withholding rate is 10%. For individuals this withholding is the final taxation, i.e. the applicable income tax rate is the same as the withholding rate. Most taxable legal entities may on the tax return have a deduction of the same amount as the dividends received and consequently there is no effective tax burden for such companies ("dividend received deduction"). If the withholding tax is higher than levied tax, then the difference will be refunded upon assessment of tax returns.

9.1.2 Sale of shares

Individuals

Profit from the sale of shares is taxable in Iceland. The tax rate is 10%. Upon the sale of shares, the shareholder's weighted acquisition costs for all shares of the same class and type will be used as the tax base on which the capital gain of the sale is calculated. Individuals can use losses from the sale of shares within the same calendar year and offset them against capital

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gains from the sale of shares. Losses from the sale of shares cannot be carried forward and offset against future capital gains from the sale of shares.

When shares are paid with new shares, i.e. shares in Skipti hf. paid with Exista shares, the acquisition cost of the new shares (i.e. Exista) is equal to the sale price of the first mentioned shares.

Limited liability companies

For taxable limited liability companies, all gains from the sale of shares must be reported as income, subject to taxation at a rate of 15%. The gain shall be reported in full regardless of how long the Company has owned the shares. A gain is calculated as the difference between the sale price and average cost price of all shares of the same class and type. Limited liability companies may on the tax return have a deduction of the same amount as the gain received and consequently there is no effective tax burden for such companies. The deduction is conditioned upon carry forward losses being utilised, first. If the withholding tax is higher than levied tax, then the difference will be refunded upon assessment of tax returns.

Capital losses from the sale of shares cannot be carried forward as losses from regular activities.

Specific tax consequences may be applicable to certain categories of companies, such as mutual funds.

9.2 TAX CONSIDERATIONS FOR NON-RESIDENTS OF ICELAND

9.2.1 Dividends

Exista is obliged to withhold 10% tax on dividend paid to individuals not resident in Iceland. Exista is also obliged to withhold 10% tax on dividend paid to foreign legal entities unless there is a tax treaty in place lowering the percentage. Qualified companies may apply for a reimbursement and/or an advance relief under the relevant provisions in double taxation treaties.

Limited liability companies (and some other forms of companies also) within the European Economic Area receiving dividend income from Iceland are allowed to file an Icelandic tax return and declare a deemed deduction in the same amount as the dividend received and, subsequently, obtain a refund. Consequently there should be no effective tax burden for such companies in Iceland.

9.2.2 Sale of shares

Non-resident entities' gains from the sale of shares in Icelandic companies are subject to taxation in Iceland. The tax rate is 10% for both individuals and legal entities. Double taxation treaties which Iceland has entered into with other nations generally exempt the gain of eligible non-residents from such taxation. According to the tax treaty between Iceland, Denmark, Norway, Sweden and Finland, non-residents of Iceland selling shares in Exista will pay tax in their country of residence. However, this does not apply if an individual has been resident in Iceland for the five years preceding the sale. Similar provisions may also be contained in other double taxation treaties Iceland has signed with other countries. Each shareholder must therefore consider what possible consequences selling shares in Exista will have.

Limited liability companies' (and some other forms of companies also) within the European Economic Area selling shares in Icelandic companies with a gain and which are not exempt from taxation in Iceland based on double taxation treaty, are allowed to file an Icelandic tax return and declare a deemed deduction in the same amount as the gain and, subsequently, obtain a refund. Consequently there should be no effective tax burden for such companies in Iceland.

9.3 STAMP DUTY ON SHARES

The issue of the shares is subject to stamp duty in Iceland, which the Issuer has paid for all issued shares. The sale of shares is not subject to Icelandic stamp duty.

10. ADDITIONAL INFORMATION

10.1 ISSUANCE OF FAIRNESS OPINION TO THE BOARD OF DIRECTORS OF SKIPTI

Independent members do not form a majority on Skipti's board of directors. Therefore, the board of directors does not constitute a quorum and it appointed MP Fjárfestingarbanki hf. (MP Investment bank), Skipholt 50d, Reykjavík, Iceland an independent financial undertaking to assess the offer and its terms, pursuant to Art. 104, paragraph 7 of the Securities Act. The conclusion of the fairness opinion was made public on 19 May 2008[6].

In the fairness opinion MP Fjárfestingarbanki hf. made the following statement: *"MP Investment Bank hf. has reviewed the Company's 3-year budget accompanied by first Quarter financials and valued the Company using a discounted cash flow model and peer group analysis. Based on these presumptions, MP Investment Bank hf. believes that the takeover bid of the Company on the 27th of March 2008 was fair at the time of the offer."*

In the fairness opinion MP Fjárfestingarbanki hf. stated that the offer of 0.6574 Exista hf.'s shares in return for one Skipti hf. share was considered a liquid source of payment as Exista hf. is among the most traded shares on the OMX ICE. MP Fjárfestingarbanki hf. did, however draw to the attention of the shareholders that the development of Exista hf.'s share price from the date of the takeover bid until the date of the transaction would have an direct effect on the true value of the takeover bid.

In the fairness opinion MP Fjárfestingarbanki hf. stated that based on the takeover bid, Exista hf. has no plans to fundamentally change the operation of Skipti and its facilities, including the employment and working conditions of the management and employees of Skipti. The management of Skipti confirmed that the change of ownership and delisting from OMX ICE would not adversely change the daily operation.

In the fairness opinion MP Fjárfestingarbanki hf. stated that it was the opinion of MP Fjárfestingarbanki hf. that the takeover bid will not have any significant effect on the business of the Company nor its facilities, management and other employees.

In the fairness opinion MP Fjárfestingarbanki hf. stated that its fairness opinion was based on presumptions that may not be applicable to the situation of each individual investor and emphasises that its fairness opinion was for informative purposes and to assist the board of directors of Skipti in relation to Exista's takeover bid. MP Fjárfestingarbanki hf.'s fairness opinion was therefore not a recommendation to the shareholders of the Company on whether to accept or to reject the takeover bid from Exista.

10.2 SPECIALISED REPORT

As the Issuer received shares in Skipti as remuneration for the New Shares, Deloitte hf. prepared, at the request of the Company, a specialised report in accordance with Article 37, cf. Articles 5-8 of the Companies Act in relation to Exista's issue of the New Shares. The specialised report was submitted to the Register of Limited Companies (Fyrirtækjaskrá Ríkisskattstjóra), Laugavegur 166, 150 Reykjavík, where it can be obtained. In accordance with Article 6 of the Companies Act, Deloitte hf. declared that nothing had emerged which indicated anything other than the assets received by the Issuer corresponded at least to the nominal value of the shares which the Issuer will issue, plus the premium.

10.2.1 Statement

Deloitte declares that, having taken all reasonable care to ensure that such is the case, that the information contained in this Share Securities Note on this specialised report is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Reykjavík, 2 June 2008
Deloitte hf.
State Authorised Public Accountants
Member of Deloitte Touche Tohmatsu
Smáratorg 3, 201 Kópavogur
Iceland

Hilmar A. Alfredsson
State Authorised Public Accountant

6 Can be obtained from OMX ICE home page: http://www.omxnordicexchange.com/newsandstatistics/companynotices/IFrameCNSMessage//?node=https%3A//newsclient.omxgroup.com/cdsPublic/viewDisclosure.action%3FdisclosureId%3D273667%26messageId%3D319047

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III. SHARE REGISTRATION DOCUMENT

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1. RISK FACTORS

Investing in shares is subject to numerous risks. Prior to making any investment decision regarding shares in Exista, investors should consider all the information in this Share Registration Document and in the Share Securities Note of the Prospectus, and in particular to consider the risks and uncertainties described below in this Share Registration Document and the chapter on risk factors in the Share Securities Note. The risks and uncertainties described in these two documents are those that the Issuer's management and Board of Directors believe are material to Exista's shares in order to assess the risk associated with the Issuer and any investment made in its shares. If any, or a combination, of these events occurs, the trading price of the Issuer's shares could decline and investors might lose part of their investment or even all of it. Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Issuer is unaware may also impair its business and operation. These risks and uncertainties could have a materially adverse impact on the business, income, profits, assets, liquidity and/or the share price of Exista. The following discussion is not listed in order of importance. The following discussion is meant to be a prominent disclosure of risk factors that are specific to the issuer or its industry and cover the risks that are material to investments made in the Issuer's shares.

1.1 OPERATIONAL AND MARKET RISK

1.1.1 The Group's business, financial condition and results of operations and those of the Group's strategic holdings are affected by economic, political and market conditions

The markets in which the Group and its strategic holdings operate are directly affected by many national and international factors that are beyond the Group and its strategic holdings control. Any one of the following factors, among others, may cause a decline in the markets in which the Group and/or its strategic holdings operate: legislative and regulatory changes; economic and political conditions in Iceland, northern Europe, the European Economic Area and the rest of the world; concerns about terrorism and war; the level and volatility of equity, property and commodity markets; the level and volatility of interest rates and foreign currency exchange rates; concerns over inflation; and changes in commercial and consumer confidence. An economic downturn in any of the markets in which it or its strategic holdings operate could have an impact on the Group's financial condition and results of operations.

For the year ended 31 December 2007 the Group conducted 33% of its operations in terms of revenue in Iceland. As a consequence, its financial condition and results of operations are materially affected by economic and political conditions and developments in Iceland. Any slowdown or contraction affecting Iceland may have a materially adverse effect on the Group's business, financial condition and results of operations. Such a downturn could also affect the credit quality of the Group's clients by increasing the risk that a greater number of them would default on their loans or other obligations, or would refrain from seeking additional credit. There are indications that the Icelandic economy is slowing down. The devaluation of the Icelandic króna by 48.4% since it peaked in 2007, on 24 June 2007 until 31 March 2008 against the euro, resulting in less private consumption. The devaluation of the Icelandic króna has also resulted in amongst other things higher inflation (12% in the last 12 months) and higher central bank policy rates (nominal rate) (increased by 220 basis points in 112 months to 15.5%). Financial conditions have deteriorated at the same time and banks have been tightening their credit, resulting in a slowdown in property development and real estate markets. Since the beginning of the second quarter of 2008 and until 23 May 2008, the Icelandic króna has appreciated by 7% which could ease the pressure on inflation, which may nevertheless exceed 12% in the coming months. A reduction in GDP growth and private consumption is therefore anticipated this year. Money markets have been dysfunctional which has put increased pressure on the currency and equity markets.

Regarding Exista's largest associated companies, for the first quarter of 2008, 28% and 38% of Kaupthing Bank's net interest income were from Iceland and the UK respectively, and in the first quarter of 2008, 33%, 26% and 30% of Sampo Group's P&C insurance gross premiums written were from Norway, Sweden and Finland respectively. As such, the business, results of operations and financial condition of Kaupthing Bank and Sampo Group are directly affected by economic and political conditions in such countries.

1.1.2 Exista has undergone a number of significant changes which makes it more difficult to evaluate its future prospects

Exista was founded in 2001 and since then has undergone a number of significant changes. Between 2005 and 2007, Exista made several significant acquisitions, most notably the acquisition of VÍS Holding in 2006, Iceland Telecom in 2005 and the 19.98% stake in Sampo Oyj in 2007. The acquisition of VÍS Holding in May 2006 heralded the beginning of the transformation from an investment company into a financial services group with extensive operations in the areas of insurance, asset finance and investment activities. In addition, from 1 January 2007 the Group's strategic holdings in financial companies, Kaupthing Bank and Sampo, have been accounted as associates, reflecting its view that such assets are core to the Group's business and that their underlying performance, rather than prevailing market prices, should be reflected in the Group's accounts. As a consequence the historic results for the financial years ended on 31 December 2005, 2006 and 2007 may not be reflective of the business in the future. This in turn will make it more difficult to evaluate the Group's future prospects.

1.1.3 There can be no assurance that the growth that the Group has experienced will continue. Failure to effectively manage growth could have a materially adverse effect on its business, financial condition and results of operations

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Exista has grown substantially since it was established. Total assets increased more than 28-fold from 31 December 2003 to 31 March 2008 and equity has almost increased 18-fold over the same period, in particular because of the strong performance of the company's assets and acquisitions for most of the period. There can be no assurance that the Group will be able to continue to grow its businesses or to maintain its performance at historical levels or at currently anticipated levels.

The Group intends to continue to grow its business through further expansion via further penetration of markets in which it currently operates. The Group cannot be certain that such expansion will be successful or that it will be able to identify, acquire and profitably manage additional businesses or successfully integrate them into its existing operations. Expansion in northern Europe will be difficult due to a number of factors, including the fact that it consists of well developed markets with established local and global competitors and different regulatory regimes. In addition, the expansion of the Group's operations will require significant investment, increased operating costs, a greater allocation of management resources away from daily operations, the continued development and integration of information management control systems, the continued training of management and other personnel, adequate employee supervision and the delivery of consistent client product and service messages.

The Group's failure to effectively manage these issues and its growth, whilst at the same time maintain an adequate focus on its current operations, could have a materially adverse effect on its business and financial condition and results of operations.

1.1.4 The Group's financial performance depends on its key personnel and its ability to attract, motivate and retain highly skilled personnel

The Group believes that its ability to implement its business strategy and its future success is dependent on the continued services and contributions of its management. The loss of the services of a number of managers could have an adverse effect on its financial performance.

The Group's financial performance also depends on its ability to attract, motivate and retain highly competent managers and specialists, particularly with financial and actuarial skills. The market for competent managers and specialists is competitive and the Group may not continue to be successful in its efforts to attract and retain these professionals. The Group's inability to attract and retain such people in the future may have an adverse effect on the Group's financial performance and results of operation.

1.1.5 Potential risk of conflicts of interest

There is a potential risk of conflict of interest between the duties owed by Board members and the management of Exista to the Issuer due to personal interests or obligations to another person or entity. There are conflicts of interest or potential conflicts of interest between the duties of Águst Gudmundsson being the CEO and board member of Bakkavör Group hf. and a Board member of Exista and Gudmundur Hauksson being the CEO of SPRON hf. and a Board member of Exista. Furthermore, Erlendur Hjaltason, co-CEO of Exista is chairman of the board of directors at SPRON.

1.1.6 The Group, associates within financial services and Skipti, are subject to extensive regulation, the impact of regulatory non-compliance and changes in regulation

The Group operates within a complex regulatory framework and a variety of specific regulations apply to its operations. Financial markets develop rapidly, which leads to Acts and Regulations being reviewed regularly. Amendments to legislation can have an impact on the Group's operations, financial situation, and performance. In addition, ministerial regulations and rules, or guidelines issued by the Icelandic Financial Supervisory Authority (FME) or other public authorities can have a substantial effect on the Company's operating environment. Close watch is kept on pending changes to legislation and rules applicable to the Group, and an assessment is made of the most suitable response in each case. The Group furthermore studies, when faced with new ventures, how they will affect the company from a regulatory standpoint.

Changes to laws, regulations or regulatory policies in Iceland or any other jurisdiction in which the Group operates, or any failure by the Group or its employees to comply with such laws, regulations or policies, could adversely affect it. Although the Group has implemented and will implement systems and controls requiring employees to comply with such laws, regulations and policies, there can be no guarantee that all employees will abide by them and that, if any were to fail to do so, such failure would not have an adverse effect on the Group.

The Group is subject to general competition laws, cf. Act no. 44/2005. The Icelandic Competition Authority monitors the general markets relevant to the Group, specially the insurance market. The Authority also supervises collaboration between undertakings within the Group and parties connected to the Group.

The Group is subject to the Act on Securities Transactions no. 108 of 2007 and regulations adopted by virtue of that Act.

Three of Exista's operating subsidiaries are entities under the FME's supervision. These are Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf., which are regulated insurance undertakings according to Act no. 60/1994 and regulations adopted by virtue of that Act, and Lýsing hf., which is a regulated credit institution according to Act no. 161/2002 and regulations adopted by virtue of that Act.

Additionally, in accordance with articles 40-49 of Act no. 161/2002, the FME supervises Exista's shareholding in Kaupthing Bank since it exceeds 20% and because the bank is a regulated financial institution. Exista's shareholding in Sampo is similarly supervised by the Finnish insurance regulator.

Withdrawal or amendment of regulatory approval in respect of all or part of the Group businesses or in respect of one or more individuals to perform their current role (including any of the Directors or senior management) may require the Group to cease operating a particular business or change the way in which it is operated or allocate responsibility for that business to different people. Agreements made in the course of regulated activities by unauthorised persons are unenforceable.

The FME has broad regulatory powers dealing with all aspects of financial services including, among other things, the authority in specific circumstances to grant, vary or cancel permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. The FME may from time to time make enquiries of companies within their jurisdiction regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business) and the handling and treatment of clients. In the context of the current regulatory environment, while the Group believes that each of its regulated businesses dedicates sufficient resources to its compliance programme, endeavours to respond to regulatory enquiries in an appropriate way and takes corrective action when warranted, it faces the risk that the FME or another governmental or regulatory body could find that the Group has failed to comply with applicable regulations or not undertaken corrective action as required. In this case, regulatory proceedings could be commenced that could result in a public reprimand and/or fines or other regulatory sanctions.

Regulatory proceedings could result in adverse publicity or negative perceptions regarding the Group as well as divert management's attention from the day-to-day management of the business. A significant regulatory action against a member of the group could have a material adverse effect on its business, growth prospects, sales, financial condition and/or results of operations.

In September 2007, the FME circulated a discussion paper where it presented draft rules on supplementary supervision of financial conglomerates, in implementation of the Financial Conglomerates Directive 2002/87/EC (the Directive).[1] The Directive introduces specific legislation for the prudential supervision of financial conglomerates and financial groups involved in cross-sectoral activities to foster the stability of the financial system. The main objectives of the Directive are (I) to ensure that financial conglomerates are adequately capitalised, preventing the same capital being counted twice and so used simultaneously as a buffer against risk in different entities, (II) to introduce methods for calculating a conglomerate's overall solvency position, and (III) to provide for the establishment of a single lead regulator for financial conglomerates, rather than multiple lead regulators as at present, thereby reducing regulatory duplication. Under the Directive a group must meet certain conditions to be considered a financial conglomerate. In summary the conditions are (I) the activities of the group must be sufficiently based in the financial services sector, (II) the group should be headed by, or contain, either a credit institution, insurance undertaking or an investment firm, (III) the group must contain at least one entity in the insurance sector and at least one entity in either the banking or investment services sector, and (IV) the levels of activity in the banking and/or investment services sector and in the insurance sector must both be significant in terms of balance sheet totals. So for this purpose a conglomerate is a group with entities in both the insurance and the banking or investment sectors, with a significant volume of business in each. Exista has studied the foregoing draft rules and submitted its comments to the FME. According to the draft rules financial conglomerate can mean a group which meets the following conditions; (I) where there is a regulated entity[2] at the head of the group, it is either a parent undertaking of an entity in the financial sector, an entity which holds a participation[3] in an entity in the financial sector, or an entity linked with an entity in the financial sector in a specific way, see further items a) 1. i. – ii. of Article 1 in the draft rules, (II) where there is no regulated entity at the head of the group and the group's activities mainly occur in the financial sector within the meaning of Article 3 of the draft rules, (III) at least one of the entities in the group is within the insurance sector and at least one is within the banking or investment services sector, and (IV) the consolidated and/or aggregated activities of the entities in the group within the insurance sector and the consolidated and/or aggregated activities of the entities within the

1 See discussion paper no. 7/2007. The discussion paper is available on the FME's website, http://fme.is/lisalib/getfile.aspx?itemid=4531. The Directive itself is available on the European Union's website, http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=OJ:L:2003:035:0001:0027:EN:PDF

2 According to the draft rules a regulated entity means a credit institution according to Act no. 161/2002 and/or insurance undertaking according to Act no. 60/1994. See further item 3 of Article 2 in the draft rules.

3 According to the draft rules a participation means among other things that the entity has a stake in a company, but which is not a subsidiary of the entity, which another entity and/or its subsidiaries have substantial ownership of or have a lasting relationship with it, with the objective to influence its operations. An entity shall always be regarded as having substantial stake if it and its subsidiaries own at least 20% direct or indirect ownership (through shares, primary capital or voting rights). See further item 8 of Article 2 in the draft rules.

banking and investment services sector are both significant within the meaning of Article 4 and 5 of the draft rules. As said before the rules have not been implemented yet and thus their final scope and content is not known. However, should Exista fall within the scope of such rules and thus be deemed to be a financial conglomerate, it would be subject to supplementary supervision and increased capital adequacy requirements. Conversely, should Exista not fall within the scope of such rules and thus not considered to be a financial conglomerate, it would not be subject to supplementary supervision and increased capital adequacy requirements.

Furthermore Exista's associates within insurance, banking and other financial services and investments within financial services and telecom are like Exista's own operation highly regulated in their own capacity. All of Kaupthing Bank's operations entail considerable regulatory and legal risk. Each member of Kaupthing's group is subject to government regulation and inquiry as financial companies in the markets in which they operate, most of which are within countries of the European Economic Area and Sampo and Storebrand are regulated in a similar capacity as VÍS and Lífís. As the laws regulating insurance and banking operations within the European Economic Area, derived from the internal market legislation of the European Economic Area and of the European Union, these companies enjoy regulatory conditions similar to those of other European insurance companies and banks. However, it should be noted that interpretation and implementation of rules may still differ among countries. Furthermore, it should be noted that, although financial market legislation within the European Economic Area has been harmonised as described above, certain differences in legislation and rules may remain between countries. Moreover, the length of history and business volumes in the different markets varies and, consequently, so does the legal certainty of the framework within which they operate. Skipti's operations are subject to the applicable laws regulating electronic communications, as well as the general laws and regulations, most notably in Iceland where most of the operations are. Skipti's operations are in particular regulated under the Electronic Communications Act no. 81/2003, the Radio Broadcasting Act no. 53/2000 and the Post and Telecom Administration in Iceland which regulates and executes Electronic Communications within the territory of Iceland.

1.1.7 The Group and its strategic holdings are exposed to litigation

Litigation is a normal part of insurance and finance operations. The Group is involved in litigation due to the settlement of claims for the insurance part of the business. This is fully accounted for in technical provisions until each individual case is settled. The Group is furthermore involved in litigation relating to collections of outstanding claims in the insurance and finance part of the Operating Businesses.

The Issuer is not engaged in litigation or arbitration that could substantially affect the Group's financial position. The Issuer is not aware that its strategic holdings are engaged in any litigation or arbitration that could substantially affect the Group's financial position

The Issuer submits that it has not been in any governmental, legal or arbitration proceedings, during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability. The Issuer also submits that it is not aware of any such proceedings which are pending or threatened. Due to the fact that the Group's main business concerns are leasing and financing, credit activities and other financial service, litigation is always a possibility.

1.1.8 Damage to the Group's reputation could impair its ability to grow and/or adversely impact its future earnings

Reputational risk is the risk that the Group will suffer as a loss of revenue due to negative publicity regarding its business practices. This negative publicity may result from mistakes in conducting its business, from wrong or contested decisions, or from the Group or some related party not following general laws and regulations. If the Group's reputation or credibility is negatively affected, owing to private or public discussion, its ability to grow may be impaired and future earnings may be adversely affected.

The Group's and its strategic holdings' operations are dependent on permits and licences from authorities and are subject to public supervision. Any regulatory involvement or rulings issued by these authorities can have a negative impact on the Group's reputation, credibility, and its ability to conduct its operations.

The Group is also dependant on publicity regarding its financial soundness. Negative publicity regarding the Group's financial soundness, being public or private, can by itself, regardless of the veracity of such reporting, have a negative effect on liquidity and operations of the Group, including the share price of companies invested in which in turn could result in an adverse effect on the Group's financial performance and result of operation.

1.1.9 The Group may be vulnerable to disruptions to its IT systems

IT risk is the risk of damage to the Group's value due to incomplete or inadequate processes and events related to information technology. The operation of Exista's IT systems is outsourced to the computer department of its subsidiary VÍS. VÍS's computer department has in place an information security management system based on the ISO 27001 standard. The system has been reviewed by the FME and the Icelandic Data Protection Authority. Despite this IT systems may be vulnerable to disruptions that are beyond the Group's control. Possible disruptions could result from viruses, hackers, equipment failure, power failure, natural disasters or human error. The Group has taken measures to prevent operating interruptions in case of a possible evacuation of its headquarters. The Group and its significant subsidiaries have in place a business continuity plan whose purpose is to ensure that key functions can be continued in the case of possible disruption. All IT systems are backed up at another regional location office. Should the need arise, operations may be continued at that back-up location. While the Group has various initiatives in place to minimise the risk of failure in its IT systems, there can be no assurance that these initiatives will adequately prevent disruption to its operations.

1.1.10 The Group's financials depend on the adequacy and success of its internal controls

Operational risk relates to the inner workings of the Group, the competence of its employees, and the reliability and effectiveness of work processes. Inadequate work processes and internal controls may result in more frequent and possibly larger operational loss events, decreasing the ability to detect fraud and human error. Ineffective procedures may also result in a lack of information reliability and possibly foregone opportunity.

The Group's business is dependant on processing a large number of transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. Its ability to maintain financial and operating controls, to monitor and manage the Group's risk exposures, to keep accurate records, to provide high-quality customer service, to develop and sell profitable products in the future and to comply with laws and regulations depends, in part, on the efficient and uninterrupted operation of the management and information systems and its internal controls.

Although the Group believes that there are arrangements and internal controls in place to support the business and the disclosure and financial reporting obligations, any disruption in the operation of these systems, processes or controls or any failure to provide effective group level controls over the different business units, may result in additional costs and, if any of them should prove to be inadequate or ineffective or if they were to fail, could materially adversely affect the relationship with their customers, investors and regulators and could result in a material adverse effect to the Group's business, financial condition or results of operations.

The Group's documents and regularly reviews all major work processes in order to keep them up to date. Internal limits are set and enforced. Despite efforts to maintain consistent internal controls there is still the risk that a lack of them may have a negative effect on the Group's financial results.

1.1.11 The Group may be affected by adverse changes in taxation law or by taxation-related investigations

The Group could be affected by changes in tax legislation in any of the countries that influence its financial results. Conflicting and/or complicated tax rules – and changes in such rules and legislation – mean that there is a risk that the Group inadvertently makes less optimal choices or commits mistakes when filing tax returns etc. Equally, the risk of inadvertently making business decisions that lead to unforeseen tax consequences exists, since tax rules can be complex and are often subject to uncertainty as to their interpretation.

The Group realises a number of internal transactions that are covered by the rules on transfer pricing. Transfer pricing is a complicated area and will always contain a tax risk as this area is under influence of political judgement in each country. In spite of the fact that the Group employs people with expertise within the tax area and/or uses external specialist assistance, there can be no assurance that circumstances as described above will not lead to significant, unforeseen or unintended expenses and thereby have a material adverse effect on the Group's business, results of operations or financial condition.

Tax implications of the Group's transactions are to some extent based on judgement of applicable tax law and regulation. Even if the Group is of the opinion that it has assessed tax law in good faith, the authorities may be of a different opinion. The Group is not aware of any ongoing tax inspection which may have a material impact on the Group's financials. An investigation of the Group's tax filings, as for any other company, may be initiated at a later stage in accordance with relevant regulations and affect the Group's prospects. The Group and the tax authorities may potentially have different opinions on how various financial arrangements within the company should be treated from a tax perspective. The Group is of the opinion that it is in compliance with the relevant tax regulations and practices and should not expect claims from tax authorities relating to its treatment of income or any other financial issues.

1.1.12 Exista's financial soundness is subject to management's judgements, estimates and assumptions including impairment testing of goodwill and value in use

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Exista, through the acquisition of VÍS Holding applying IFRS, has recognised values through the acquisitions that are greater than the net fair value of the identifiable assets, liabilities and contingent liabilities. Allocation of acquired goodwill and hence the cash generating units was completed in 2007. The goodwill amounted to EUR 348.9 million on 31 March 2008. The goodwill is tested for impairment annually, or more frequently when there is an indication that a cash-generating unit to which goodwill has been allocated may be impaired. For this purpose an impairment test model is prepared. The modelling is for the future prospects of the cash generating units and as such is subject to management's judgement.

Exista, through the investment in associates applying IFRS, recognises the results and assets and liabilities of associates through the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operation. Under the equity method, Exista's investments in associates have been carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in Exista's share of the net assets of the associates, less any impairment in the value of the individual investments. Any excess of the cost of acquisition over Exista's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. As of 31 March 2008 the market value of the investment in associates was EUR 3,199.9 million compared to book value of EUR 4,439.8 million. Assessment was made as to whether the carrying amount was supported by the recoverable amount. It was concluded that the recoverable amount, higher of value in use and fair value less cost to sell, supported the carrying amount. Assessment of the value in use is subject to management judgement. For further information on valuation of associates' value in use refer to the section under the heading *"17.2 Significant accounting policies".*

Additional area where judgement does have a material impact on the Group's financial soundness is when calculating technical provisions. For further information on the risk associated with estimates of technical provisions refer to a section in the risk chapter under the heading *"1.2.4 Differences between actual claims experience and estimated losses at the time a product is priced may result in increased liabilities and losses".*

1.1.13 Exista's quarterly statements are subject to estimates performed by analysts

Exista publishes its quarterly and annually results prior to the publishing of the results of its associates accounted for under the equity method. The share in the operating results of Sampo and Kaupthing Bank for any given quarter of the year (including the last quarter and therefore the annual results) is based on estimates performed and published by market analysts. If actual profit deviates from these estimates, the difference is recorded as income or expense in the next quarterly financial statements to take into account any mismatch that has occurred between the estimates performed and published by market analysts and the actual results of these companies. Misjudgements in analysts' estimates for any given quarter can therefore have a substantial effect on the financial performance of the Group in any particular reporting period even though it is rectified in the reporting for the following quarter. In the first quarter of 2008 a rectification amounting to EUR 5 million was recorded as expense as a result of estimate made for the fourth quarter 2007 results of Sampo and Kaupthing Bank.

1.1.14 The Group's business relies on the continued ability to exploit its intellectual property

The Group owns a considerable number of trademarks which it relies on in its operations. The Group has tried to secure legal rights to such trademarks and intellectual property. It could affect its business should it, for some reason, be unable to continue to rely on important intellectual property rights.

1.1.15 The Group could suffer adverse financial consequences as a result of rescission of financing agreements

Exista uses leverage to maximise shareholder return, which exposes Exista to refinancing risk and the restrictions of financial covenants in financing arrangements. The Group depends on external financing in its business. An adverse liquidity event might force financing under unfavourable terms. There is also a risk of the Group not being able to refinance current assets.

The Group is contractually bound to honour various financing agreements. Should the Group become, for some reason, unable to comply with the respective financial covenants which may form a part of the financing agreements, the lenders and financiers may become entitled to re-negotiate or rescind the agreements, which might have significantly adverse financial consequences.

Around half of the Group's borrowings are non-recourse and are related to investments in assets where the only security consists of the assets invested in and as such can only be used for the purpose of holding the assets in question. If these assets were to be sold the borrowings would be repaid.

At 31 March 2008 the total borrowings, including hybrid securities and other liabilities were EUR 4,822.8 million out of a total capitalisation of EUR 7,359.5 million, or 65.5%. Consequently, should any of the risks related to financial resources materialise, it may have a materially adverse effect on the Company.

Exista utilises a wide variety of funding instruments, including bilateral and syndicated loans, securitisation, bond issues, repurchase agreements, and commercial paper. Certain standard practice covenants may be found in all of the Group's financing arrangements. The covenants relate to e.g. the Group's equity ratio, loan-to-value, change of ownership and/or control of the Group, a change of applicable law etc. Not fulfilling the covenants could mean immediate or accelerated repayment of bonds, loans, cross-defaults, and/or technical default. The Group or its subsidiaries may not have sufficient liquidity to repay the accelerated indebtedness requiring re-negotiation with creditors under distress. The Group is currently operating within the limits of all relevant covenants.

1.1.16 The Group is subject to liquidity risk

The Group is exposed to daily demands on its available cash resources for payment of policy benefits, operating expenses and taxes, funding and other obligations. If demands on the Group's cash resources exceed its expectations, the Group may be forced to liquidate assets at unfavourable prices to meet those demands. The Group's liquidity could also be impaired by an inability to access equity or debt markets, an inability to access funds from its subsidiaries or an inability to sell assets. These situations might arise due to circumstances beyond the Group's control, such as general market disruption or an operational incident that affects either third parties or the Group. Although the Group implements strict liquidity requirements at all times, continuously monitors its liquidity and maintains a contingency funding plan in the event of a funding disruption, the Group cannot be certain that in the event of such an occurrence it will be readily in a position to meet all requests without liquidating some investments at potentially unfavourable prices. The Group's strategic holdings' operation is also subject to such liquidity risk.

Exista focuses on gaining strategic holdings as a principal investor in companies; securing a large enough holding to enable it to influence the operations and development of these companies. This strategy requires that the investments are sufficiently large to justify resources allocated to them and to enable its management to influence the operations and decision making. Exista's strategic holdings are therefore few in number and large, which exposes it to a liquidity risk and overall dependence on the development of the value of any individual investment. Exista's efforts to influence the operations could also have a negative impact on the investment, as the efforts may cause a negative impact on the operation of the relevant company.

1.1.17 The Group could suffer adverse financial consequences as a result of high inflation and increased cost of borrowing

The Group's interest bearing debt as of 31 March 2008 amounted to EUR 4.6 billion with both fixed and floating interest rates. Treasury is responsible for the funding activities of the Group and asset & liabilities management. This includes liquidity and cash management, as well as management of currency, interest rate and CPI exposures. In addition, Treasury oversees regular relationships with creditors, financial intermediaries and debt investors. The Group is exposed due to these financial obligations, to adverse movements in interest rates. All assets and liabilities are directly or indirectly affected by interest rates, but since the Group's main assets are equity holdings which are funded to some extend with debt with floating interest rates, interest rate hikes will have adverse financial consequences for the Group and falling interest rates will have positive effects.

As a part of its funding activities, the Group has issued consumer price indexed fixed income bonds amounting to 5.9% of the Group's interest-bearing debt. Inflation influences the assets and other liabilities, e.g. higher inflation will increase the payable amount of the bonds for the Group. The Group seeks to minimise inflation risk by maintaining equilibrium between inflation-linked assets and liabilities. Although the Group has taken steps to hedge risk for the issuance of indexed fixed income bonds, mismatches between inflation-linked assets and liabilities do exist at present. Furthermore, there is no guarantee that future mismatches will not occur. As a result, a fluctuation in the level of inflation may adversely affect the Group's operating results and financial position.

1.1.18 The Group may require additional capital in the future, which may not be available or may only be available on unfavourable terms

The Group's future capital requirements depend on many factors, including its ability to write new business successfully and its ability to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds currently available are insufficient to fund future operating requirements and cover claims payments, the Group may need to raise additional funds through financings or curtail its growth and/or reduce its assets. Any equity or debt financing, if available at all, may be on unfavourable terms. If the Group cannot obtain adequate capital on favourable terms or at all, its business, financial position or operating results could be materially adversely affected.

1.1.19 Fluctuations in the fixed income and equity markets may adversely affect the profitability of the Group

Investment returns are an important part of the Group's overall profitability, both as part of insurance asset management activities, other investment activity and indirectly on the assessment of the recoverable amount of associates.

Financial assets at fair value through profit or loss and financial assets held for trading at 31 March 2008 amounted to EUR 1,186.0 million or 16% of the total assets, the majority of which, or 87%, are shares.

A fall in the price of the Group's investments could substantially reduce the value of its investment portfolios and the amount of its income attributable to fair value recognition and trading gains. In addition, a fall in the value of its insurance asset management portfolios may negatively impact its capital adequacy ratios.

The performance of the Group's investments depends to a great extent on correct assessments of the future course of market price movements. There can be no assurance that the Group will be able to predict accurately these price movements. All markets can be characterised by volatility and unpredictability.

Market prices of equity securities are generally subject to greater volatility than prices of fixed income securities (such as bonds and other debt instruments) and investments in equity securities typically involve greater risk than investments in such other forms of securities. Equity securities ordinarily represent the most junior position in an issuer's capital structure and, in a bankruptcy, insolvency or winding up proceeding of the issuer they generally entitle holders to an interest in the assets, if any, of the issuer remaining after all other higher-ranking claims to such assets have been satisfied. General economic and market conditions and many other factors beyond the Group's control may adversely affect the equity markets.

Listed equity investment assets other than the associates Sampo Group and Kaupthing Bank are marked to market on a current basis and the Company's equity investment portfolio is therefore affected by fluctuations on the equity markets. Adverse price fluctuations in the securities in the Group's investment portfolio could have a materially adverse effect on its results of operations and financial condition.

As of 29 May 2008 Exista's main equity assets reported as investments are subject to price fluctuations (apart from Skipti which is described below). These are a 39.63% stake in Bakkavör Group, an 8.69% stake in Storebrand and an 4.26% stake in SPRON, all of which are listed on stock exchanges. Fluctuations in the share price of these companies affect the financial performance of Exista. Exista's two largest holdings, the 24.75% stake in Kaupthing Bank as of 29 May 2008 and the 19.98% holding in Sampo Group as of 29 May 2008, are accounted for using the equity method. Exista is therefore not significantly affected by short-term changes in their market value. However in the case of a longer term decrease in the share price of these two assets impairment testing may conclude the need for impairment. This could significantly affect the financial condition of the company.

Exista's equity assets in unlisted or illiquid companies are valued at fair value and as such are affected by equity market development. Most notably is Exista's stake in Skipti where Exista owned of 29 May 2008 a 99.22% stake. Exista made a takeover bid on 19 March 2008 for all outstanding shares not already owned by Exista at that time. Skipti is still listed on the OMX stock exchange but in accordance with an announcement made 29 May 2008 will be removed from trading on OMX ICE after closing of trading, 6 June 2008 in accordance with the company's request from 8 April 2008.

The Group's financials are exposed to the risk that listed equity, private equity and other security holdings are incorrectly valued at any given time in the fair value assessments that are conducted on a regular basis.

The Group is also subject to fluctuations in the global credit markets, primarily the fixed income markets. Uncertain economic prospects, declines in credit markets, failures of credit markets to sustain levels of growth, changes in interest rates, or short-term volatility in the fixed income markets for whatever reason could result in a reduction in the value of, or increased defaults with respect to, its fixed income investments. The value of the Group's fixed income securities may also be affected by changes in the investee's credit rating. Where the credit rating of the issuer of a debt security drops, the value of the security may also decline. Should the credit rating of the issuer fall so low that regulatory guidelines prohibit the holding of such securities to back insurance liabilities, the resulting disposal may lead to a significant loss on its investment.

In the event of adverse price fluctuations in securities markets, the Group can provide no assurance as to the amount or timing of future unrealised losses or impairments of its investments, which may, in each case, materially adversely impact the Group's operations, profitability, and shareholders' equity.

Fluctuations in interest rates and returns from equity markets also have an impact on consumer behaviour. More specifically, the demand for non-life insurance, particularly from commercial customers, can vary with the overall level of economic activity.

1.1.20 The Group's financial condition and results of operations may be adversely affected by currency fluctuations

From 1 January 2007 the Group prepares its consolidated financial statements in euros as approximately 55% of its operating revenue and expenses and investment income are in euros. Due to Exista's takeover of Skipti, the weight of the Icelandic króna has increased to 45% as at 31 March 2008 compared to 30% at year-end 2007. Fluctuations in the exchange rate between euros and the Icelandic króna and/or other currencies in which the Group operates will therefore impact on its reported consolidated financial position, results of operations and/or cash flows from period to period.

The Group undertakes certain transactions denominated in currencies other than its accounting currencies, including the Icelandic króna. These transactions are primarily related to Exista's strategic holdings that are not denominated in euros. The open currency positions derived from these undertakings are managed through asset and liability matching.

1.2 FINANCIAL SERVICES

1.2.1 The Group and its strategic holdings face significant competition in the markets in which they operate

The financial services industry in general and the markets in which the Group, along with the associated companies Kaupthing Bank and Sampo Group, operate are intensely competitive. Same applies to other insurance business and which the Group directly or indirectly has an interest in through its investments, such as Storebrand where the Group has a substantial stake.

In Iceland the Group faces significant competition in the non-life insurance market from domestic insurers and in the life insurance market from domestic and foreign insurers. In the non-life insurance market the Group competes mainly with Sjóvá-Almennar tryggingar hf. (Sjóvá), Tryggingamidstödin hf. (TM) and Vördur tryggingar hf., and in the life insurance market the Group competes mainly with Kaupthing Líftryggingar hf. (Kaupthing líf), Líftryggingamidstödin hf. (TM-Líf) and Sjóvá-Almennar líftryggingar hf. and to a lesser extent with foreign life insurance companies such as Sun-life, Friends Provident and Allianz.

Storebrand is a leading life insurance provider in Norway with a 39% market share for occupational pensions[4]. The top five life and pension insurers in Norway account for over 95% of the market in terms of premium income. The other four players are Vital, a subsidiary of Dnb NOR Bank, KLP, which specialises in municipalities, Nordea Liv and Sparebank, both of which are specialist bank assurers. Storebrand specialises in occupational pension schemes.

Sampo is a top-two player in non-life insurance in Norway, Sweden and Finland, as well as in the Baltic countries. Sampo is the largest Nordic P&C insurer with a market share of more than 20%[5]. For non-life insurers the Nordic market is more concentrated relative to mainland European markets. Although the Nordic insurers' earnings have recently been less volatile than their mainland peers, there is no guarantee that they will continue to be so in the future.

The most important competitive factors for general insurance products include brand recognition of the issuing company, the utilisation of various distribution channels, product price, the quality of services to customers before and after a contract is entered into (including claims handling), product flexibility and innovation of product design. If the Group or Sampo Group or Storebrand are unable or are perceived to be unable to compete effectively as to one or more of these factors, its or their competitive position may be adversely affected in the long term which, as a result, could have a material adverse effect on the Group's financial condition and results of operation. Particularly, if competitive pressures compel the Group or Sampo Group or Storebrand to reduce prices, the Group's or Sampo Group's or Storebrand's operating margins and underwriting results may be adversely affected.

Kaupthing Bank also faces challenges from domestic and international competitors in the various markets in which it operates. Some of its competitors may have better banking relationships with the SME clients that comprise its target customer bases and may have greater resources and better local market knowledge and/or representation than Kaupthing Bank does. These and other factors related to competition could have a material adverse effect on Kaupthing Bank's ability to compete effectively in these markets, and adversely affect its business, financial condition and results of operations.

1.2.2 The cyclical nature of the Nordic insurance industry may adversely effect the Group's and Sampo Group's financial position and results of operation

Historically, the Nordic insurance industry has been cyclical. A downturn may result in adverse fluctuations in the Group's financial position and results from insurance operations. Because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any general insurer, the Group may experience significant price competition, which can result in lower premium rates that will, in turn, affect results from underwriting activities. The continuation of these cycles could have a materially adverse effect on the Group's financial position and operating results.

1.2.3 The operation of and large stakes owned in insurance companies makes the Group vulnerable to changes in the underwriting business

Through its subsidiaries VÍS and Lífís as well as its holdings of the associate Sampo Group and in the invested company Storebrand, Exista has a significant interest in the underwrit-

4 Source from Storebrand's website: http://www.storebrand.no/site/stb.nsf/Pages/acquiresspp.html

5 Source Sampo Group Annual report 2007: http://www.sampo.com/annualreport/2007/pdf/Sampo_VSK07_eng.pdf

ing business. The Group is therefore vulnerable to changes in the general market conditions for insurance companies. A downturn in the underwriting business may affect the Group's financial results.

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1.2.4 Differences between actual claims experience and estimated losses at the time a product is priced may result in increased liabilities and losses

The Group's results depend to an extent on whether the development of future claims is consistent with the assumptions and calculations used in underwriting, pricing policies, and the estimation of liabilities for obligations for future claims. Claims provisions represent estimates, based on informed knowledge and judgement and on actuarial and statistical projections and assumptions, of expectations of the ultimate cost, including related expenses, to bring all claims incurred, both reported and incurred but not reported, to final settlement. The estimates are also based on other variable factors, including changes in the legal and regulatory environment, results of litigation, changes in medical costs, the cost of repairs and replacement and general economic conditions which are subject to constant change. To the extent that the development of actual claims is less favourable than the underlying assumptions used in estimating such liabilities, the Group could be required to increase the reserves made for its liabilities, resulting in losses for the Company and affecting its long-term competitive positioning. By contrast, if claims provisions are excessive as a result of a consistent overestimation of risk, premiums may be set at levels too high to be able to compete effectively, which may result in a loss of customers and premium income.

Due to the nature of the risks that the Group incurs in underwriting general insurance, it cannot determine precisely the amounts that it will ultimately pay to meet its liabilities. The Group's claims provisions may prove to be inadequate, particularly when the payment of claims does not occur until well into the future.

The Group monitors its liabilities continuously and adjusts its established claims reserves periodically in the ordinary course of settlement, using prudent methods and current information available to its management. Any adjustments resulting from changes in reserve estimates are reflected in current operating results. Based on the information currently available to the Group's management and internal procedures, the management believes that its claims reserves are adequate. However, because the establishment of claims reserves is an inherently uncertain process, the Group cannot assure that the ultimate claims will not materially exceed claims reserves and have a materially adverse effect on its financial position.

Any insufficiencies in claims reserves for future claims could have a materially adverse effect on the Group's future financial condition, operating results and cash flows.

When Exista acquired VÍS Holding, the combined ratio for its insurance operations was 113.3%. Since then the Group's primary focus with respect to its insurance operations has been on improving profitability, with the target of maintaining a combined ratio of less than 100% for the year. For the year ended 31 December 2007 the combined ratio for its insurance operations significantly improved to 99.5%, but for the first quarter of 2008 it was 119%, bringing the run rate for the combined ratio from March 2007 to March 2008 to 108%. There can be no assurance that the Group will be able to improve profitability or that, once achieved it will be able to maintain it.

1.2.5 The failure of reinsurers to meet their financial obligations or a decrease in the availability or an increase in the cost of reinsurance could have a material adverse effect on the Group's financial position and results of operations

An important element of the Group's and Sampo Group's risk management strategy is to purchase reinsurance, thereby transferring parts of the risk underwritten to reinsurers. Under a reinsurance contract, the assuming reinsurer becomes liable to the extent of the risk ceded, although the primary insurer remains liable to the insured as the insurer.

The collectability of claims under reinsurance contracts is largely dependant on the continuing solvency of reinsurers. In severe loss events, the settlement can take some years and there can be a considerable period of time from when the reinsurance agreement is entered into until when the insurer claims payments from the reinsurer. There is a risk that the financial position of a reinsurer may have changed during that time and the reinsurer may not be solvent. Although the Group chooses its reinsurers carefully by reference to, among other things, size, reputation, trading performance and rating, maintain limits on the maximum amount per risk and per event that may be ceded to any particular reinsurer and use reinsurance programmes there remains a credit risk with respect to the Group's reinsurers. The Group and Sampo Group retain primary liability to the insured and, if a reinsurer fails to make a payment, whether through insolvency, dispute or otherwise, there could be an adverse affect on its respective financial positions and results of operations.

Any decrease in the availability and amount of reinsurance, increases in the cost of reinsurance and/or the inability or refusal of reinsurers to meet their financial obligations could adversely affect the Group's operating results and financial position.

1.2.6 Efforts to reduce exposure to catastrophic events may only be partially successful or not successful at all and such events may cause substantial losses

Non-life insurance companies such as VÍS and If (the non-life insurance subsidiary of Sampo Group), are exposed to unpredictable events that affect a number of individual risks covered, e.g. related to cataclysmic events, fires, industrial accidents and terrorist attacks. As a general rule, general insurers cover such events, among others, that may have a material effect on its financial condition and results. The extent of losses from catastrophes is a function of the frequency of catastrophic events and the severity of the individual events. The incidence and severity of such events are inherently unpredictable and losses from such events could be substantial.

The Group reduces its exposure to catastrophes through reinsurance contracts and with active risk management. Efforts to reduce exposure against these events may only be partly covered or not covered at all and have a materially adverse effect on the Group's financial position. Catastrophic events and the frequency of such events can also have an impact on refinancing terms, reducing the Group's profitability.

1.2.7 Various provisions in insurance policies designed to limit the Group's exposure may not be enforceable in the manner intended or at all

There can be no assurance that various provisions in insurance policies, such as limitations on, or exclusions from, cover, will be enforceable in the manner intended. Disputes relating to coverage and choice of legal form can be expected to arise and such disputes may be decided unfavourably, as a result of which the Group or Sampo Group may incur losses beyond those considered that might arise at the time of underwriting, which were not taken into account in the pricing of policies and in respect of which provisions have not been made. Such disputes may affect a number of policies and could have a materially adverse effect on the Group's or Sampo Group's financial position and results of operations.

1.2.8 The Group and Kaupthing Bank are exposed to the credit risk of its customers and may be unable to adequately assess the credit risk of potential customers

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group or otherwise the failure to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower. The Group (including Lýsing as a subsidiary) along with Kaupthing Bank as an associated company, will be exposed to a credit risk that arises any time the Group's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Before entering into a leasing contract or granting a loan, Lýsing always reviews a client's credit history, and clients are rated with an internal model derived from previous experience. The risk of commercial clients is determined for each case and discussed by Lýsing's credit committee. For individuals, their credit history and underlying collateral determine the risk. Notwithstanding the credit risk determination procedures which Lýsing has established, the company may be unable to evaluate correctly the financial condition of each prospective borrower and its failure to do so, or lending to higher risk borrowers, could have a materially adverse effect on the Group's business, financial condition and results of operations. Although the write-off of the Group's loan portfolio was at 0.69% as at 31 December, 2007 (calculated as the total loan losses at the end of the year against the total loan portfolio at the end of the year), there can be no assurance that unanticipated provision of non-performing loans through loan losses or write-offs will not be required in the future.

Kaupthing Bank is, in turn, exposed to the risk that third parties who owe money, securities or other assets will not meet, or be unable to meet, obligations owed to it. According to the Issuer's judgements, exposure to the credit risk of borrowers is particularly high in the case of acquisition finance loans, which typically involve higher levels of leverage than general corporate borrowing and make these borrowers more exposed to increases in interest rates and downturns in the economy. The failure of Kaupthing Bank to accurately asses the credit risk of prospective borrowers and lending to higher risk borrowers could have a material adverse effect on the Group's financial position and results of operation.

1.2.9 The concentration of the Group's credit exposure may adversely affect its profitability

Concentration risk arises if the Group's loan portfolio is not diversified, whether in terms of high dependence on, among other things, a small number of large counterparties, sectors or countries. A primary requirement in the risk management of the financial services operations of the Group, which is asset financing, insurance and investment, is to maintain sufficient diversification in their assets and operations. The same principles are applied in the overall operation of the Group with respect to large exposures and coherent credit risk. The Group's loan portfolio has a larger exposure to specific sectors and products and it is heavily focused on the Icelandic market. A downturn in any of these concentrations could have a negative impact on the Group's financial position. A significant portion of the Group's asset finance loan portfolio is denominated

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in foreign currencies. Although the exposure derived from the asset finance loan portfolio is fully hedged the borrowers themselves may not be. A devaluation of the Icelandic króna could therefore reduce borrowers' ability to meet their contractual obligations. Such development could increase write-offs and affect the financial position of the Group. The current market situation has increased the possibilities of this risk factor affecting the Group.

1.2.10 Collateral taken to support lending may be inadequate to cover losses arising from defaulting loans

Exista's asset finance business is operated through its subsidiary Lýsing. In the majority of the Group's asset financing agreements, Lýsing is either the registered owner of the asset which is being financed and is then acting as a lessor, or has a publicly registered collateral interest in the asset when acting as a lender. Collateral most often takes the form of real estate, machinery and vehicles. However, the market value of the collateral can change for many reasons, such as a general deterioration of economic conditions in the industries in which the borrowers operate or in which the collateral is located, and thus may not be enough to fulfil the required value of the loan in the event of default. A decline in the value of collateral securing loans or the inability to secure additional collateral may, in some cases, require Lýsing to establish additional provisions for loan losses and increase reserve requirements. In addition, the failure to recover the expected value of collateral in the case of foreclosure may expose it to losses which could have a materially adverse effect on the Group's business, financial condition and results of operations.

Similar risk is faced in one of Exista's associates, Kaupthing Bank. A proportion of Kaupthing Bank's loans to customers are secured by collateral. Kaupthing is therefore exposed to the risk that the value of such collateral may not be sufficient to cover the value of its loans in the event of default. Furthermore, a decline in the value of such collateral or Kaupthing Bank's inability to obtain additional collateral may require Kaupthing Bank to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements which, in turn, could have an effect on its financial position and results of operation.

1.2.11 The Group's loan portfolio is heavily focused on the Icelandic market and specific sectors and products within the Icelandic market

The Group's loan portfolio is heavily focused on the Icelandic market, has a large exposure to the Icelandic króna and on specific sectors and products within the Icelandic market. As at 31 December 2007, almost all of the Group's loans were to persons incorporated or resident in Iceland, but almost 90% of the Group's loans were denominated in foreign currency. As at 31 December 2007, 79% of the Group's loans were in respect of equipment and machines, 11% were in respect of real estate and other financing represented 10% of the portfolio. Although limits are set on the Group's exposure to certain concentrations, a downturn in any of these concentrations (for example, a fall in the value of commercial real estate or a downturn in the Icelandic economy) could have a negative impact on the Group's financial position. In addition, declines in the financial condition of its largest borrowers and adverse currency movements relative to the Icelandic króna could also have a materially adverse effect on the Group's financial position.

The loan portfolio of Exista's associated company, Kaupthing Bank may also be exposed to relatively high concentration in certain currencies (such as Icelandic króna, Danish krone, sterling or euros) and market sectors (such as the service sector, industry and individuals) and may be exposed to certain large borrowers. Its financial condition may therefore be sensitive to downturns in certain industries and the consequent inability of clients to meet their obligations to it. Declines in the financial condition of its largest borrowers and adverse currency movements relative to the Icelandic króna also could have a materially adverse effect on its business, financial condition and results of operations.

1.2.12 The Group is reliant on its strategic partnerships with retailers for automobiles, machinery and equipment for the sale of loans to customers

The Group's asset finance business, operated through its subsidiary Lýsing, is reliant on its strategic partnerships with retailers for automobiles, machinery and equipment for the sale of loans to customers. These retailers may also sell the Group's competitors' products and may stop selling Lýsing's products altogether at any time. The Group's relationship with such retailers is therefore important as a sale-channel and a failure or inability of such retailers to market the Group's products could have an adverse effect on its financial performance and results of operations. The customer's relationship with the Group is nevertheless the most important sale-channel.

1.2.13 Exista is exposed to risks affecting the businesses of large associated companies and the occurrence of any such risks could have a materially adverse effect on Exista's business, results of operations and financial position

Exista has significant strategic holdings in Kaupthing Bank and Sampo Group which are Exista's largest associated companies and a major part of its core financial services business.

Kaupthing Bank is a northern European bank which offers integrated financial services to companies, institutional investors, and individuals. It has operations in 14 countries and has been one of the fastest-growing banks in Europe in recent years. Kaupthing Bank offers integrated financial services to companies, institutional investors and individuals. These services include Corporate Banking, Investment Banking, Capital Markets, Asset Management and comprehensive wealth management for Private Banking clients. In addition, the Bank operates a retail franchise in Iceland, where it is headquartered, and to a lesser extent in Norway and Sweden. The number of full-time equivalent positions within the Bank was 3,324 on 31 March 2008. The bank's core market is northern Europe with its largest operations in Denmark, Iceland, and the UK. Kaupthing Bank's operating income in 2007 was EUR 1.9 billion, net earnings EUR 0.8 billion and equity EUR 3.8 billion. As at the date of Exista's latest interim report, 31 March 2008 Exista held 24.75% of Kaupthing Bank's total issued shares.

Sampo Group is a leading Nordic insurer, with property and casualty insurance premiums amounting to EUR 3.8 billion in 2007 and life insurance premiums amounting to EUR 618 million. Sampo Group consists of: **If**, a leading property and casualty insurance company in the Nordic region with insurance operations that also encompass the Baltic countries; and the life and pension insurer Sampo Life, which operates in Finland and the Baltic countries. Sampo Group is also a significant investor. It manages investment assets of approximately EUR 5 billion and, in addition, owns and controls its subsidiaries engaged in P&C and life insurance. As at the date of Exista's latest interim report, 31 March 2008, Exista held 19.98% of Sampo Group's issued A Shares[6].

As at the date of Exista's latest interim report, 31 March 2008, Exista's ownership in Kaupthing Bank and Sampo represented 60% of Exista's total assets.

Exista is the largest shareholder of these companies with a large enough holding to enable it to influence the operations and developments of these companies. The acquisition by a third party of a significant stake in Kaupthing Bank or Sampo Group, or the issuance of new shares by such companies (for example, to fund acquisitions) resulting in the dilution of Exista's shareholding, could impair its ability to exert influence over such companies and/or may require Exista to make additional investments to maintain its level of influence. Exista is also subject to the risk that Kaupthing Bank and Sampo Group may take business, financial or management decisions with which Exista does not agree or that do not serve its interests.

From 1 January 2007 Exista's holdings in Kaupthing Bank and Sampo Group have been accounted for using the equity method of accounting. Under IFRS, Exista's share of the profits and losses of Kaupthing Bank and Sampo Group is recognised in Exista's income statement under "Share of Profits from Associates". For the three month period ended 31 March 2008 Exista's total revenues amounted to EUR 16.1 million and revenues from the Group's holdings in Kaupthing Bank and Sampo Group amounted to EUR 64.6 million. Any decline in the profitability of, or any loss incurred by, Kaupthing Bank or Sampo Group could adversely affect the Group's profitability. In addition, any decline or loss could affect the carrying value of Kaupthing Bank or Sampo Group.

Exista's financial performance is therefore dependant on the results of operation and financial performance of Kaupthing Bank and Sampo Group and Exista is exposed to the risks affecting these companies. A number of such risks are similar to the risks which the Group faces. In particular, the main risks faced by Sampo Group's insurance operations are similar to the main risks faced by the Group's insurance operations and a number of risks faced by Kaupthing Bank's banking operations are similar to risks faced by the Group's asset finance business, although the nature, magnitude and effects of these risks vary reflecting differences between its respective businesses.

Kaupthing Bank is listed on the OMX Nordic Exchange Iceland hf. and OMX Nordic Exchange Stockholm AB. Sampo Group is listed on the OMX Nordic Exchange Helsinki Oyj. Consequentially, they may be affected by fluctuations on their respective exchanges and by price fluctuations that may be unrelated to their financial position or operating performance. Although Exista's accounting for such assets using the equity method of accounting will reduce the impact of market fluctuations on its accounting profits, there is still an underlying market risk with respect to these investments as a mismatch can develop between the accounts and the market value of the assets which impacts the assessment of its recoverable amount and would be realised if Exista was required to sell such assets. As of 31 March 2008 the book value of associates exceeded the market value of associates by EUR 1,239.9 million.

Large holdings can be difficult to dispose of or may only be disposed of over a substantial length of time, creating liquidity risk and the risk of downward movement in market prices during any intended disposition period. Accordingly, if Exista was required to sell part or all of its interests in its strategic holdings, Exista may be required to sell at lower prices than otherwise expected or be required to defer, potentially for a considerable period of time, such sales.

6 As of 31 March Sampo authorised share capital was 577,330,890 A Shares and 1,200,000 B Shares. A shares are listed and B Shares are unlisted. Each A share has 1 vote and each B share has 5 votes at General Meetings. On 7 May 2008 the board of Sampo Oyj decided to cancel 6,715,000 Sampo A shares, lowering the number of A shares to 570,615,890 shares. On 15 May 2008 Exista flagged a divestment of 1,350,000 Sampo A shares and cancellation of an equity swap agreement in order to maintain its holding at 19.98%.

III

Kaupthing Bank is subject to a number of risks relating to its banking operations and the occurrence of any such risks could have a materially adverse effect on Exista's business, results of operations and financial position. In addition to the risks faced by Kaupthing Bank and mentioned elsewhere in these risk factors, Kaupthing Bank is subject to a number of additional risks relating to its banking operations the occurrence of which could have a materially adverse effect on its business, results of operations and financial position. According to the Issuer's judgements, these risks include the following, among others:

- *Movements in interest rates:* the results of Kaupthing Bank's banking operations are affected by its management of the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of its banking business;

- *Liquidity risk:* Ready access to funds is essential to any banking business and an inability on Kaupthing Bank's part to access funds, to access funds at attractive rates or to access the markets from which it raises funds (including the wholesale and capital markets) may put its position in liquid assets at risk and lead it to be unable to finance its operations adequately. In turn, these and other factors could lead creditors to form a negative view of Kaupthing Bank's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because Kaupthing Bank receives a portion of its funding from deposits, in particular wholesale deposits, it is also subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Its ability to raise funds is also impaired by factors not specific to its operations, such as general market conditions, the sovereign rating of Iceland, sever disruption of the financial markets or negative views about the prospects for the industries to which it provides a large proportion of its loans; and

- *Reduction in credit ratings:* Credit ratings are important to Kaupthing Bank's liquidity. A reduction in its credit rating could adversely affect its liquidity and competitive position, increase borrowing costs, limit access to capital markets or trigger its obligations under certain bilateral provision in some of its trading and collateralised financing contracts.

1.3 INVESTMENTS

1.3.1 Exista may not be able to successfully implement its investment strategy, which includes its ability to exert influence over its investments. Any failure to implement its investment strategy could have a materially adverse effect on its financial position and results of operations

Exista's investment business focuses on gaining strategic holdings as a principal investor in companies, securing a large enough holding to enable it to influence the operations and development of such companies. This strategy requires that the investments are sufficiently large to justify resources allocated to them and to enable Exista's management to influence operations and decision making. Exista's principal investments are therefore few in number and large.

There can be no assurance that attractive investment opportunities will arise or that, if they do arise, that Exista would be able to take advantage of them. Its ability to acquire or sell investments may be limited, among other things, by market conditions, rules relating to takeovers, merger control, administrative and regulatory approvals (including competition clearance), and contractual restrictions. Investments in regulated sectors in particular, such as telecommunications, insurance and financial sectors, are typically subject to legal and regulatory constraints regarding ownership and control, which could impair Exista's ability to acquire and/or sell such investments freely. In addition, Exista competes with other companies and market participants in identifying and investing in attractive investment opportunities and Exista may be at a competitive disadvantage compared with participants who have greater financial, technological or marketing resources or lower capital and financial costs than Exista.

Exista may also be unable to exert significant influence over the companies in which it invest, exposing it to the risk that such companies take business, financial or management decisions with which Exista does not agree or otherwise act in a manner that does not serve its interests.

Failure to identify and implement investment opportunities successfully, or to exert significant influence over the management of Exista's investments, could have a material adverse effect on Exista's financial position and results of operations.

1.3.2 Exista has a number of large investments and any adverse developments affecting these companies or their share price could have a materially adverse effect on its business, financial position and results of operations

As at the date of Exista's latest interim report, 31 March 2008, Exista's significant investments comprised a 39.63% stake in Bakkavör Group (with a value of EUR 291.2 million), an 8.69% stake in Storebrand (with a value of EUR 195.0 million) and a 96.69% stake in Skipti (with a value of EUR 397.2 million). In addition, Exista holds interests in a number of listed and unlisted companies. In aggregate, the aforementioned holdings had an aggregate value of EUR 1,035.3 million and comprised 14% of Exista's total assets as at 31 March 2008. Thereof, the aggregate value of the three largest aforementioned investments amounted to EUR 883.4 million which comprised 85% of Exista's total value of investment in listed and unlisted shares.

Exista's financial performance and financial position are therefore dependent on the performance of these companies and their share price. The performance of the companies and their shares prices could be affected by a wide variety of factors including:

- company-specific factors, such as: (i) actual or anticipated fluctuations in the quarterly or annual results of the companies; (ii) shortfalls in operating results from levels forecast by securities analysts; (iii) market perception regarding the availability of additional securities for sale; (iv) changes in law or taxation or in governmental regulation; and (v) other material events, such as significant management changes, financings or refinancing, and acquisitions, disposals and other corporate transactions; and

- market related factors, such as: (i) changes in, or uncertainties surrounding, general economic conditions (both globally and in the countries in which such companies operate); (ii) fluctuations in, or a prolonged downturn in, the national or international securities or financial markets; (iii) adverse developments in the sectors or countries in which such companies operate or in the results of other companies operating within such sectors or countries; (iv) fluctuations in exchange rates or interest rates; (v) national or international conflicts (including acts of terrorism); (vi) changing social or political circumstances; (vii) changes in the price of raw materials; or (viii) changes to the tax treatment of investments in listed securities or other changes in applicable laws and regulations (or the interpretation thereof).

- It should also be noted that Storebrand, being primarily insurance underwriter, faces risk that is similar to those listed elsewhere in the risk section regarding the Group's insurance business.

Exista is not able to control or predict these factors, and it may not be able to mitigate their effects. The occurrence of one or more of these events affecting the companies which it invests in specifically or more generally could have a materially adverse effect on, among other things, the price and liquidity of certain or all of Exista's investments and the financial condition and results of operations.

In addition, large investments can be difficult to dispose of or may only be disposed of over a substantial length of time, exposing Exista to a liquidity risk and the risk of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions Exista may be required to sell one or more of its investments at lower prices than Exista had expected to realise or be required to defer, potentially for a considerable period of time, sales Exista had planned to make.

1.3.3 Valuation methodology for unlisted shares is subject to significant subjectivity and the fair value of such assets established pursuant to such methodologies may never be realised

The value of Exista's investments in unlisted shares was EUR 130.0 million as at 31 March 2008. In addition Exista has a 96.69% stake in Skipti as of 31 March 2008 after the takeover bid for Skipti's shares and subsequently reliable price formation for the company's shares will end. Exista's stake in Skipti is valued at EUR 397.2 million.

There is no readily ascertainable market price for unlisted shares. Exista determines the value of its investments in unlisted shares on a periodic basis based on the fair value of such investments determined in accordance with generally accepted pricing models based on the discounted cash flow method and by reference to observable public market transactions for comparable companies. When applying the discounted cash flow method, a sensitivity analysis is applied to the estimated future cash flows using various factors, including assumed growth rates, capitalisation rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. Fair values determined by reference to comparable market transactions are derived by multiplying a key performance metric of the investee company (e.g. EBITDA) by the relevant valuation multiple (e.g. enterprise value) observed for the comparable companies, adjusted by management for differences between the investee company and the comparable referenced. The determination of fair value using these methodologies takes into consideration a range of factors and involves a significant degree of management judgement. Because there is significant uncertainty in the valuation of, or in the stability of the value of, unlisted shares, the fair values of such investments as reported in Exista's accounts do not necessarily reflect the prices that would actually be obtained by Exista were such investments to be realised. Realisations at values significantly lower than the values at which such investments are recorded would result in a loss.

1.3.4 Investments in unlisted shares are less liquid than investments in listed companies and Exista may fail to realise the value of its unlisted investments or fail to realise value in them for a considerable period of time

Exista's ability to sell its investments in unlisted shares is reduced by the fact that they are not publicly traded and Exista may be prohibited or restricted by contract or by applicable law from selling such securities, in the price or other terms of conditions of a sale or from selling such securities for a period of time. The illiquidity of these investments may make it difficult to sell them if the need arises or if Exista determine such sale would be in its best interests. As a consequence, Exista may be forced to either sell unlisted shares at lower prices than Exista had expected to realise or defer, potentially for a considerable period of time, sales that Exista had planned to make.

Exista's ability to realise any value from any particular investment may depend on the ability of the relevant company to complete an initial public offering of its shares. Factors affecting the stock markets on which Exista seeks to list such securities could impair its ability to exit such investments successfully or at all. In addition, following an initial public offering Exista may remain restricted, for example through lock-up arrangements, in its ability to dispose of part of its investment.

1.3.5 Exista's estimates of the market value of its investment properties affects its financials

Exista, applying IFRS, values its investment properties according to International Accounting Standard, IAS-40. As of 31 March 2008 the value of investment properties amounted to EUR 52.1 million. The IAS-40 stipulates how investment properties are to be treated for accounting purposes and information requirements in relation thereto. Exista's assets are measured at fair value and therefore the estimated future cash flow of individual properties is presented at the net present value. Investment properties are not depreciated. Fair value assessment is designed to approximate the market value of a property, in an effective market transaction between unrelated parties. IAS-40 stipulates how the fair value of investment properties can be assessed depending on the effectiveness of the market where the properties are held and the similarity to other properties traded in the market. As properties are a heterogeneous asset class where classic capital market analyses of price formation and liquidity cannot be used fully, the management's judgement becomes particularly important. The quality and appropriateness of available information used to facilitate the decision of the properties' market value subject to judgement. In Iceland publicly available indexes for commercial real estate have not been available, making estimates of market value difficult.

2. PERSONS RESPONSIBLE

Exista hf., in its capacity as the Issuer, with Icelandic ID-No. 610601-2350, registered office at Ármúli 3, 108 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Share Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 2 June 2008

On behalf of the Issuer

Lýdur Gudmundsson
Chairman of the Board

Erlendur Hjaltason
CEO

Sigurdur Valtýsson
CEO

3. STATUTORY AUDITORS

Deloitte hf., Icelandic ID-No. 521098-2449, with its registered office at Smáratorg 3, 201 Kópavogur, Iceland, is the appointed auditor of Exista hf.

Deloitte hf. hereby declares that it audited without qualification the financial statements of the Issuer for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005 and expressed its opinion that these statements gave a true and fair view of the financial position of the issuer as of 31 December 2007, 31 December 2006 and 31 December 2005 respectively and of the Issuer's financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Deloitte hf. also hereby declares that it reviewed the interim financial statement of the Issuer for the three-month financial periods ended 31 March 2008 and 31 March 2007, and based on the review, nothing came to its attention that caused it to believe that the interim financial information did not give a true and fair view of the financial position of the Issuer as of 31 March 2008 and 31 March 2007 and of its financial performance and cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Deloitte hf. hereby confirms that the information contained in this Share Registration Document based on the above mentioned documents is in accordance with Deloitte hf.'s previous audits and review.

Reykjavík, 2 June 2008
Deloitte hf. - State Authorised Public Accountants
Member of Deloitte Touche Tohmatsu
Smáratorg 3, 201 Kópavogur, Iceland

Hilmar A. Alfredsson
State Authorised Public Accountant

4. MANAGER AND LEGAL MATTERS

Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419, with its registered office at Borgartún 19, 105 Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Share Registration Document. The Manager has in consultation with the management and the Board of Directors of Exista hf. compiled this Share Registration Document, which is based on information gathered from the Issuer.

BBA Legal ehf., Icelandic ID-No. 661098-2959, with its registered office at Skógarhlíd 12, 105 Reykjavík, Iceland has advised the Manager as to Icelandic law on legal matters in connection with this Share Registration Document, the issue of New Shares and admission to trading of the New Shares.

Attention is drawn to the following interests of the Manager, Kaupthing Bank, and the Issuer.

- Kaupthing Bank – Investment Banking acts as the manager of the arrangement for the admission to trading of New Shares on the Main Market of OMX ICE that are issued as a result of the Issuer's voluntary takeover bid to other shareholders of Skipti, which was announced by the Issuer on 19 March 2008. Kaupthing Bank – Investment Banking also acted as the manager of this takeover bid and the following squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008.
- Exista, through its subsidiary, Exista B.V., is the largest shareholder in Kaupthing Bank and holds 24.75% of the Bank's total issued shares.
- Lýdur Gudmundsson, the Executive Chairman of the Board of the Issuer is a board member of Kaupthing Bank. Hildur Árnadóttir, member of the Board of the Issuer is an alternative board member of Kaupthing Bank.
- Exista is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Exista's largest creditors.
- Bakkavör, Skipti and Flaga, companies in which Exista holds large stakes, are customers of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Bakkavör Group's, Skipti's and Flaga's largest creditors.
- In March 2008 Kaupthing Bank sold its 27.8% shareholding in Skipti to Exista, by accepting Exista's voluntary takeover offer for Skipti, in exchange for the right to 1,301,769,147

new shares in Exista. In accordance with Kaupthing Bank's management statement that the bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that they receive as a consideration for their previous ownership in Skipti, the Bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the Bank's right to 1,271,961,953 new shares. The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008. Kaupthing Bank hf. will, accordingly, taking into account its current shareholding, own 2.69% of the active share capital in Exista.

- Both Kaupthing Bank and Exista own significant holdings in Storebrand ASA and Flaga Group hf.

- A comprehensive financial, insurance and home security service by VÍS, Lífís, Kaupthing Líftryggingar hf., Öryggismidstöd Íslands, Lýsing and Kaupthing Bank, Vöxtur, consists of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from Kaupthing Líftryggingar hf. and Lífís, home security services from Öryggismidstöd Íslands, and asset financing from Lýsing.

- On 30 April 2008 Kaupthing Bank and Sparisjódur Reykjavíkur og nágrennis hf. (SPRON) announced that they had decided to enter into negotiations on a possible merger between the companies and that negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible. As of 31 March 2008 SPRON's balance sheet corresponded to approximately 4% of Kaupthing's balance sheet. If this merger would take place, SPRON is a large shareholder in Exista and in case of a merger between SPRON and Kaupthing Bank, those shares would be held by the merged entity.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer" and "the Company" in this Share Registration Document shall be construed as referring to Exista hf., Icelandic ID-No 610601-2350, unless otherwise clear from the context. Exista hf. is the legal Icelandic name of the Issuer. References to Exista and "the Group" in this Share Registration Document shall be construed as referring to Exista, including its subsidiaries as it is composed at any relevant time, unless otherwise clear from the context.

References to the "OMX ICE" in this Share Registration Document shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Share Registration Document shall be construed as referring to the admission to trading on the OMX ICE, unless otherwise clear from the context. Reference to "listed shares" in this Share Registration Document shall be construed as referring to shares that have been admitted to trading at any regulated market[7], unless otherwise clear from the context.

References to the "ISD" in this Share Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verdbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavik, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Share Registration Document shall be construed as referring to Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

References to the "New Shares" in this Share Registration Document shall be construed as referring to 2,813,675,174 new shares in Exista hf., further described in Exista's Share Securities Note dated 2 June 2008. These New shares were issued on 30 May 2008, as a consideration for shares in Skipti hf. acquired as a result of Exista's takeover bid of the entire share capital of Skipti not previously owned by Exista and the squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008. The New shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading will be announced at least one day in advance by OMX ICE. Of the 2,813,675,174 New Shares, 2,777,771,471 shares are to be settled 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008.

7 Regulated market as referred to in EU Directive 2003/71/EC of the European Parliament and the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements and as defined by Article 1(13) of Directive 93/22/EEC. EU Directive 2003/71/EC was implemented with Commission Regulation (EC) No. 809/2004 of 29 April 2004. The Commission's Regulation has been adopted into Icelandic law by Icelandic Regulation no. 243/2006.

III

REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

Bakkavör Group or Bakkavör	Bakkavör Group hf.
The Baltics	Estonia, Latvia and Lithuania
CEO	Chief Executive Officer
Combined ratio	A measure of the profitability of an insurance company. The combined ratio equals expenses and losses divided by revenue from premiums.
FME	Icelandic Financial Supervisory Authority
ISK	Icelandic króna
Kaupthing or Kaupthing Bank	Kaupthing Bank hf.
Lífís	Líftryggingarfélag Íslands hf.
Lýsing	Lýsing hf.
Nordic Region	Denmark, Finland, Iceland, Norway and Sweden
Northern Europe	Denmark, Sweden, Norway, Finland, Iceland, Estonia, Latvia, Lithuania, the United Kingdom, Republic of Ireland, the Netherlands, Belgium and Luxembourg
Operating ratio	The operating ratio measures a company's overall operational profitability from underwriting and investment activities.
PAYE	Pay as you earn
Sameinadi lífeyrissjódurinn	The United Pension Fund
Skipti	Skipti hf.
Sampo	Sampo Oyj
Sampo Group	Sampo Oyj's consolidation (If P&C Insurance, and Sampo Life)
Statistics Iceland	Hagstofa Íslands (Iceland Statistical Bureau)
Storebrand	Storebrand ASA
The Companies Act no. 2/1995	Act respecting Public Limited Companies No. 2/1995
Securities Act no. 108/2007	Act on Securities Transactions, No 108/2007
UK	United Kingdom
VÍS	Vátryggingafélag Íslands hf.
VÍS Holding	VÍS eignarhaldsfélag hf.
VÍS Group	VÍS eignarhaldsfélag hf. consolidation (VÍS, Lífís, Lýsing and Öryggismidstöd Íslands hf.)
SPRON	Sparisjódur Reykjavíkur og nágrennis hf. Alternative name: SPRON hf.

6. DOCUMENTS INCORPORATED BY REFERENCE AND ON DISPLAY

The following documents shall be deemed to be incorporated by reference to this Share Registration Document and to form a part of this Share Registration Document. For the next twelve months counting from the date of this Share Registration Document, copies of documents incorporated by reference herein can be obtained from the Issuer's website (www.exista.com) and hard copies of these documents can be obtained from the Issuer's headquarters at Ármúli 3, 108 Reykjavík, Iceland.

a. The condensed consolidated interim financial statements for Exista for the period from 1 January to 31 March 2008

b. The condensed consolidated interim financial statements for Exista for the period from 1 January to 31 March 2007

c. The consolidated financial statements along with the annual report of Exista for the year 2007

d. The consolidated financial statements along with the annual report of Exista for the year 2006

e. The consolidated financial statements along with the annual report of Exista for the year 2005

For the next twelve months counting from the date of this Share Registration Document, copies of the following documents can also be obtained from the Issuer's website (www.exista.com) and hard copies of these documents can be obtained from the Issuer's headquarters at Ármúli 3, 108 Reykjavík, Iceland.

a. The articles of association of Exista, dated 30 May 2008

b. The Prospectus of Skipti hf. made public on 4 March 2008

c. The Public Offer Document from Exista hf. to other shareholders in Skipti hf., made public on 27 March 2008

The Issuer will, in the event of any significant new factor, before the New Shares are admitted to trading on OMX ICE, material omission or inaccuracy relating to information included in this Share Registration Document which can affect the assessment of the offered shares, prepare a supplement to this Share Registration Document in accordance with Article 46 of the Securities Transaction Act no. 108/2007, or publish a new Share Registration Document for use in connection with any subsequent issue of shares. If a supplement is prepared, statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Share Registration Document or in a document on display. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this document.

7. CONFIRMATION RELATING TO THIRD PARTY INFORMATION

Information obtained from the FME, Statistics Iceland, the Institute of Grocery Distribution, Taylor Nelson Sofrés, the Office of National Statistics, UK, the Norwegian Financial Services Association, and Bloomberg L.P. has been accurately reproduced, and as far as the Issuer is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Sources are provided for all third party information used in this prospectus, where applicable.

8. NOTICE TO INVESTORS

This document constitutes a Share Registration Document for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "European Prospectus Directive") on the prospectus to be published when securities are offered to the public or admitted to trading, and of Commission Regulation no. 809/2004 on the implementation of the Directive. The Commission's Regulation has been adopted into Icelandic law by Icelandic Regulation no. 243/2006. The OMX ICE has approved this Share Registration Document on behalf of the Icelandic Financial Supervisory Authority (the "FME").

This Share Registration Document is only published in English.

Any financial information more recent than 31 March 2008 which is provided in this Share Registration Note is based on Exista's preliminary accounts and prepared by its management.

Information in this Share Registration Document or other documents which form a Prospectus along with this Share Registration Document, should not be considered or construed as a promise by the Company, Manager or other parties, of future success in either operations or return on investment. Investors are reminded that investing in securities entails risk as the decision to invest is based on expectations and not promises. Investors must primarily rely on their own judgement regarding any decision to invest in the securities issued by Exista,, bearing in mind the business environment in which Exista operates, anticipated profits, external conditions, and the risk inherent in the investment itself. Prospective investors are advised to contact independent experts such as financial institutions to assist them in their assessment of securities issued by Exista as an investment opportunity. Investors are advised to consider their legal status and any tax implications, which a purchase of securities issued by Exista may have, and seek independent advice in that respect.

Since Exista's shares are admitted to trading on the Main Market of OMX ICE, any information that in the opinion of the Issuer could have a significant impact on the market price of its securities is to be made public in accordance with governing rules, regulations and legislation effective at the time. Publication of information is subject to provisions of the Act on Securities Transactions and a regulation adopted by virtue of it. The current Rules for Issuers of Financial Instruments listed on the OMX Nordic Exchange Iceland hf. effective as of 1 November 2007 stipulate that all material documentation regarding the Issuer shall be made publicly available in the European Economic Area and sent to OMX ICE for supervision purposes.

9. SELECTED FINANCIAL INFORMATION

This section gives an overview of Exista's financials and historical performance. The tables below highlight the key items from Exista's profit and loss and balance sheet statements for the full financial years ending on 31 December 2005 to 2007 and the interim results for the periods 1 January to 31 March of 2007 and 2008. Exista's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Icelandic disclosure requirements for listed companies. The financial statements for the full years 2005 to 2007 have been audited by Exista's auditors, Deloitte hf. and the statements for the quarterly results have been reviewed by Deloitte hf.

Exista's financial accounts changed substantially with the acquisition of VÍS Holding, which was incorporated into the accounts on 1 June 2006. The acquisition transformed Exista from being a traditional investment company to a financial services group. Following the acquisition of VÍS Holding, Exista diversified its sources of income, as the core operations in financial services contribute premium income from the insurance business and interest income from the asset financing business.

Exista's insurance subsidiaries showed a considerable improvement during 2007. Since acquiring this business in 2006, Exista has adopted measures aimed at improving the profitability of its insurance activities. These measures resulted in a substantial reduction in combined and operational ratios in 2007. Exista's asset finance business has shown stability, although return on equity declined somewhat between 2006 and 2007 due to a challenging external environment.

In 2007, Exista acquired close to a 20% stake in the pan-Nordic insurance underwriter Sampo Group. The company also increased its share to 8.7% in the Norwegian life insurance and pension provider Storebrand.

As of 1 January 2007 Exista changed its accounting currency from the Icelandic króna to euros. Also, since the beginning of 2007, the Group's strategic holdings in financial companies (Sampo Group and Kaupthing) have been accounted for as associates, whereas all strategic holdings were previously recorded at fair value. Exista's accounts reflect the real operating performance of its associates, Kaupthing Bank and Sampo Group, as they are accounted for by the equity method, though there can be a timing difference as of when the real operating performance is recorded, since Exista generally publishes its quarterly and annually results prior to the publishing of the results of its associates accounted for under the equity method. The share in the operating results of Sampo Group and Kaupthing Bank for any given quarter of the year (including the last quarter and therefore the annual results) is based on estimates performed and published by market analysts. If actual profit deviates from these estimates, the difference is recorded as income or expense in the next quarterly financial statements to take into account any mismatch that has occurred between the estimates performed and published by market analysts and the actual results of these companies. Investments, including strategic holdings in other companies such as Bakkavör Group and Storebrand and Skipti, are recorded at the prevailing share price, or at fair value.

The table also shows translation to euro amounts for 2006 and 2005, solely for the convenience of the reader. The figures in euros for 2006 in the following discussion have not been audited but are a translation of the audited 2006 ISK figures as reported in the 2007 annual report. The figures in euros for 2005 have not been audited either but were translated to euros using the average mid exchange rate (78.14) for the Income Statement and the year-end exchange rate (74.70) for the Balance Sheet.

The following table shows a number of Exista's relevant financial ratios based on Exista's audited profit and loss and balance sheet statements for the full financial years ending on 31 December 2005 to 2007 and the reviewed interim results for the periods 1 January to 31 March of 2007 and 2008..

9.1 INCOME STATEMENT

	Q1 2008 Reviewed EUR million	% change	Q1 2007 Reviewed EUR million	2007 Audited EUR million	% change	*2006 Unaudited translation EUR million	% change	**2005 Unaudited translation EUR million	2006 Audited ISK million	% change	2005 Audited ISK million
Financial assets designated at fair value	-173.2	n/a	38.2	0.8	-99.8%	357.6	-42.9%	626.5	31,348	-36.0%	48,952
Financial assets held for trading	58.5	-47.2%	110.8	-46.3	n/a	129.0	950.0%	12.3	11,309	1,078.0%	960
Dividend	4.4	-12.6%	5.0	12.6	-84.0%	78.7	795.1%	8.8	6,902	904.7%	687
Interest revenue	28.5	54.6%	18.4	91.2	81.3%	50.3	3,753.4%	1.3	4,411	4,224.5%	102
Insurance premium	28.8	-18.2%	35.2	129.0	75.3%	73.6	n/a	0.0	6,452	n/a	0
Share of profits of associates	64.6	-85.9%	457.0	756.2	n/a	0.0	n/a	0.0	0	n/a	0
Other revenues	4.6	41.0%	3.3	17.9	135.5%	7.6	n/a	0.0	662	n/a	0
Total revenues	**16.1**	**-97.6%**	**668.0**	**961.5**	**38.0%**	**696.7**	**7.4%**	**648.8**	**61,083**	**20.5%**	**50,700**
Insurance claims	-28.8	8.7%	-26.5	-104.4	78.2%	-58.6	n/a	0.0	-5,136	n/a	0
Operating expenses	-16.5	-1.1%	-16.7	-65.4	28.0%	-51.1	1,529.8%	-3.1	-4,476	1,726.9%	-245
Total expenses	**-45.3**	**4.9%**	**-43.2**	**-169.9**	**55.0%**	**-109.6**	**3,395.6%**	**-3.1**	**-9,613**	**3,823.7%**	**-245**
Profit (loss) before financial expenses	**-29.2**	**-104.7%**	**624.8**	**791.7**	**34.8%**	**587.1**	**-9.1%**	**645.7**	**51,470**	**2.0%**	**50,455**
Interest expense	-105.1	86.5%	-56.4	-350.3	236.5%	-104.1	128.4%	-45.6	-9,123	156.1%	-3,562
Net foreign exchange gain (loss)	88.4	204.3%	29.0	84.3	n/a	-46.4	274.9%	-12.4	-4,067	320.6%	-967
Total financial expenses	**-16.7**	**-38.9%**	**-27.3**	**-266.0**	**76.7%**	**-150.5**	**159.7%**	**-58.0**	**-13,190**	**191.2%**	**-4,529**
Profit (loss) before tax	**-45.9**	**-107.7%**	**597.5**	**525.7**	**20.4%**	**436.6**	**-25.7%**	**587.7**	**38,280**	**-16.6%**	**45,926**
Income tax	2.0	-95.4%	43.2	48.2	n/a	-9.9	n/a	56.2	-872	n/a	4,389
Profit (loss) for the period	**-43.8**	**-106.8%**	**640.7**	**573.9**	**34.5%**	**426.7**	**-33.7%**	**643.9**	**37,409**	**-25.7%**	**50,315**
Earnings per share (cents)											
Basic	-0.37	n/a	5.69	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31
Diluted	-0.37	n/a	5.69	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual at the average mid exchange rate 87.67. The 2007 mid exchange rate was 87.60.

**Figures for 2005 in euros have not been audited and were converted at the average mid exchange rate 78.14.

***ISK

9.2 BALANCE SHEET

	31 March 2008		31 Dec. 2007		*31 Dec. 2006		**31 Dec. 2005	31 Dec. 2006		31 Dec. 2005
	Reviewed EUR million	% change	Audited EUR million	% change	Unaudited translation EUR million	% change	Unaudited translation EUR million	Audited ISK million	% change	Audited ISK million
Financial assets at fair value through profit or loss	1,017.2	-9.5%	1,123.4	-50.6%	2,272.7	14.2%	1,990.2	215,019	44.6%	148,667
Financial assets held for trading	168.8	-19.7%	210.2	-74.9%	837.0	725.0%	100.4	79,191	956.0%	7,499
Loans and receivables	782.8	-0.3%	785.0	11.5%	703.8	n/a	0.0	66,591	n/a	0
Goodwill and other intangible assets	352.9	-24.8%	469.4	1.0%	464.8	n/a	0.0	43,976	n/a	0
Investments in associates	4,439.8	-6.3%	4,737.6	n/a	0.0	n/a	0.0	0	n/a	0
Reinsurance assets	10.1	0.0%	10.1	-36.1%	15.8	n/a	0.0	1,498	n/a	0
Investment properties	52.1	-25.7%	70.1	n/a	0.0	n/a	1.1	0	n/a	80
Property and equipment	21.4	-22.5%	27.6	126.2%	12.2	802.3%	1.4	1,154	1,042.6%	101
Cash and equivalents	485.5	-14.5%	567.6	645.9%	76.1	14.5%	66.5	7,198	45.0%	4,965
Other assets	28.9	204.2%	9.5	-24.6%	12.6	100.3%	6.3	1,194	154.0%	470
Total Assets	**7,359.5**	**-8.1%**	**8,010.5**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**
Share capital	143.5	19.0%	120.6	7.4%	112.3	-3.5%	116.3	10,629	22.3%	8,689
Reserves	722.0	-1.9%	736.3	2.2%	720.7	177.8%	259.4	68,187	251.9%	19,378
Retained earnings	1,467.7	-2.9%	1,511.3	42.4%	1,061.3	16.5%	910.8	100,407	47.6%	68,037
Equity attributable to equity holders of the Parent	2,333.2	-1.5%	2,368.1	25.0%	1,894.3	47.2%	1,286.5	179,223	86.5%	96,104
Minority interest	0.3	-50.0%	0.6	-89.8%	5.9	n/a	0.0	556	n/a	0
Total Equity	**2,333.5**	**-1.5%**	**2,368.7**	**24.7%**	**1,900.2**	**47.7%**	**1,286.5**	**179,779**	**87.1%**	**96,104**
Borrowings	4,364.3	-14.8%	5,123.7	134.7%	2,183.0	149.0%	876.8	206,534	215.3%	65,499
Hybrid securities	255.4	2.2%	250.0		0.0	n/a	0.0	0	n/a	0
Technical provision	192.6	-13.0%	221.5	-1.1%	223.9	n/a	0.0	21,180	n/a	0
Deferred income tax liability	10.6	-43.6%	18.8	-68.8%	60.2	12,748.4%	0.5	5,697	16,177.1%	35
Other liabilities	203.1	630.6%	27.8	0.0%	27.8	1,342.1%	1.9	2,630	1.726.4%	144
Total Liabilities	**5,026.0**	**-10.9%**	**5,641.8**	**126.1%**	**2,494.9**	**183.8%**	**879.2**	**236,042**	**259.4%**	**65,678**
Total Equity and Liabilities	**7,359.5**	**-8.1%**	**8,010.5**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**

*Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report and were translated to euros at the mid year-end exchange rate 94.61.

The 2007 mid year-end exchange rate was 91.20.

**Figures for 2005 in euros have not been audited and were converted at the mid year-end exchange rate of 74.70.

III

9.3 FINANCIAL RATIOS (UNAUDITED INFORMATION)

Key Financial Ratios	Q1 2008	Q1 2007	2007	2006	2005
Return on Equity (ROE)	-1.9%	28.2%	23.0%	27.1%	104.0%
Equity ratio (excl. hybrid securities)	31.7%	39.1%	29.6%	43.2%	59.4%
Price to Earnings (P/E)	-27.74	5.63	4.29	6.52	n/a
Price to Book (P/B)	0.52	1.36	1.04	1.36	n/a
Insurance Operation:					
Combined ratio	119.0%	110.0%	99.5%	113.30%	n/a
Leasing Operation:					
CAD ratio	10.10%	11.1%	10.6%	11.0%	11.4%
Ratio of provision to lending position at period end	–	–	2.2%	0.8%	0.8%

10. INFORMATION ABOUT THE COMPANY

10.1 ISSUER

Icelandic legal name:	Exista hf.
ID-No.:	610601-2350
Domicile and place of registration:	Ármúli 3, IS -108 Reykjavík, Iceland
Country of incorporation:	Iceland
Telephone number:	+354 550 8600
Email:	info@exista.com
Legal form:	Public Company in accordance with the Icelandic Act no. 2/1995
Share Capital:	14,174,767,632* (ISK 1 per share)
Website:	www.exista.com
Ticker:	EXISTA
ISIN Code:	IS0000013175
Publication Calendar:	Interim report 2Q 2008, 31 July 2008
	Interim report 3Q 2008, 31 October 2008
	Consolidated financial statements 2008, 30 January 2009

*On 30 May 2008 the share capital was increased from 11,361,092,458 shares by 2,813,675,174 shares ("New Shares") as a consideration for shares in Skipti hf. acquired as a result of Exista's takeover bid of the entire share capital of Skipti not previously owned by Exista. The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading will be announced at least one day in advance by OMX ICE. Of the 2,813,675,174 New Shares, 2,777,771,471 shares are to be settled 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008. For further information refer to discussion under the heading *"18.1 Share capital".*

10.2 INCORPORATION

Exista was founded on 19 June 2001 by a group of Icelandic savings banks, later joined by Kaupthing Bank, with the objective of holding shares in Kaupthing Bank. The Company was incorporated as an Icelandic private limited company and founded under the name SP eignarhaldsfélag ehf. but shortly after incorporation the name was changed to Meidur ehf. and, in May 2005 it was changed to Exista ehf., which later became the public limited company Exista hf.

10.3 HISTORY AT A GLANCE

Since its establishment, Exista has grown substantially in terms of operations and assets. In 2002 Meidur, as the company was then called, increased its stake to become the largest shareholder in Kaupthing Bank, and Bakkabraedur Holding B.V, a holding company owned by Ágúst Gudmundsson and Lýdur Gudmundsson, acquired the majority of the share capital in Meidur.

Meidur became the largest shareholder in Bakkavör Group in 2003 and the Company's investment strategy was expanded. Meidur was subsequently renamed Exista in May 2005.

Exista bought a 16% stake in VÍS in 2005, via a new share offering, and increased its share to 19.6% later that year. Exista's strategy was honed and the objective was set to focus on investing in both listed and private companies as a long-term strategic investor and also in the short term in equities, bonds and other financial instruments. The strategy of playing a clear ownership role by having a substantial stake and board influence in long-term investments was underlined even further during 2005, when Exista led a consortium of investors in acquiring Síminn (Iceland Telecom) in Iceland's largest privatisation to date.

In May 2006, Exista became the owner of 100% share capital in VÍS Holding. The consideration was paid for in new share capital in Exista, whereas the sellers received an 18.5% holding in Exista. VÍS Holding consists of a number of subsidiaries, the largest being VÍS, Lífís and Lýsing. The acquisition transformed Exista into a financial services group with extensive operations in the areas of financial services and investments.

In conjunction with the acquisition of VÍS Holding, Exista stated its intention to list the Company. On 14 September 2006 Exista was listed on the OMX ICE. In the run up to the listing, Kaupthing Bank, the second largest shareholder at the time, sold a 6.1 per cent stake in Exista to nine Icelandic pension funds. The bank sold a further 4 per cent stake as part of a private and public offering to approximately 7,500 new shareholders. In November 2006, Kaupthing distributed a further 7.7 per cent stake to its shareholders in the form of an extraordinary dividend, thereby adding more than 30,000 new investors to Exista's shareholder base.

In February 2007, Exista announced that the company had acquired a 15.5% stake in Sampo Group, the largest insurance underwriter in the Nordic region, thus becoming its largest shareholder. Exista's share in Sampo was further built up in the course of 2007 and stands at 19.98% according to an announcement made on 15 May 2008 by Sampo Oyj to the NASDAQ OMX Helsinki Stock Exchange. The ownership percentage remains the same as of 29 May 2008.

In August 2007, Exista announced that it controlled 5.56% of total share capital in Storebrand. In conjunction with Storebrand's acquisition of the Swedish life insurance and pension provider SPP in October 2007, Storebrand raised capital through a rights issue in November that year. Exista participated in that issue and purchased some additional shares, thus taking its stake to 8.69%. The ownership remains the same as of 29 May 2008.

In early 2008, a strategic decision was taken to discontinue Exista's short-term proprietary trading activities. The main reason for this decision was to improve the risk profile of the Group, enhance liquidity and reflect the increased emphasis on financial services as the core operations of the Group.

In March 2008, Exista made a voluntary takeover offer for the total share capital of Skipti. As of 29 May 2008 Exista had acquired 99.22% of Skipti's share capital and intends to redeem the remaining shareholders. On 8 April 2008 Skipti's board of directors requested to the OMX ICE that Skipti's shares to be removed from trading. In accordance with an announcement made 29 May 2008 Skipti's shares will be removed from trading on OMX ICE after closing of trading, 6 June 2008.

10.4 OBJECTIVES

The objective of the Company, according to Article 3 of its articles of association, is to be a financial services company through holdings in other companies, among other things in the fields of insurance, such as casualty, personal, and life insurance, and in the fields of finance, loan, and investment activities, such as leasing and security services, and furthermore to engage in the sale and purchase of securities and real estate, the management of real estate, services to subsidiaries and other related activities.

10.5 REGULATORY ISSUES AND APPLICABLE LAW

Exista is registered in Iceland and operates in accordance with the Companies Act no. 2/1995. VÍS and Lífís are registered in Iceland and operate in accordance with the Companies Act no. 2/1995 and are regulated under Act no. 60/1994 on Insurance Activity. Lýsing is registered in Iceland and operates in accordance with the Companies Act no. 2/1995 and is regulated under Act no. 161/2002 on Financial Undertakings. Foreign subsidiaries operate under the governing law in each relevant country. Exista B.V. is registered in the Netherlands and operates in accordance with the Dutch Civil Code.

The FME currently defines three of Exista's operating subsidiaries as entities under the FME's supervision. These are VÍS and Lífís, which are regulated insurance undertakings according to Act. no. 60/1994, and Lýsing, which is a regulated credit institution according to Act. no. 161/2002.

Furthermore Exista's associates within insurance, banking and financial services and investments within insurance and telecom are like Exista's operating subsidiaries highly regulated in their own capacity. Each member of Kaupthing's group is subject to government regulation and inquiry as financial companies in the markets in which they operate, most of which are within countries of the European Economic Area and Sampo and Storebrand are regulated in a similar capacity as VÍS and Lífís. As the laws regulating insurance and banking operations within the European Economic Area are derived from the internal market legislation of the European Economic Area and European Union, these companies enjoy regulatory conditions similar to those of other European insurance companies and banks. However, it should be noted that interpretation and implementation of rules may still differ among countries. Furthermore, it should be noted that, although financial market legislation within the European Economic Area has been harmonised as described above, certain differences in legislation and rules may remain between countries. Moreover, the length of history and business volumes in the different markets varies and, consequently, so does the legal certainty of the framework within which they operate. Skipti's operations are subject to the applicable laws regulating electronic communications, as well as the general laws and regulations, most notably in Iceland where most of the operations are. Skipti's operations are in particular regulated under the Electronic Communications Act no. 81/2003, the Radio Broadcasting Act no. 53/2000 and the Post and Telecom Administration in Iceland which regulates and executes Electronic Communications within the territory of Iceland.

11. EXISTA'S ORGANISATION AND ACTIVITIES

11.1 MISSION AND STRATEGY

Exista's strategy is to position itself as a leading financial services group with northern Europe as its primary market. Based on profitable underwriting, asset financing and investment activities, the Group's goal is to build and maintain a strong portfolio of superior investments.

Exista's mission is the following:

- To maximise shareholders' long term value through a diversified group of profitable businesses
- To prudently allocate capital from cash-generating operations and insurance float
- To invest in businesses with solid cash flow, strong management and promising market potential

11.2 DESCRIPTION OF BUSINESS AND ORGANISATIONAL STRUCTURE

Exista is a financial services group with core operations in insurance underwriting and other financial services activities, coupled with international investments. The Group's primary market is northern Europe. Exista focuses on diversification in income streams, solid cash flows and sound financial fundamentals.

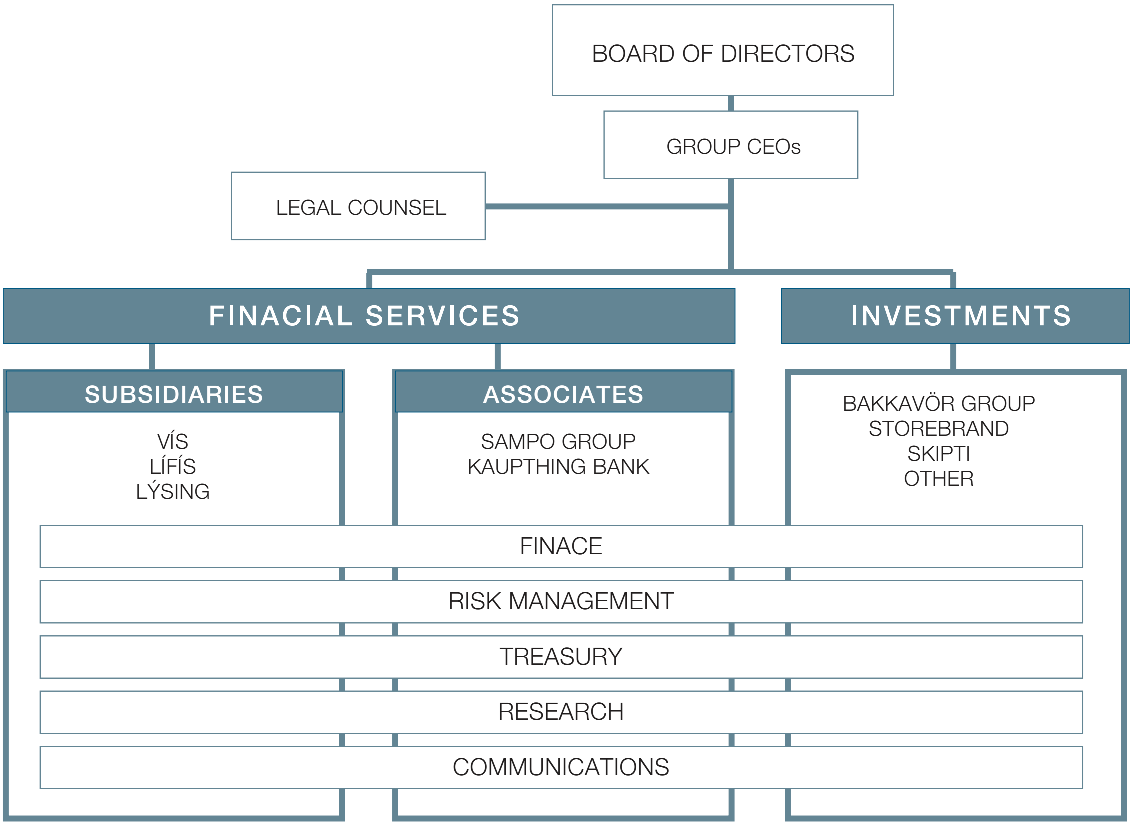
Exista's operations are based on two main business units, Financial Services and Investments. For information regarding the financials of Exista's business units refer to section headed *"17.3.3 Turnover by activities"*.

Financial Services, which account for approximately 84% of Exista's balance sheet as of 31 March 2008, is divided into Subsidiaries and Associates. Subsidiaries are wholly owned by Exista and are accounted for as such in the consolidated financial statements. Associates are long-term strategic holdings in financial companies and are recorded in Exista's accounts using the equity method.

Investments, which make up approximately 16% of Exista's balance sheet as of 31 March 2008, comprises Exista's other shareholdings, including non-financial subsidiaries and associates and investments in listed and unlisted companies. Investments are recorded at fair value in its consolidated accounts and subsidiaries and associates are part of Exista's consolidated accounts. Exista looks for companies with solid financial fundamentals and a healthy cash flow, a strong management team and favourable market prospects. The investment time horizon is open-ended and normally medium or long-term.

Six support divisions, Legal Counsel, Finance, Risk Management, Treasury, Communications, and Research, monitor and support Exista's financial services and investment activities.

The two CEOs of Exista, Erlendur Hjaltason and Sigurdur Valtýsson, are responsible for executing the Board's resolutions regarding policy and development as well as financial performance. They are also responsible for accomplishing Exista's objectives and facilitating synergies within the Group.



The executive chairman, Lýdur Gudmundsson, is in charge of Exista's strategy formulation, the vision for the Group as a whole and plays a monitoring role as the chairman of the Board.

11.2.1 Financial services - Subsidiaries

11.2.1.1 Insurance underwriting

Exista wholly owns and operates two independent insurance underwriters: VÍS, the largest provider of non-life insurance products on the Icelandic market according to data from 2006 in terms of gross premiums written[8] and Lífís, which is one of the four principal providers of life insurance products and services in Iceland. Exista's non-life insurance business, which includes motor insurance, property insurance, personal accident insurance, general liability insurance and marine insurance, is conducted through VÍS and the life insurance business, which includes life insurance, critical illness insurance and income insurance, is conducted through Lífís. VÍS also accepts a small portion of reinsured risk from Lífís. Both VÍS and Lífís are regulated in Iceland by the Financial Supervisory Authority.

The insurance operations became part of Exista's business on 1 June 2006 when Exista acquired VÍS Holding which was the parent company of both VÍS and Lífís and which had interests in two other non-life insurance companies, Vördur Íslandstrygging hf. (VÍT) and IGI Group. Since the acquisition of VÍS Holding Exista has divested its interests in VÍT on 16 October 2006 and in IGI Group on 26 April 2007.

Almost all of Exista's insurance operations are in Iceland. However, the Company is actively exploring opportunities to provide non-life insurance outside Iceland. For example, in 2007 VÍS entered into a collaboration agreement with **If** P&C, a subsidiary of Sampo Group, to jointly market its insurance products to Icelandic companies and Icelandic owned companies outside Iceland. Although at present such operations do not constitute a significant part of the insurance premium income, Exista is looking to strengthen its overseas operations such that they become a significant part of the insurance premium income generated by Exista's subsidiaries.

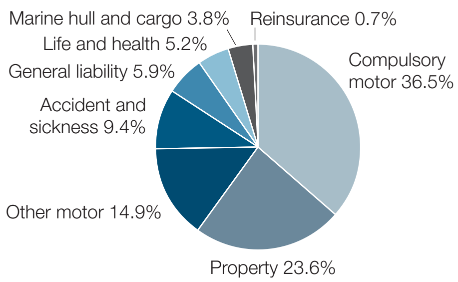
The following picture depicts the insurance segments of written premiums for Exista's insurance operations in 2007[9]. Combined motor insurance is the largest segment accounting for 51.4% of the premiums written. Property insurance represents a significant proportion of Exista's insurance premiums, or 23.6%. Life and health insurance combined with accident and sickness insurance, the operations of Lífís, account together for 14.6% of written premiums.

8 Source: Data from the Annual Accounts of 2006 for insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME): http://www.fme.is/lisalib/getfile.aspx?itemid=4493.

9 Source: Management accounts for year ended 31 December 2007

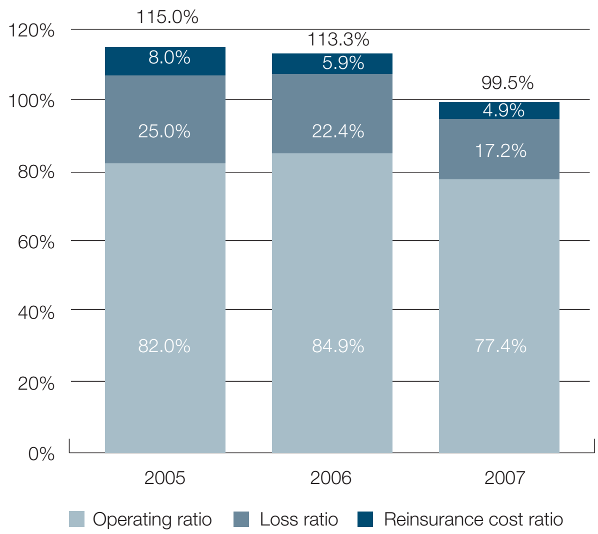
Exsita's insurance segments by premiums written

For the year ended 31 Dec 2007



While the two insurance companies enjoy a solid market position, Exista has focused on improving the profitability of the underwriting operations. From mid-2006, when Exista acquired the insurance business, until year-end 2007, the combined ratio dropped from 113.3% to 99.5% with the operational expenses ratio decreasing by 5.2% to 17.2% and the loss ratio dropping to 77.4% from 84.9% in 2006. The operating ratio was 86.3% in 2007, compared with 95.9% the year before. The operating ratio is the same as the combined ratio but expressed as a proportion of earned premiums and investment returns from insurance operations.

Breakdown of the combined ratio for Exista's current insuranace subsidiaries (Vís and Lífís)



11.2.1.2 VÍS Insurance

VÍS (Vátryggingafélag Íslands hf.) is one of Iceland's leading general insurance companies. With roots dating back to 1917, the company specialises in non-life insurance operations, offering comprehensive insurance products for households, businesses, municipalities, and institutions. VÍS is a market leader in Iceland and has a strong brand name. In recent years, the company has begun to explore opportunities to insure risk in other market areas. This is a growing part of the portfolio, although it does not yet generate a substantial share of company's premium income. In co-operation with the Nordic insurance company If, which is part of the Sampo Group, VÍS has been able to extend its service offering internationally. VÍS employed 205 people and operated 43 branches around Iceland in 2007. The managing director of Vátryggingafélag Íslands hf. is Gudmundur Örn Gunnarsson.

Market position and competition

The non-life insurance market in Iceland has grown conservatively in recent years as insurance premiums in 2006 amounted to ISK 29.7 billion compared to ISK 23.8 billion in 2004, and competition for customers has been fierce. There are three major players in the market - VÍS, Sjóvá-Almennar tryggingar hf. (Sjóvá), and Tryggingamidstödin hf. (TM) - along with Vördur tryggingar hf. In 2006 VÍS increased its market share by approximately 2% and became the largest insurance company in the Icelandic market, with a 32% market share in terms of gross written premiums[10]. VÍS strengthened its market position even further in 2007.

VÍS focuses more on profitability from insurance operations than on market share. The company has revised its premium basis and has been working on significant cost-cutting and reorganisation efforts aimed at establishing and maintaining underwriting profit. This has not compromised VÍS's market position, however, as there was 7.8% growth in the number of VÍS insurance policies during 2007.

VÍS has begun expanding its business internationally by offering insurance protection in the Nordic countries and elsewhere in northern Europe.

International markets and operation

Through EEA passporting legislation, VÍS insures risks in a number of European countries, including the UK, Denmark, Sweden, Norway, France and Spain. In addition, VÍS has a licence to write risks in Ireland, Finland, Portugal, Italy and the Baltics. The company also plans to open a branch in the Faroe Islands.

VÍS has a collaboration agreement with the Nordic insurance company **If**, concerning joint marketing through worldwide net-

10 Source: Data from the Annual Accounts of 2006 for insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME): http://www.fme.is/lisalib/getfile.aspx?itemid=4493.

works. **If** P&C Insurance is a major property and casualty insurance company in the Nordic region, with approximately 3.3 million customers in the Nordic and Baltic countries, in addition to Nordic customers with international operations. **If** is a part of Sampo Group, which is further discussed elsewhere in this document.

Products and services

VÍS offers comprehensive insurance services in Iceland, including life insurance and health insurance, which are available through Lífís.

VÍS and Valitor (formerly VISA Iceland) concluded an agreement in 2007 whereby VÍS will provide all travel insurance for those VISA customers who hold credit cards from SPRON (Reykjavík Savings Bank), Kaupthing Bank, and all of the savings banks in regional Iceland. Following the conclusion of that agreement, VÍS also took over the payment card insurance provided to SPRON MasterCard holders.

Due to the sharp increase in recreational vehicle and trailer ownership in Iceland, VÍS introduced insurance coverage for trailers, campers, and recreational vehicles in 2007. VÍS customers have been quick to welcome this insurance for trailers, campers, and RVs, as they represent sizable investments on the part of their owners.

VÍS and Sameinadi lífeyrissjódurinn (the United Pension Fund) signed an agreement for the sale of a disability protection plan in 2007 under the product name Örorkuvernd. Örorkuvernd is a type of insurance offered by Sameinadi lífeyrissjódurinn in co-operation by VÍS to members of the Private Assets Division of the fund who are aged between 18 and 44. If disability is assessed as being more than 50% owing to illness or an accident, benefits are paid in a lump sum to the fund which then deposits the sum into the private asset account of the beneficiary in question. Örorkuvernd is a new product among VÍS's offerings but is only available through the United Pension Fund.

Distribution network and collaboration

VÍS places strong emphasis on efficient and responsive service operations throughout Iceland. In order to improve services and move decision-making as close to the customer as possible, the country is divided into six regions. Each regional manager is responsible for the VÍS operations in his or her territory. This structure has proven successful, and VÍS has retained its strong market position in most areas of Iceland despite increased competition.

Since 2005, VÍS has been engaged in a strategic alliance with Kaupthing Bank for the sales and marketing of insurance and financial services in Iceland. The mutual loyalty scheme, called Vöxtur, has been growing year by year and now has more than 37,000 members. Vöxtur is a comprehensive financial and insurance system, consisting of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from Kaupthing Líftryggingar hf. and Lífís, home security services from Öryggismidstöd Íslands hf., and asset financing from Lýsing.

In early 2007, VÍS added one more channel to its sales network through an agreement with SPRON (Reykjavik Savings Bank), whereby VÍS insurance is now a part of SPRON's product offering. In addition to its co-operation with SPRON, VÍS also collaborates with a number of local savings banks around Iceland.

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Insurance classes

VÍS is a general insurance company with broad distribution in terms of services and premium income. Motor insurance represents the largest class of business, with over 53% of gross written premiums in 2007. The second-largest is property insurance, with 25% of gross written premiums in 2007.

The main insurance classes are the following:

- *Compulsory motor insurance* is third-party liability insurance against physical injuries and property damage, as well as personal accident insurance for the driver. This insurance is mandatory for all registered vehicles in Iceland and is the largest insurance class, accounting for 36.5% of total premiums at VÍS.

- *Hull motor insurance* insures against damage to the owner's own vehicle. This kind of insurance has become increasingly popular and is required when vehicles are financed through car loans or leasing.

- In *property insurance*, fire insurance is the largest insurance class. In Iceland it is compulsory to insure real estate against fire. The second-largest category is homeowners' insurance. VÍS has a strong market position in home insurance and has developed a combined policy that includes insurance of the contents of the home, personal accident and sickness insurance, and travel insurance, as well as legal expense coverage, credit card protection, and third-party liability insurance for the family.

- *Accident and sickness insurance* consists of two types of insurance: personal accident insurance and sickness insurance, which can be purchased together or separately. Personal accident insurance is offered to individuals, to employers on behalf of their employees, or to groups. It compensates claimants with a lump sum in the event of permanent or temporary disability or death resulting from an accident. Sickness insurance compensates claimants with a lump sum in the event of permanent or temporary disability.

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- *General liability insurance* consists of two types of insurance: general third-party liability insurance, mainly for the corporate sector; and professional indemnity insurance, which is mandatory for some professions. There has been considerable growth in these insurance types due to increased economic activity, greater risk awareness, and legal requirements.

- *Marine insurance* is insurance against damage or loss of ships and cargo. VÍS's market share in marine insurance has not been significant; however, the company aims at enhancing its market position in this sector.

Reinsurance and risk control

VÍS transfers part of its underwritten risk to reinsurers. Under a reinsurance contract, the assuming reinsurer becomes liable to VÍS to the extent of the risk ceded, although VÍS remains liable to the insured as the insurer.

VÍS devises a reinsurance programme for each branch of business and for the company as a whole. The amount of risk that VÍS carries for its own account is determined with respect to the financial strength of the company and the nature of the risk.

The reinsurance programme is managed as a part of Exista's Group Risk Management unit and is continuously revised and developed so that it better meets the needs of VÍS and the Group as a whole. For further discussion on underwriting risk refer to the section entitled *"1.2 Financial services"*, in particular sub-sections 1.2.1 to 1.2.7.

Technical provisions

Technical provisions are the sum of premium provisions and claims provisions. Premium provisions are the part of the collected premiums and reinsurance premiums that correspond to the unexpired period of the insurance policies. Claims provisions are amounts set aside for claims filed before the balance sheet date, but not paid. They are estimated according to claims history and are adjusted for cost of claims and claims for losses incurred but not reported. Then the estimated salvage value of the damaged assets is subtracted. Statistical methods and previous claims experience are used to estimate claims provisions.

Financial performance

For the year 2007, operations at VÍS yielded an after-tax profit of EUR 126 million. The company's total assets amounted to EUR 343 million at year-end, and its equity totalled EUR 112 million. Income from own premiums increased by 36.6% during the year.

Premiums written increased by 21%, and paid losses increased by 18% during the year. The loss ratio was 82.2% in 2007, compared to 87.6% in 2006. The combined ratio was 104.7% in 2007, compared to 115.4% in 2006. This positive trend is mainly due to increased premiums tariffs and other measures taken in order to improve the profitability of the insurance operation. Several large loss events were recorded during the year, the largest by far being extensive fire damage in the old town of Reykjavík. This loss represented the largest single claim VÍS has received in more than a decade. Several other unusually large losses were recorded during the year. In terms of traffic accidents, however, the year was relatively favourable in a historical perspective.

The first three months of 2008 have been influenced by bad winter weather conditions resulting in high claim costs. The combined ratio of Exista's insurance operations was 119% in Q1 2008 but the 12 month run rate is 108%.

During 2007, VÍS and Lífís' balance sheet was reorganised to reflect the core activities of the company. Equity was reduced, and changes were made to the portfolio in response to a regulation on the equalisation of assets against technical provisions.

11.2.1.3 Lífís life insurance

Lífís (Líftryggingafélag Íslands hf.) offers its clients life insurance and other health-related insurance. Lífís was established in 1990 and has grown considerably in recent years, especially in the areas of life and critical illness insurance. Lífís is the third-largest life insurance company in Iceland, with a market share of around 24% in terms of gross premiums[11].

Lífís has low fixed costs, as the company utilises ancillary units at VÍS to a considerable extent. At the same time, Lífis uses a number of other sales channels - e.g., brokers and savings banks - in order to distribute its products. As is the case with VÍS, reinsurance and investments are managed by the parent company, Exista. Though the customer base consists primarily of individuals, companies have begun, in increasing measure, to purchase personal insurance for their key employees. Most Lífís customers are also customers of VÍS.

Lífís offers life insurance, critical illness insurance, unit-linked life insurance, and income insurance. The basic insurance policy offered by Lífís is term life insurance, which pays a specified amount upon the death of the insured. Critical illness insurance is a policy in which claimants receive a lump sum payment in the event of a critical illness covered by the policy. Unit-linked life insurance combines regular savings and life insurance and is exempt from tax. Income insurance is designed as a supplement to pension benefits or other insurance in the event of sickness or accident.

11 Source: Data from the Annual Accounts of 2006 for insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME): http://www.fme.is/lisalib/getfile.aspx?itemid=4493.

11.2.1.4 Asset finance

Exista's asset finance business is operated through its subsidiary Lýsing, Iceland's leading specialised asset finance provider. There are three other specialised asset finance providers notable on the Icelandic market. These are: SP-Fjármögnun hf., Avant hf. and Glitnir fjármögnun (Glitnir Asset Finance). Lýsing is the largest[12] company of its kind in Iceland and has active business operations in both private and corporate markets. The managing director of Lýsing is Halldór Jörgensson.

Since its founding in 1986, Lýsing has shown solid and stable performance. The company has consistently sought to be an innovator in introducing new leasing products and new financing solutions for private and corporate clients.

Lýsing focuses on small and medium-sized enterprises and, in many cases, has grown with its customers and followed their expansion and prosperity. Lýsing's fundamental aim is to provide outstanding services so as to retain its competitive edge in the Icelandic asset financing market.

Regional markets

Although the Icelandic asset finance market can be considered a mature one, leasing penetration is not as high as in many similar markets in western Europe. The market doubled, however, between 2002 and 2007, with new contracts increasing from EUR 560 million to EUR 1,111 million in those five years. Exista's management believes that the annual growth of special asset finance markets correlates closely to the economic growth in each country in Europe and that the same applies to the Icelandic market. Any downturn in the economic activity or turbulence in financial markets will clearly affect future growth prospects of the Icelandic asset finance market.

In northern Europe leasing companies are predominantly owned by banks. This is also the case in Iceland. Of Iceland's three largest leasing companies, Lýsing is the only one not owned by a bank, but among Lýsing's previous owners are Icelandic banks. In 2005 Kaupthing Bank sold Lýsing to VÍS.

A salient characteristic of the Icelandic market – and one that sets it apart from other markets in northern Europe – is that automobile and equipment manufacturers do not offer financing through their dealerships in Iceland.

Iceland's largest asset finance companies have designed services to meet the needs of individuals and corporations alike, in part due to the small size of the market. In northern Europe, however, it is much more common for asset financing companies to specialise in either the private market or the corporate market, which tends to make it more difficult to compare sector categories between Iceland and northern Europe.

The leasing market in Iceland

The construction and service sectors have traditionally been the most important sectors for Lýsing. However, private vehicle financing has grown steadily in recent years and is now the largest single segment of operations.

The company's two main competitors within the asset leasing business are SP-fjármögnun and Glitnir Asset Finance. The combined loan portfolio of these three firms amounted to approximately EUR 1.6 billion at the end of 2007, 39% of which is attributable to Lýsing's operations[13].

Vehicle financing contracts form the largest part of the portfolios for all the major leasing companies. Last year a new competitor, Avant, entered the market and took market share from all three of its competitors. Nevertheless, Lýsing's position in this market segment remains a strong one.

Main products

In its commercial asset financing operations, Lýsing focuses on providing financing solutions for business equipment and commercial real estate purchases. For individual customers, the focus is on financing private vehicles. The company's core products fall into the following four categories:

- *Financial leases* are used to finance the purchase of assets that the customer wishes to acquire and use beyond the initial leasing period. The asset is formally owned by and carried in the books of the leasing company, and the customer acquires the asset at the end of the agreed leasing period. In many cases, financial leases are more convenient than borrowing.

- *Hire-purchase* contracts are used when the customer wants to own the leased asset and carry it on his books.

- *Operational leases* are usually structured as short-term (6 to 36 months) non-cancellable agreements, where the leasing company owns the asset and rents it out to the customer for a pre-defined period. At the outset, a repurchase agreement is made with the customer or the car importer concerning the purchase of the asset at the end of the lease term.

- *Direct loans* are offered as an alternative to leasing for both commercial equipment and private vehicles, usually against the first collateral lien on the asset.

Lýsing has strategic partnerships with retailers for automobiles, machinery, and equipment. Automobile dealers are connected to the company through the Internet and are able to calculate financing figures and submit applications on behalf of their cli-

12 Source: The Annual Accounts of 2007 for asset finance companies on the Icelandic market.

13 Source: The Annual Accounts of 2007 for asset finance companies on the Icelandic market.

ents. Swift, reliable service is therefore a key feature of the relations between retailers and the company's advisors.

Financial performance

The profit from operations of the asset finance arm totalled EUR 5.6 million for the year 2007, and return on equity was 9%. The cost-to-income ratio was 26%, down from 30% in 2006. At year-end 2007, Lýsing's CAD ratio was 10.6%.

Total assets increased by 10% over the year 2007. The loan portfolio amounted to EUR 694 million at year-end and grew by nearly EUR 60 million during the year. The average lifetime of a contract is approximately 4.9 years. Private individuals, the largest group of customers, represent approximately 30% of the total loan balance.

Private vehicle financing has grown as a percentage of overall business and is now the largest single operating area for Lýsing, accounting for 39 per cent of the total loan balance as at 31 December 2007. Machinery financing and commercial premises financing jointly accounted for 61 per cent of the total loan balance.

Notwithstanding the strong growth in the portfolio, the asset quality of the asset finance portfolio has remained high, with an average write-off ratio (loan losses as a percentage of outstanding loans and guarantees) of 0.47 per cent for the past five financial years, being highest 0.69 per cent at year-end 2007 (EUR 5 million) and lowest 0.32 per cent at year-end 2006.

The asset finance business did well in the first quarter of 2008. The annualised return on equity was 25% and the cost-income ratio was 32%. The CAD ratio was 10.1% by the end of Q1 2008.

11.2.2 Financial Services - Associates

Associates in Financial Services are long-term strategic holdings and are recorded in Exista's accounts using the equity method. Associates in Financial Services are two: Sampo Group and Kaupthing Bank. Lýdur Gudmundsson, Exista's executive chairman, is a board member of both Sampo Group and Kaupthing Bank where he is the deputy chairman.

11.2.2.1 Sampo Group

On 8 February 2007, Exista announced that it had secured control of 15.5% of the Sampo Group's total share capital. In July and August 2007, Exista announced it had increased its shareholding to 19.98%. Sampo Oyj is listed on the OMX Nordic Exchange in Helsinki Oyj and trades under the ticker symbol SAMAS.

Below is a summary of key information on Sampo Group.[14]

Shares held by Exista are fully paid for and Sampo has no debt to Exista.

Sampo Group is a major insurer in the Nordic region, as well as being a large investor on a Nordic scale. The company's largest business is the property and casualty (P&C) insurer, If, which is the largest non-life insurer in the Nordic region with a market share of over 20%[15] and has additional operations in the Baltic countries and Russia. Sampo also operates a life insurance business, Sampo Life, which offers life and pension products in Finland and, through its subsidiaries, and the Baltics.

If P&C Insurance

If is one of the leading property and casualty insurance company in the Nordic area offering a wide range of solutions to private and corporate customers. Its operations are in the Nordic

Legal name	Sampo Oyj	Exista Holding at year-end	19.98%
Registered office	Fabianinkatu 27, Helsinki	**CEO**	Björn Wahlroos
Field of activity	Insurance	**No of employees 2007**	6,965
Market Cap (EUR m as of 29 May 2008)	10,636	Total Assets (EUR m)	25,424
Issued Capital (EUR m)	98	Insurance premiums written (EUR m)	4,458
Reserves (EUR m)	7,635	Net income from investments (EUR m)	974
Amount of dividends received in 2007 in respect of shares held (EUR m)	108	Profit from containing operations (EUR m)	720

*Exista holding as of 29 May 2008 was the same.

14 All figures derived from financial statements for the year ended 31 December 2007 unless otherwise stated.

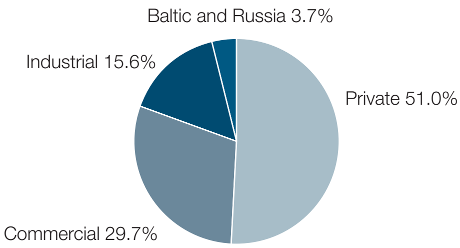
15 Source Sampo Group Annual report 2007: http://www.sampo.com/annualreport/2007/pdf/Sampo_VSK07_eng.pdf

countries, the Baltics and Russia and in these countries the company has around 3.6 million customers.

If operates its business on a pan-Nordic basis with three customer segments; Private, Commercial and Industrial. The Baltic countries and Russia are defined as a separate business segment.

With over three million customers, the private customers generated 51% of the insurance premiums in 2007. A number of initiatives were put in place in the year, including new product offerings, several cooperation and distribution agreements on **If's** car insurance and the introduction of an agreement with Blocket, Sweden's largest internet portal for second hand goods, in which **If** provides tailor-made solutions for second hand cars sold through the portal. The profit of the operations remained sound with a combined ratio of 90.1%.

Insurance premiums by business area in 2007



The target group for the Commercial business area is companies with up to 500 employees, and **If** services around 330,000 customers, which generated just under 30% of the insurance premiums for 2007. The market has becoming more competitive and companies are widening their insurance needs especially in terms of health insurance for their employees. Despite intensive competition and inflation of insurance claims the year was very profitable and the combined ratio was 90.8%.

The Industrial business area targets Nordic companies with sales of more than SEK 500 million and over 500 employees. **If's** customers in the Industrial business area are around 1,500 and generated close to 16% of the insurance premiums for 2007. The combined ratio for this business area was 94.1% affected by more large claims, particularly in Denmark, countered by increasing numbers of customers and their purchase of a broader range of risk solutions.

The Baltic and Russia business area generated approximately 4% of 2007 insurance premiums. **If's** operations cover Estonia, Lithuania, Latvia and Russia with 300,000 customers, both private and corporate.

In 2007, the pre-tax profit from the property and casualty business was EUR 534 million, compared with EUR 730 million in 2006. The decline can be attributed to a drop in investment income between 2006 and 2007. Property and casualty gross premiums totalled EUR 4,085 million, up 2% from the 2006 level of EUR 4,019 million. The combined ratio for the business was solid, or 90.6% for the year, compared with 89.9% in 2006. The P&C business grew in the Baltic area and Russia, and efficiency improved, with a cost ratio of 23.7%, as opposed to 24.0% in 2006.

In the first quarter of 2008, the pre-tax profit from the property and casualty business was EUR 64 million, compared with EUR 169 million in the first quarter of 2007. The decline can be attributed to a drop in investment income between the first quarters of 2007 and 2008. Property and casualty gross premiums written totalled EUR 1,548 million, up 2% from the level of EUR 1,522 million in the first quarter of 2007. The combined ratio for the business was 95.5% for the first quarter of 2008, compared with 95.3% for the first quarter of 2007. The technical results[16] for the first quarter of 2008 was EUR 113 million compared to EUR 105 million in the first quarter of 2007. The property and casualty business saw a positive development of technical results in all business areas except "Industrial" and in all countries except for Sweden in the first quarter of 2008 compared to the first quarter of 2007.

Sampo Life

With operations in Finland and the Baltic, Sampo Life is responsible for the life insurance business of Sampo Group. Its product offerings are focused on savings and investment solutions which are aimed to serve private, business entrepreneurs, and corporate and institutional customers.

Sampo Group divested Sampo Bank to Danske Bank in 2007 and simultaneously entered into an agreement with Sampo Bank which ensures cooperation in terms of distribution and product development for Sampo Life. The sale and transition affected Sampo Life's performance in 2007 and unit-linked endowment policies were down from 2006. Pure life and disability insurance performed strongly, however, and the corporate market experienced further growth in 2007 as demand for life and pension insurance increased from corporate customers. Furthermore, the sale of Sampo Bank required additional expenditure in terms of key administrative and support services as well as sales channels were strengthened to secure further growth.

The premiums generated in Estonia, Latvia and Lithuania increased by 67% from 2006 and amounted to EUR 64 million.

Sampo Life posted a profit before tax of EUR 342 million in 2007, compared with EUR 295 million in 2006. Return on equity was 9.1%, down from 30.0% in 2006, due primarily to a drop in the market value of investments.

16 Results deriving from pure insurance activities

The sale of Sampo Bank to Danske Bank continued to affect Sampo Life in the first quarter of 2008. Premiums written before reinsurers' share dropped by EUR 45 million or 26% between the first quarters of 2008 and 2007. Profit before taxes amounted to EUR 64 million in the first quarter of 2008, compared to EUR 100 million in the first quarter of 2007. Taking into account the changes in the market value of investments, the change is even greater with loss at market value in the first quarter of 2008 amounting to EUR 72 million compared to profit amounting to EUR 132 million in the first quarter of 2007.

Sampo Oyj.

Sampo Oyj., the parent company of the Sampo Group, owns and administers the subsidiaries operating in the property and casualty insurance business and the life insurance business. The parent company coordinates the Group's investment activities, capital allocation and risk management. Sampo Oyj. also handles investor relations, accounting, legal and tax matters.

The operations of Sampo Group are highly susceptible to the performance and prospects of the capital markets. For over a year, the insurance companies of Sampo Group have been net sellers of equities and focusing its exposure on fixed income instruments to short maturities. A sudden rise in short-term interest rates could adversely affect the value of the fixed income portfolio but in the long run improve the yields.

In 2007, Sampo Group reported a pre-tax profit of EUR 3.83 billion, generating a return on equity of 52.6%. The profit includes gains from the sale of Sampo Bank to Danske Bank for EUR 2.83 billion. This compares with net income of EUR 991 million in 2006. Sampo Bank contributed EUR 316 million to pre-tax profit during 2006. The proceeds received from the disposal have been partially re-invested in the listed Swedish bank Nordea, in which Sampo has built a stake during 2007 and 2008. The Nordea holding tied up EUR 0.9 billion in cash, and Sampo had an additional EUR 2.0 billion in cash.

In the first quarter of 2008, Sampo Group reported a pre-tax profit of EUR 142 million, which is comparable to pre tax profit from continuing operations amounting to EUR 270 million for the same quarter in 2007. Earnings per share including the change in the fair value reserve decreased to EUR -0.39 per share compared to EUR 5.38 per share for the same quarter in 2007. Sampo Group received permission from the Swedish supervisory authorities to increase its holding in Nordea above 10 per cent on 6 February 2008 and subsequently increased its holding in Nordea above 10%. As of 31 March 2008 Sampo Group's holding in Nordea was worth EUR 2.7 billion. As of 31 March 2008 Sampo Group's total assets amount to EUR 25.9 billion and equity EUR 7.5 billion. On 7 May 2008 the board of Sampo Oyj decided to cancel 6.7 million Sampo A shares repurchased during 2007 and between January and March 2008. The cancellation reduces the number of Sampo A shares with the corresponding amount but has no effect on the share capital.

Below is an overview of Sampo's operational performance in the past five quarters.

Sampo

Selected financial information *(EUR million)*	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Insurance premiums written	1,552	974	887	1,046	1,552
Net income from investments	2	75	217	360	322
Other operating income	6	8	6	6	5
Operating Income	**1,560**	**1,057**	**1,110**	**1,412**	**1,879**
Claims incurred	-904	-789	-781	-769	-855
Change in liabilities for ins. and inv. contr.	-241	180	193	-84	-477
Other operating expenses	-135	-155	-132	-139	-132
Finance costs	-22	-17	-16	-16	-19
Share of associates's profit	2	1	1	1	1
Profit from continuing operations before taxes	142	160	256	289	270
Net Profit from continuing operations	**106**	**113**	**191**	**214**	**202**
Profit from disontinued operations					2,853
Profit per the period	106	113	191	214	3,055

Legal name	Kaupthing Bank hf.	Exista Holding at year-end	23.02%*
Registered office	Borgartún 19, 105 Reykjavík	**CEO**	Hreidar Már Sigurdsson
Field of activity	Banking	**No of employees 2007**	3,334
Market Cap (ISK m as of 29 May 2008)	578,293	Total assets (ISK m)	5,347,345
Issued Capital (ISK m)	7,371	Operating income (ISK m)	165,818
Reserves (ISK m)	349,060	Net Interest Income (ISK m)	80,113
Amount of dividends received in 2007 in respect of shares held (ISK m)	2,481	Net earnings (ISK m)	71,191

*Exista holding as of 29 May 2008 was 24.75%.

11.2.2.2 Kaupthing Bank hf.

Kaupthing Bank is a northern European bank offering integrated financial services to companies, institutional investors, and individuals. The bank has operations in 14 countries. Its comprehensive service offerings include corporate banking, investment banking, capital markets services, asset management, and private banking. With organic growth and acquisitions, Kaupthing Bank has been one of the fastest-growing financial institutions in Europe in recent years. Its core market is northern Europe, and its largest operations are in Denmark, Iceland, and the UK. Kaupthing Bank is listed on the OMX Nordic Exchange Iceland hf. where its shares are traded under the ticker symbol KAUP and listed on the OMX Nordic Exchange Stockholm AB where its shares are trades under the ticker symbol KAUP SEK. In terms of market capitalisation, the Bank was the 7th largest bank in the Nordic region as of 31 March 2008[17].

Above is a summary of key information on Kaupthing Bank[18].

Shares held by Exista are fully paid for and the amount Kaupthing Bank owes Exista is zero.

In 2007 Kaupthing Bank continued to broaden its platform as a financial service provider of choice for SMEs and high-net-worth individuals. In the second half of 2007, Kaupthing Bank opened branches in Qatar and Dubai, the first Nordic bank to commence operations in those locations, acquired Robeco Bank Belgium, a small Belgian bank that focuses mainly on private banking and asset management, and purchased the deposit-taking business of Derbyshire Offshore on the Isle of Man. In August Kaupthing Bank announced its intention to acquire the Dutch merchant bank NIBC for EUR 2.99 billion. However, following the turmoil in the global financial markets beginning in the latter half of 2007, Kaupthing and the sellers of NIBC agreed in January 2008 not to proceed with the planned acquisition.

Despite growing turbulence in the financial markets, Kaupthing Bank enjoyed, as further described below, another strong year in 2007. Following a record year in 2006, it recorded net earnings of ISK 71.2 billion in 2007, a decrease of 17.6%. However, the results for 2006 were favourably distorted by a one-off gain of ISK 21.4 earned on the disposal of Kaupthing's holding in Exista. Had this single item been excluded, net earnings for 2007 increased by 9.6% compared with 2006. Earnings per share amounted to ISK 95.2 and return on shareholders' equity was 23.5% in 2007. Kaupthing Bank's capital base is strong with the CAD ratio at 11.8% at the end of 2007 and Tier 1 ratio at 9.6%. Excluding the Exista gain, net operating income for 2007 increased by 17.5% to ISK 165.8 billion. Profits in 2007 were driven by gains in net interest income, which grew by 53% to ISK 80.1 billion, and in net fees and commissions, which rose by 47.6% to ISK 55 billion. This increase in core income demonstrates that the bank is no longer as dependent on positive net financial income in order to achieve superior return on equity. In fact, interest income has grown to such an extent that it is now sufficient to cover the bank's entire operating expenses. Impairment on loans charged to the profit & loss account increased to ISK 6.2 billion, which was broadly in line with the growth in lending. At the same time, the company incurred a charge of ISK 11.5 billion after restructuring its portfolio of structured credit products following the upheaval in the fixed-income markets. Despite the issues affecting credit markets, the bank's management believes that the company's funding position remains robust. This follows a significant increase in customer deposits during the year. Total assets amounted to ISK 5.3 trillion, an increase of 35.8%, taking into account the 7.1% appreciation of the Icelandic króna in 2007.

On the funding side, Kaupthing increased the share of deposits to customer loans to 42% in 2007, up from 29% the previous year. The goal is to increase the ratio of deposits to customer loans to 50% in 2008. The bank continued to diversify its funding last year and was the first Nordic bank to issue public bonds in Mexico and entered the Canadian market with an inaugural

17 Source: Bloomberg L.P.

18 All figures derived from financial statements for the year ended 31 December 2007 unless otherwise stated.

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issue. The bank benefits from having been active in the wholesale funding market when market conditions were positive in the first half of 2007. The average maturity of newly-issued senior unsecured debt was four years at the end of 2007 and has never been as long. Kaupthing's liquidity policy is to have enough secured liquidity to repay all maturing obligations for at least 360 days and at the same time maintain a stable level of business without having to access the capital markets. At the end of 2007, the secured liquidity of Kaupthing Group was sufficient to cover all obligations for more than 440 days.

Kaupthing enhanced its northern European profile last year by launching its first global retail product –Kaupthing Edge which is a high yield online deposit product. This is a part of the bank's long-term funding strategy, which has been in preparation since 2006 and is already beginning to bear fruit. The strategy is expected to change the profile of the bank by catapulting its brand from a niche market into a retail brand. Kaupthing's management believes that this strategy is well suited for the paradigm shift that has occurred in the market in the aftermath of the sub-prime crisis in the US. The bank recognises that a re-pricing of capital has occurred and calibrated its strategy accordingly.

Being an international bank, Kaupthing had exposure, albeit limited, to international credit markets, which hurt the company. The bank charged EUR 210 million in the second half of the year due to its structured credit portfolio. In order to prevent or reduce potential write-downs, similar to those that have already materialised, Kaupthing has greatly reduced its positions in structured credit and asset-backed securities. Investments are, by their very nature, prone to risk and subject to the law of probabilities. The possibility of losses can therefore never be excluded, what can be done, however, is respond to them appropriately. Banking is not about eliminating risks, but monitoring and controlling them by acting in a timely manner.

Kaupthing is rated by three international rating agencies. The bank's credit ratings are A1/P-1 from Moody's, A-/F2 from Fitch[19] and A+ from the Japan-based rating agency Rating and Investment Information (R&I).

With dwindling economic activity and higher borrowing costs, the banking environment is likely to remain challenging in 2008. Kaupthing Bank has already prepared for a slowdown in the coming year by placing a special emphasis on reducing costs and protecting a robust liquidity which according to the management will continue to be key priority. With a broad business model in terms of products, services and markets, supported by a well-capitalised balance sheet, as discussed above, Kaupthing Bank is, according to its management, well placed to meet the challenges ahead.

In the first quarter of 2008 Kaupthing's net earnings were ISK 18.7 billion compared to ISK 20.3 billion in the same period of 2007. The annualised return on equity was 23.7% compared to 27.6% for the same period last year. Net interest income was up by 31.2%, net fee and commission income down by 11.3% and net financial income decreased by 28% from the same period last year. The cost-to-income ratio during the first quarter of 2008 was 47.0%, which is below the bank's 50% target. Operating expenses totalled 21.6 billion in Q1, down 17% from Q4 2007 measured in euros. The depreciation of the ISK had a significant effect on the Bank's results and all comparisons between periods. Total assets were ISK 6,368 billion at the end of March, increasing by 19.1% in ISK but decreasing by 8.7% in euros. The CAD ratio remains strong at 11.4%. Since 2005 Kaupthing Bank has maintained a foreign currency mismatch in order to hedge its equity ratio against the depre-

Kaupthing Bank

Selected financial information	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
(ISK million)					
Net interest income	21,332	23,739	20,259	19,849	16,265
Net commision income	10,948	14,122	13,374	15,189	12,337
Net financial income	9,686	-12,429	2,634	10,772	13,456
Other income	3,934	4,699	3,553	5,996	2,002
Operating income	**45,900**	**30,132**	**39,820**	**51,807**	**44,059**
Total expenses	-21,562	-22,658	-19,348	-19,017	-17,707
Loan losses	-4,059	-1,959	-1,723	-1,075	-1,423
Profit before taxes	20,279	5,515	18,748	31,715	24,929
Net profit	**18,787**	**9,650**	**14,786**	**26,062**	**20,694**
Earnings per share	26.1	13.4	19.6	34.6	26.1
Return on equity	**23.7%**	**12.3%**	**19.0%**	**36.6%**	**27.6%**

19 Fitch long-term Issuer Default Rating was placed on negative outlook on 9 May 2008

ciation of the ISK. The depreciation of the ISK in the first quarter of 2008 resulted in an increase of ISK 72.5 billion in shareholders' equity. At the end of Q1 2008, the secured liquidity of Kaupthing Group was sufficient to cover all obligations for more than 360 days.

On 30 April 2008 Kaupthing and Sparisjódur Reykjavíkur og nágrennis hf. (SPRON) announced that they had decided to enter negotiations on a possible merger between the companies and that negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible. As of 31 March 2008 SPRON's balance sheet corresponded to approximately 4% of Kaupthing's balance sheet. SPRON is a large shareholder in Exista and, in the event of a merger between SPRON and Kaupthing, those shares would be held by the merged entity.

Opposite page is an overview of Kaupthing Bank's operational performance in the past five quarters.

11.2.3 Investments

Investments include Exista's other shareholdings and investments in listed and unlisted companies. Investments are recorded at fair value in its consolidated accounts.

Exista looks for companies with solid financial fundamentals, a strong management team and a healthy cash flow. The investment time horizon is open-ended and normally medium or long-term.

11.2.3.1 Bakkavör Group hf.

Bakkavör Group is an international food manufacturing company specialising in fresh prepared foods and produce. The Group operates 57 factories and employs over 20,000 people in nine countries. Its turnover in 2007 totalled GBP 1.5 billion, with the UK accounting for 90% of sales. The Group is listed on OMX ICE and the ticker is BAKK.

Lýdur Gudmundsson is the chairman of Bakkavör's board of directors.

Below is a summary of key information on Bakkavör Group[20].

Shares held by Exista are fully paid for and the amount Bakkavör owes Exista is zero. The book value of the investment is EUR 291.2 million as of 31 March 2008.

Bakkavör Group has over 20 years' history and has grown briskly during that time. Today, Bakkavör Group makes over 4,700 products in 17 categories, which are developed and sold predominantly under its customers' own brands. In addition to the UK and Iceland, the group also has operations in France, Belgium, Spain, the Czech Republic, South Africa, China, and the United States, and it is well positioned for further expansion.

The UK grocery market is a concentrated market with relatively few major players. Tesco, Asda, Sainsbury's and Morrisons dominate the market and in 2006 held a combined market share of 71%[21]. Bakkavör trades with all the main retailers. Over the last ten years grocery retailers have gradually increased their

Legal name	Bakkavör Group hf.	Exista Holding at year-end	39.63%*
Registered office	Ármúli 3, 108 Reykjavík	**CEO**	Ágúst Gudmundsson
Field of activity	Food manufacturing	**No of employees 2007**	20,000
Market Cap (GBP m as of 29 May 2008)	496.6	Total assets (GBP m)	1,482.8
Issued capital (GBP m)	14.9	Operating income (GBP m)	2,148.1
Reserves (GBP m)	72.6	Operating profit (GBP m)	110.0
Amount of dividends received in respect of shares held (GBP m)	3.6	Profit from ordinary activities (GBP m)	47.4

*Exista holding as of 29 May 2008 was the same.

20 All figures derived from financial statements for the year ended 31 December 2007 unless otherwise stated.

21 Source: TNS (Taylor Nelson Sofrés , www.tnsinfo.com) (Till Roll 52 we 28 Jan 2007))

share of the retail market and now hold close to 50%, achieving consistent rates of growth and often outperforming retail sales growth as a whole. In 2006, grocery retail sales achieved an increase of 3.1%[22] against a total retail sales growth of 0.9%[23].

The Institute of Grocery (IGD) predicts that convenience retailing will grow by almost 24% in the next five years, against the wider market growth of 15%[24]. These developments are important for Bakkavör Group as many shoppers are looking for fresh, easy to prepare food in stores which are conveniently located near their place of work or on the way home.

In the UK retailer brands have a 40%[25] share of the grocery retail market and have become recognised brands in their own right. As food and lifestyle have evolved, retailer sub-brands have become increasingly sophisticated. This development is particularly prevalent in the fresh prepared foods sector where one can find sub-brands relating to health, organic foods, children, specific cuisines, restaurant and dinner party cooking and many more.

Retailer brands in 2006 accounted for 72%[26] of the total fresh prepared foods sector and 93%[27] of the markets in which Bakkavör Group operates. This reflects the importance of this sector to the retailers and how crucial the close co-operation between food manufacturers and retailers is, in order to develop relevant products for the retailers' various sub-brands. The development of retailer brands is set to continue and by 2010, the IGD estimates that retailer brands in the UK will account for 45%[28] of the grocery retail market.

The fresh prepared foods sector has outperformed the growth rate of general food and continues to grow faster than other food categories. In 1994, the fresh prepared foods sector was around the same size as the frozen prepared foods sector, both valued at around £2 billion. In 2006, it was estimated that the fresh prepared foods sector was more than three times the size of the frozen prepared foods sector and was worth over £7 billion[29].

Bakkavör Group made excellent strategic progress during 2007. In the UK, the group acquired two businesses during the year: a fresh produce and fresh prepared foods company, and a flavourings and sauce producer. In France, Bakkavör Group acquired 4G, a leafy salads provider, and in the Czech Republic, the group acquired a 51% stake in Heli Food Fresh, a fresh prepared foods manufacturer that supplies the central European market. In China, Bakkavör Group acquired the remaining 60% stake in Creative Food, in co-operation with Glitnir Bank. Creative Food grows produce and packs around 250 salad products, supplying international supermarkets and foodservice chains in China.

In 2008 Bakkavör has continued to strengthen its global position. Early in the year, Bakkavör Group announced its entry into North America through the acquisition of a Californian fresh and frozen prepared foods provider that specialises in the manufacture of bakery products, sauces, soups and savoury dips for the US retail and foodservice markets. Bakkavör Group also acquired a Chinese vegetable and fruit provider, a pizza business in Italy and a pastry business in Hong Kong.

Operating conditions were challenging for Bakkavör Group in 2007 and continued so for the first three months of 2008. Commodity prices soared, the British summer weather was unfavourable, and the economic slowdown affected retail sales in the UK. Bakkavör Group performed well against this backdrop, however. Sales rose by 21% in 2007, outstripping market growth. Like-for-like sales were up 6.3%, but margins were under pressure.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 1% to GBP 149 million, resulting in an EBITDA ratio of 10.1%. Operating profit (EBIT) amounted to GBP 110 million. Earnings per share from continuing operations declined from 2.6 pence to 2.2 pence, and return on equity decreased from 37% to 18.2%.

The group's total assets increased to GBP 1.5 billion, compared with GBP 1.3 billion in 2006.

Sales grew by 8% to GBP 377 million in the first quarter of 2008 and Bakkavör Group generated an EBITDA of GPB 26 million resulting in an EBITDA margin of 7% compared to 10% for the same period in 2007. The operating profit amounted to GBP 16 million.

Total assets of Bakkavör Group decreased marginally by 0.4% from year-end 2007 and amounted to just under GBP 1.5 billion at the end of the first quarter of 2008.

With the global trend in consumer food consumption shifting towards a healthier diet and increased demand for convenient fresh prepared foods made from high-quality ingredients,

22 Source: TNS RST Summary 52 we 31 Dec 2006
23 Source: Office of National statistics, UK (http://www.statistics.gov.uk/cci/nugget.asp?id=256)
24 Source: IGD, UK Grocery Retailing September 2006
25 Source: IGD European Private Label Growth July 2006
26 Source: TNS Till Roll 52 we 28 Jan 2007
27 Source: TNS Till Roll 52 we 28 Jan 2007
28 Source: IGD, European Private Label Growth July 2006
29 Source: TNS RST Summary 52 we 31 December 2006

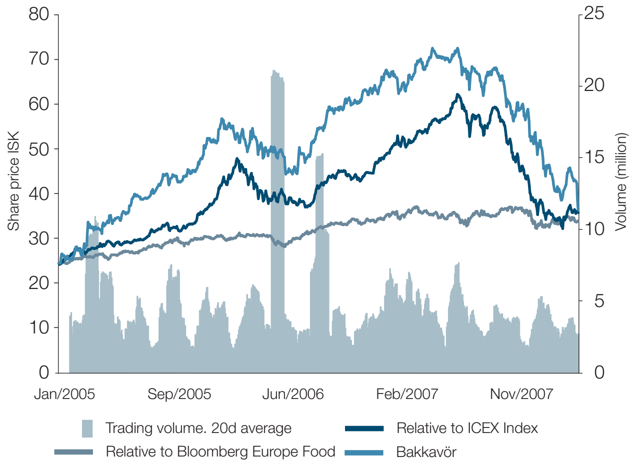
Bakkavör Group is well positioned for the future. Bakkavör's acquisitions in Europe and China in 2007 – and in the US early in 2008 – reflect the company's determination to grow as a world leader in fresh prepared foods.

It can be expected that Bakkavör Group's performance during 2008 will continue to be affected by increasing raw materials prices and reduced consumer spending due to turbulence in financial markets. However, Bakkavör Group has a focused international expansion strategy and will continue to be an active participant in the fast-growing convenience food market worldwide. Bakkavör's solid underlying business, high-quality fresh prepared foods, and balanced product offerings put the company in a strong position to meet the rapidly growing global demand for fresh prepared foods.

Bakkavör Group's share price performance

Bakkavör's shares outperformed both the OMXI-15 index and the Bloomberg Europe Food Index from January 2005 until July 2007. Since then, Bakkavör has underperformed those indices. During 2007, Bakkavör Group's share price dropped 6.4%, from ISK 62.5 per share to ISK 58.5 per share. Taking into account a ISK 0.5 a share dividend payment in 2007, this represents a decline of 5.6%. In comparison, the OMXI-15 index fell by 1.44% in 2007. Bakkavör Group's shares price has declined by 43% from year end 2007 to 29 May 2008, in comparison OMXI-15 decreased by 24%. Bakkavör Group's market capitalisation on 29 May 2008 amounted to ISK 73 billion. This according to the aforementioned date of 29 May 2008 made Bakkavör Group the seventh-largest company on the OMX Nordic Exchange in Iceland hf. by market capitalisation.

Bakkavör's share price performance 2005-2008



11.2.3.2 Storebrand ASA

Storebrand is a leading life insurance provider in Norway with a 39% market share for occupational pensions[30]. The top five life and pension insurers in Norway account for over 95% of the market in terms of premium income. The other four players are Vital a subsidiary of DnB NOR Bank, KLP, which specialises in municipalities, Nordea Liv and Sparebank, both of which are specialist bank assurers. The company is an integrated financial services group, with pensions and life insurance, banking and asset management activities, and property and casualty insurance provided by subsidiaries of the holding company Storebrand ASA. Storebrand ASA is listed on the Oslo Børs ASA (Oslo Stock Exchange) and trades under the ticker symbol STB. By the end of third quarter 2007, Exista had acquired 8.69% of the share capital in Storebrand.

Legal name	Storebrand ASA	Exista Holding at year-end	8.69%*
Registered office	Filipstad Brygge 1, N-0114 Oslo	**CEO**	Idar Kreutzer
Field of activity	Life insurance	**No of employees 2007**	2,151

Market Cap (NOK m as of 29 May 2008)	21,319.9	Total Assets (EUR m)	381,749.0
Issued Capital (NOK m)	11,712.0	Operating income (NOK m)	33,397.0
Reserves (NOK m)	286,838.0	Net Interest Income (NOK m)	413.2
Amount of dividends received in respect of shares held (NOK m)	46.9	Profit from ordinary activities (NOK m)	4,803.0

*Exista holding as of 29 May 2008 was 8.69%.

30 Source from Storebrand's website: http://www.storebrand.no/site/stb.nsf/Pages/acquiresspp.html

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Lýdur Gudmundsson is a member of Storebrand's board of representatives which makes recommendations to annual general meetings on the board's proposal for the annual report and accounts, and elects the six shareholder nominated directors, including the Chairman, to the board of directors of Storebrand.

Above is a summary of key information on Storebrand[31].

Since 2002 Storebrand's financial performance has improved steadily. The group suffered significant operating losses in both 2001 and 2002, but Storebrand recorded a profit in 2003 and has improved its performance ever since. By 2007 its operating profit amounted to NOK 4.8 billion.

Similarly, the value of assets has increased across Storebrand, from approximately NOK 150 billion in 2001 and 2002 to NOK 223 billion in 2006. During this period, asset values in the Asset Management division rose 50% to NOK 217 million.

Since 2002 there has been a significant change in the corporate structure of Storebrand. In earlier years the company focused on disposing of businesses and streamlining operations. The most important transaction was the sale of Storebrand's P&C insurance business to Sampo Group in May 2004. After selling this major part of the business, Storebrand expanded its life insurance operations by acquiring SPP in September 2007.

In September 2007, Storebrand entered into an agreement with Handelsbanken to acquire SPP. The acquisition was completed in December 2007 and Storebrand paid a consideration of SEK 18,000 million which was reduced by SEK 2,000 million due to a special dividend paid by SPP to Handelsbanken.

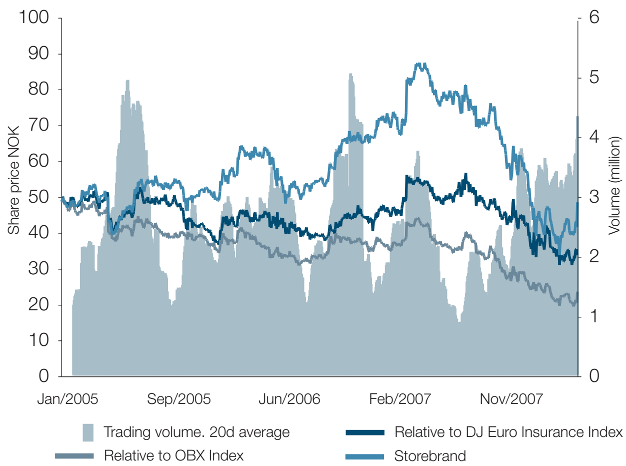
SPP is leading Swedish life insurance and occupational pension provider with a 10.3% market share of the Swedish occupational pension market in 2006[32]. SPP's businesses are active within the defined benefit and defined contribution occupational pension segment. The company is also active in mass market collectively agreed pension schemes and in the private pension segment. In addition, SPP provides advanced consulting services covering occupational pensions, insurance, and administrative solutions for municipalities and other organisations.

The SPP acquisition was financed by a significantly oversubscribed rights issue that increased the number of Storebrand shares by approximately 80%. The annual synergies expected from the acquisition amount to over NOK 400 million. As a result of this instrumental acquisition, the management of Storebrand believes that the combined company has an excellent opportunity to become one of the major life insurance and pension providers in the Nordic region. The combined group will have a 12.6% market share in Sweden and 39% in Norway for occupational pensions[33]. The transaction also gives the company superior geographical diversification, as the bulk of the life insurance and pension business is in Sweden, while the existing business is in Norway. Given a number of the provisions in Solvency II, there should also be capital synergies arising from this geographical diversification. Moreover, because the SPP acquisition strengthens Storebrand's presence in the Nordic area, it should provide the company with greater strategic and financial flexibility and enable it to participate more effectively in the financial services sector.

During 2007, Storebrand recorded a net profit of NOK 2,006 million, up 34% from its 2006 profit of NOK 1,496 million. The group's two largest divisions, Life Insurance and Storebrand Bank, grew significantly in 2007. In contrast, the Asset Management division recorded weaker results, as aggressive cost control measures failed to compensate for poor investment performance. The total dividend payable for 2007 is NOK 534 million, up 9% from NOK 449 million in the previous year. The dividend per share has dropped from NOK 1.80 to NOK 1.20. Dividends are payable to all shareholders, including holders of shares issued in the rights issue of December 2007.

In Q1 2008 Storebrand's profit was NOK 535 million, compared to NOK 389 million, in Q1 2007, an increase by 38%.

Storebrand's share price performance 2005-2008



In 2005 Storebrand's share price underperformed the Norwegian OBX Index and the DJ Euro Insurance Index. The first half of 2006 the share price performed inline with the indexes and outperformed them from middle of 2006 until middle of 2007. However, from May 2007 until the middle of March 2008, Storebrand underperformed compared to those indices. Since March 2008, the share price has been moving up again. Storebrand's

31 All figures derived from the financial statments for the year ended 31 December 2007 unless otherwise stated.

32 Source from Storebrand's website: http://www.storebrand.no/site/stb.nsf/Pages/acquirespp.html

33 Source from Storebrand's website: http://www.storebrand.no/site/stb.nsf/Pages/acquirespp.html

share price dropped during the past year and the return was negative by 14.9% in 2007. The global market turbulence has continued to set its mark on the share price of financial companies and Storebrand's share price declined by 14.6% this YTD (2 May 2008), which means 11.0% relative underperformance. Storebrand's underperformance vs. the DJ Euro Insurance Index has been less in the period from 2005 to date. In terms of market capitalisation, Storebrand is the 13th largest company in the OBX Index weighing 1.872% (2 May 2008) with a market cap of NOK 22.7 billion.

11.2.3.3 Skipti hf.

Exista led a consortium of institutional investors that acquired Landssími Íslands hf. (Skipti's predecessor) in 2005 when the company was privatised. The acquisition price was ISK 66.7 billion for 98.8% stake in Skipti from the Icelandic government.

The consortium that Exista led consisted of the following:

Consortium member	Interest in the consortium
Exista hf.	45.00%
Kaupthing Bank hf.	30.00%
Lífeyrissjódur verslunarmanna	8.25%
Gildi-lífeyrissjódur	8.25%
Sameinadi lífeyrissjódurinn	2.25%
Samvinnulífeyrissjódurinn	2.25%
MP fjárfestingarbanki hf.	2.00%
IMIS ehf.	2.00%
Total	100.00%

Skipti is a holding company that invests in telecommunications and IT companies in Europe. Skipti's largest holding is Síminn (Iceland Telecom), which provides comprehensive telephone, mobile, internet and IP-television distribution services to households as well as corporate customers.

Lýdur Gudmundsson is the chairman of Skipti's board of directors.

Below is a summary of key information on Skipti[34].

Skipti acquired three telecommunications companies in 2007: Aerofone, Business Phone, and Ventelo Denmark A/S. Aerofone is an independent service provider for business telecommunications and data solutions in the UK. Business Phone provides fixed line, mobile and internet connections in Denmark, and Ventelo Denmark A/S is a telecommunications and IT company focusing on the corporate market. Sirius IT was acquired in 2006 and the company strengthens Skipti's IT operations in the Nordic countries.

Skipti was listed on OMX ICE on 19 March 2008, following a share offering. The offering and stock market listing of the company was in compliance with the provisions of the purchase agreement which was originally entered into upon the sale of the government's 98.8% holding in Landssími Íslands hf. (now Skipti) in 2005. When Landssími Íslands hf. was privatised in 2005, a condition was set by the government of Iceland that Skipti hf.'s shares would be listed on the Main List of the Icelandic Stock Exchange (now OMXICE Main Market) before the end of 2007 and that 30% of the share capital would be offered for sale in a public offering. The Ministry of Finance granted an extension until the end of the first quarter of 2008, due to Skipti's participation in the privatisation process of Telekom Slovenije d.d. The privatisation committee in Slovenia decided on 3 March 2008 not to propose to the government the acceptance of Skipti's offer. Furthermore, Skipti's offer lapsed at GMT 16:00 on 3 March 2008. At Skipti's shareholders' meeting on 27 February 2008, the proposal to seek admission to trading of Skipti's shares, in accordance with this requirement was approved. The application for admission to trading on the OMX ICE Main Market, was in accordance with the requirement set by the government of Iceland. The consortium of investors that acquired 98.8% of Landssími Íslands hf. in the privatisation agreed between themselves that Kaupthing Bank hf. would offer all their shares in the Offering and that Exista hf. would offer the remaining shares that were required to reach 30% of the share capital of Skipti hf. Kaupthing Bank hf. therefore offered its 27.8% stake in Skipti hf. and Exista hf. offered 2.2%. In the offering, which was held between 10 March and 13 March 2008, 30% of Skipti's share capital was offered for sale to the general public and other investors and 7.5% of the com-

Legal name	Skipti hf.	Exista Holding at year-end	43.65%*
Registered office	Ármúli 25, 108 Reykjavík	**CEO**	Brynjólfur Bjarnason
Field of activity	Telecommunications	**No of employees 2007**	1,748

Market cap (ISK m)	n/a	Total assets (ISK m)	97,641.0
Issued capital (ISK m)	7,365.0	Operating income (ISK m)	32,719.1
Reserves (ISK m)	1,017.0	Financial income (ISK m)	-3,274.0
Amount of dividends received in 2007 in respect of shares held (ISK m)	0.0	Profit from ordinary activities (ISK m)	3,082.0

*Exista holding as of 29 May 2008 was 99.22%

34 All figures derived from financial statements for the year ended 31 December 2007 unless otherwise stated.

pany's share capital was sold. The Skipti share offering was clearly affected by the unusually difficult current conditions on the financial markets. The timing of the offering and the listing of Skipti was determined by the agreement which was made upon the sale of the company in 2005, and not by the current conditions. Exista's Board of Directors announced on 19 May 2008 a tender offer for the entire capital of Skipti. Exista believed that there was insufficient basis for normal price formation with Skipti shares on the market, in light of the results of the aforementioned share offering and the unusually difficult market conditions which prevailed. Owing to a relatively small shareholder base and the adverse market conditions, it would be unlikely that Skipti hf. and its shareholders would enjoy the intrinsic benefits of a stock market listing. Exista intends to explore the possibility of listing Skipti again when the financial markets have stabilised. In the public offer document regarding the bid to shareholders of Skipti made public on 27 March 2008, it was announced that if Exista acquired more than 90% of share capital and controlled a corresponding proportion of voting rights in Skipti, it intended to propose to the board of directors of Skipti that shares owned by other Skipti shareholders be redeemed in accordance with Art. 110 of the Securities Act. no. 108/2007. On 7 April 2008 the board of directors of Skipti hf. submitted a request to have its shares removed from trading on the main market of OMX ICE. Skipti hf. board's main reasoning for the request is that Skipti no longer meets the criteria of minimum distribution of shares according to the Listing Requirements set out by OMX ICE, since the largest shareholder, Exista hf., had secured over 94% of the share capital in Skipti hf. and there was no reason to expect effective price formation for the company's shares in the future. It was announced on 29 May 2008 that the shares of Skipti hf., will be removed from trading on OMX Nordic Exchange Iceland hf. after closing of trading day, 6 June 2008 in accordance with the company's request from 8 April 2008.

Exista's takeover does not involve any shift in strategy in Skipti's activities. Exista will continue to support the company's management in implementing the strategy it has been shaping and putting into practice in recent years. In spite of the recently completed offering, the shareholder base of Skipti was narrow and detrimental to effective price formation on the stock market. Exista on the other hand has the second broadest shareholder base in Iceland and is in the top tier in terms of trading volume on OMX ICE. Through their holdings in Exista, Skipti shareholders will have the chance to benefit indirectly from the value that Skipti may create in the future.

Exista held 43.7% of the share capital of Skipti after the privatisation in 2005. Resulting from the takeover offer, as of 29 May 2008 Exista has secured 99.22% of the share capital of Skipti and will hold corresponding voting rights in Skipti when the takeover bid is settled on 2 June 2008. Skipti's board of directors have requested for the shares of Skipti to be removed from trading on OMX ICE and Exista has asked the board of directors of Skipti to accept that other shareholders of Skipti shall be subject to redemption of their shares as soon as possible. Exista had secured 96.69% stake of Skipti's share capital as of 31 March 2008, this was recorded on the balance sheet as of 31 March 2008 at a book value of EUR 397.2 million, which is the acquisition price from the takeover offer.

Skipti's performance was solid in 2007. Consolidated accounts showed net sales growth of 31%, driven by strong performance at Síminn and income from newly acquired companies. Skipti's earnings before interests, taxes, depreciation and amortisation (EBITDA) totalled ISK 9.5 billion, a 12% increase over the prior year. The EBITDA margin was 28.5%, compared with 33.1% in 2006, owing to Skipti's shift toward value-added services and IT. These newly acquired operations tend to include activities, especially within the IT sector, with a lower EBITDA margin than those of the existing business. The IT operations are however less capital intense compared to the traditional telecommunications business. Operating profit totalled ISK 5.3 billion, which was up 15% from 2006 and more in line with the sales growth than the rise in EBITDA. The reported net profit in 2007 was ISK 3.1 billion.

Sales increased by ISK 1.5 billion in Q1 2008 or by 20% from the same period in 2007. The loss over the period was ISK 3.6 billion, mainly due to the devaluation of the Icelandic króna. The exchange loss came to ISK 4.4 billion, of the total of ISK 5.5 billion, finance cost for the period. The EBITDA amounted to ISK 2.0 billion and decreased slightly from ISK 2.1 billion.

11.2.3.4 Other investments and assets

Other listed equity investments include Flaga Group hf., SPRON hf. and JJB Sports Ltd. Since 2004, Exista has been a major shareholder in Flaga Group, a global leader in diagnostic equipment and treatment services related to sleep disorders. As of 29 May 2008 Exista holds 22% of share capital in Flaga Group, which is currently listed on the OMX Nordic Exchange in Iceland hf. Based on market capitalisation of 20 May 2008 and the EUR/ISK exchange rate of 115.59 Flaga Group represents less than 0.02% of Exista's total assets. On 2 May 2008 the board of Flaga Group requested to the OMX Nordic Exchange in Iceland hf. that the company's shares be removed from trading on the main market of OMX ICE as the board of Flaga Group believed that this would be in the best interest of both the company and the shareholders, in light of limited trading and distribution of ownership. On 16 May it was announced that the request for removal from trading had been approved and that the shares of Flaga Group hf., will be removed from trading on OMX ICE after the closing of trading on 12 June 2008. The removal of shares is made with reference to Art. 7.1 of Listing Requirements of the Nordic Exchange.

With the acquisition of VÍS Holding in 2006, Exista acquired a share in SPRON (Reykjavík Savings Bank) and as of 29 May holds 4.26% of the share capital in SPRON. SPRON is listed on the OMX Nordic Exchange in Iceland hf. As of 29 May 2008 SPRON holds a 3.00% stake in Exista and furthermore has a 48.4% stake in Kista-fjárfestingafélag ehf. as of 29 May 2008. Kista fjárfestingarfélag ehf. holds a further 8.94% of Exista shares as of 29 May 2008. On 30 April 2008 Kaupthing and SPRON announced that they had decided to enter negotiations on a possible merger between the companies and that negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible.

In June 2007, Exista acquired a 29% share in UK sports retailer JJB Sports, together with Chris Ronnie who subsequently became CEO of the company. JJB Sports is listed on the London Stock Exchange.

Unlisted equity investments amount to EUR 130 million and investment properties amounted to EUR 52.1 million at the end of March 2008. Investment properties consist mainly of assets acquired from Skipti at the end of 2007 and which are let by Skipti.

Property and equipment amount to EUR 21.4 million at the end of March 2008, and as such immaterial asset class.

As an overview of the assets described in this section, "Other investments and assets", the assets amounted to EUR 186.0 million in total as of 31 March 2008, thereof financial assets measured at fair value through profit and loss EUR 133.9 million or 1.8% of total assets and total assets and investment properties EUR 52.1 million or 0.7% of total assets.

In general, Exista significantly reduced its equity stakes and position-taking during 2007 and has continued to do so in the first quarter of 2008. However, Exista still holds a few smaller listed and unlisted assets, although these holdings constitute a small proportion of Exista's total assets.

11.2.4 Support units

The Group's financial service and investment activities are supported and monitored by six support units; Risk Management, Finance, Legal Counsel, Communications, Research, and Treasury.

11.2.4.1 Risk Management

The Group Risk Management unit, through a framework of risk policies and procedures, identifies monitors and manages the main risks exposed to the Group. The managing director of Risk Management is Gudrún Thorgeirsdóttir.

The Board of Directors of Exista determines overall risk tolerance levels. The CEOs oversee the day-to-day risk levels of the Group on behalf of the Board. A Risk Committee composed of senior management and chaired by the Chief Risk Officer is responsible for proposing limits and policies to the Board of Directors for its approval, and for verifying that risk is managed within accepted tolerance levels. The Risk Committee also reports on significant matters and risk concentrations to the Board of Directors.

Exista operates four individual risk functions: market risk, credit risk, operational risk and underwriting risk functions. The Group Risk Management unit works with the individual subsidiaries to establish best practices in risk management and to implement Group-wide reforms when new risk management practices develop. The Chief Financial Officer is responsible for managing the liquidity risk of the Group. The senior managers of Exista's business units and subsidiaries are responsible for the management of risks inherent in their business activities, although the Group Risk Management unit monitors these risk factors.

Exista's insurance subsidiaries and its asset finance subsidiary are regulated by the Financial Supervisory Authority in Iceland (FME). They are responsible for ensuring that the activities of these subsidiaries are in accordance with the law and regulations and have sound business practices. These subsidiaries report regularly to the FME and the Group Risk Management unit monitors adherence to regulations and reports directly to the FME on exceptional requests.

11.2.4.2 Finance

Exista's Finance division operates on a group level and among the primary roles of the division is consolidated accounting, budget planning and cost control. It also oversees reporting including daily, monthly and quarterly reports to management. In addition, the division is responsible for maintaining cost efficiency of the Group structure and thereby actively maximising its tax efficiency. The Finance division works closely with all businesses of the Group and plays an important role in supporting other divisions. The managing director of Finance is Sveinn Thór Stefánsson.

11.2.4.3 Legal Counsel

Exista's Legal department is responsible for the general legal compliance of the Group, providing legal support within the Group and coordinates instructions to external legal advisers. In addition Group Legal runs the majority of the Group's M&A and equity and debt raising projects.

11.2.4.4 Communications

The Communications division is in charge of communications with all stakeholders. The division is responsible for investor relations, communicating with shareholders, analysts, creditors

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and the investor community in general, as well as with the press and other media. The division also oversees liaison with the OMX ICE, regulators and other entities monitoring the Group. The Communications division is instrumental in the production of Exista's annual and interim reports, presentation material and other publications. In addition, the division is responsible for the development of the Exista brand. The managing director of Communications is Sigurdur Nordal.

11.2.4.5 Research

The Research division analyses investment opportunities and markets, thus supporting Exista's further development in the financial services sector in northern Europe, as well as supporting its other investments.

As Exista has developed from an investment company into a financial services group, market and equity research rendered within the Group has become important. Research also follows and analyses companies owned by Exista, in addition to providing advisory services concerning asset management for the insurance companies operations within the Group. The managing director of Research is Bjarni Brynjólfsson.

11.2.4.6 Treasury

Treasury is responsible for the Group's financing activities and asset & liabilities management. The division operates a centralised funding structure and supports the Group's subsidiaries with general treasury services. The asset and liability management includes liquidity and cash management, as well as management of currency-, interest rate and CPI exposures.

In addition, Treasury oversees regular relationships with creditors, financial intermediaries and debt investors. The managing director of Treasury is Haraldur Thórdarson.

11.3 PRINCIPAL INVESTMENTS

Exista, as part of its business, continually invests in assets, which are still held by the company and are described in more detail in chapter 11 "Exista's Organisation and Activities". The Issuer's acquisition of VÍS Holding is a principal investment as the company's operations changed considerably with the inclusion of the insurance and asset finance business. The acquisition transformed Exista from being a traditional investment company to a financial services group. Additionally, Exista has made large investments in Sampo, Storebrand and Skipti, which are described below.

Large investment in 2008

Exista announced 27 May 2008 the result from the takeover bid to the shareholders of Skipti hf. The takeover bid was accepted by shareholders holding 56.32% in Skipti. The purchase price was ISK 6.64 per share or ISK 28,055 million. As of 29 May 2008 Exista has secured 99.22% stake in Skipti with a fair equity value and enterprise value of ISK 49,426 million and ISK 109,537 million respectively. Exista has decided to propose to the board of Skipti that the remaining shares in the company will be redeemed bringing Exista's share in Skipti to 100% of the share capital. The squeeze-out process is expected to take approximately one month and will be finalised by the beginning of July 2008. The purchase of the 56.32% share in Skipti was financed by issuing 2,777,771,471 New Shares in Exista. A further 35,903,703 new shares will be issued in Exista to pay for the remaining 0.73% share.

Large investments in 2007

Exista invested in Sampo and Storebrand in 2007 as described below. Exista invested for EUR 2,252 million in the aforementioned companies in 2007.

Exista announced on 8 February 2007 that through share trades the total number of Sampo A shares controlled by Exista, through its subsidiaries, had risen above 15 per cent of Sampo's issued share capital. As of the date of the announcement, Exista controlled 15.48% of the total share capital. Exista purchased the shares at an estimated average price of EUR 20.5 per share or for EUR 1,847 million (not adjusted for dividend payments). The purchase was partly financed with 772,134,791 shares in Exista, of which 522,346,339 were new shares with an average price of ISK 24.60 per share and 249,788,452 outstanding own shares and with borrowings and available cash. As of 29 May 2008 Exista owns 19.98% stake in Sampo Oyj with the market value of EUR 2.1 billion.

Exista announced on 2 August 2007 that its holding in Storebrand ASA had exceeded 5.0%. Following the transaction, Exista controlled, through its subsidiaries, 13,901,120 shares in Storebrand ASA, or 5.56% of total share capital. Exista purchased the shares in Storebrand at an estimated average price of NOK 76.25 per share or NOK 1,060 million. In conjunction with Storebrand's acquisition of the Swedish life insurance and pension provider SPP in October 2007, Storebrand raised capital through a rights issue in November that year. Exista participated in that issue and purchased some additional shares. Exista's participation in the rights issue was for 17,962,554 shares, while the pro rata subscription right was for 17,291,953 shares. The rights issue was conducted at NOK 45.0 per share and Exista's purchase amounted to NOK 808 million. As of 29 May 2008 Exista owns 8.69% stake in Storebrand with the market value of NOK 1,853 million. The purchase was partly financed with borrowings and available cash.

Principal investment in 2006

Exista became the owner of 100% of the share capital in VÍS Holding 31 May 2006. The run-up of the acquisition was Exista's purchase of 16% stake in VÍS in February, 2005 and later that year a purchase of an additional stake, increasing its shareholding to 19.1%. The price for the 80.9% stake was ISK

53,200 million (EUR 576 million) and was paid for in new share capital in Exista, whereas the sellers received 2,000,367,319 shares in Exista or 18.5% of the share capital in Exista, at the time. The acquisition of the 80.9% stake valued the total equity of VÍS at ISK 65,800 million.

Large investments in 2005

Exista led a consortium of institutional investors that acquired Landssími Íslands hf. (later Skipti hf.) in the privatisation of the company in 2005. The acquisition price was ISK 66.7 billion for 98.8% of the share capital of Landssími Íslands (later Skipti hf.) and the enterprise value was ISK 74.7 billion. Exista acquired 44.5% of the total share capital. The purchase was partly financed with borrowings and available cash.

The Company has no principal investments in progress, and the Company's management has not made any firm commitments on future investments but is constantly evaluating new investment opportunities.

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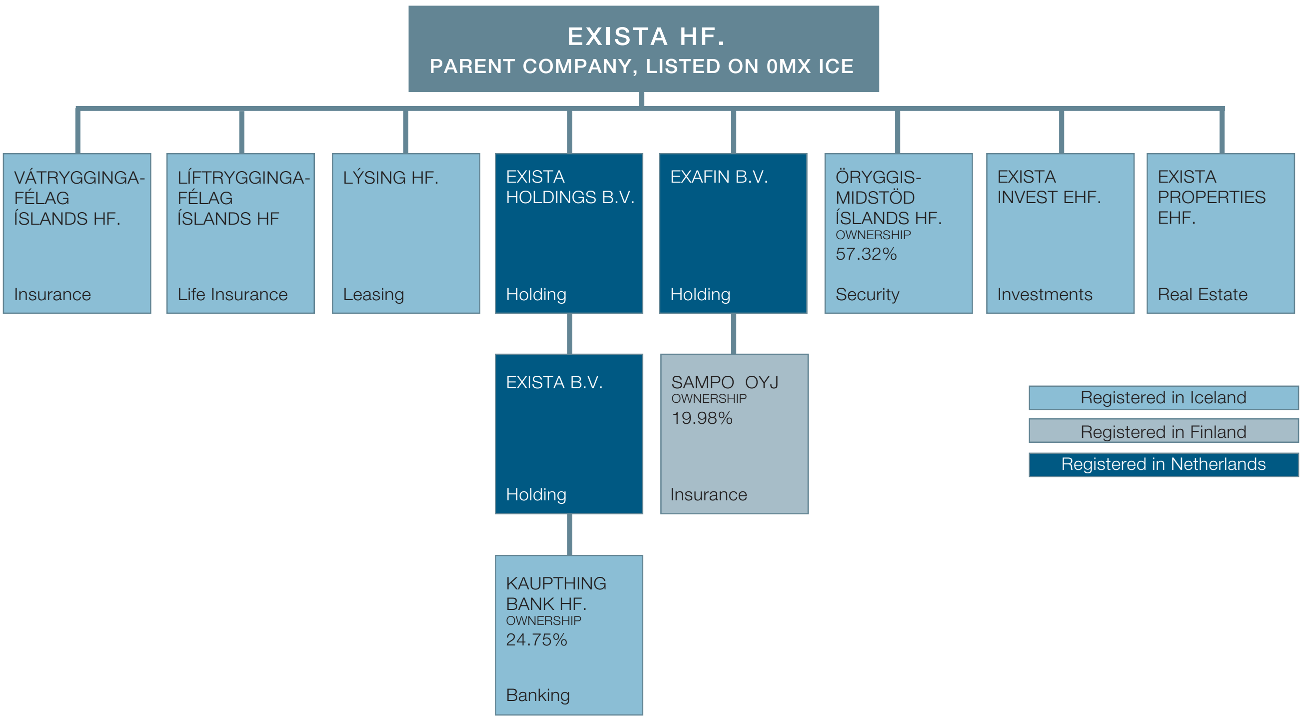
12. LEGAL STRUCTURE

The Issuer is the parent company of the financial services group presented in this prospectus. The main subsidiaries, associates, and investments are presented in the following diagram. Ownership is 100% unless otherwise indicated. Ownership is the same as voting power:

EXISTA'S HF. LEGAL STRUCTURE



13. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES, AND SENIOR MANAGEMENT

As an Icelandic limited liability company, the organisational structure of Exista hf. is governed by the Companies Act no. 2/1995.

13.1 CORPORATE GOVERNANCE

Corporate governance at Exista is defined as the framework by which the Company is directed and controlled and the means by which relationships among Exista's management, Board of Directors, shareholders, and other stakeholders are conducted.

At a Board meeting on 23 August 2006, Exista implemented a corporate governance programme that is outlined in the internal rules of the Company. The aim of the corporate governance programme at Exista is to ensure proper disclosure and transparency, define the responsibilities of the Board and the management, define the rights and obligations of shareholders and stakeholders, ensure equal treatment of shareholders, and avoid conflicts of interest between the parties. Once a year, Exista's Board of Directors reviews its corporate governance programme. The programme was last updated at a Board meeting on 31 January 2008.

The Board is ultimately responsible for the Group's system of internal controls and for reviewing that system's effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and it can only provide reasonable assurance against material misstatement or loss.

The Corporate Governance rules adopted are in accordance with Guidelines on Corporate Governance (2nd edition) published by the Iceland Chamber of Commerce, OMX Nordic Exchange Iceland hf. and SA – Confederation of Icelandic Employers. Exista fully complies with the Guidelines and intends to follow them with respect to its future structure and management.[35]

13.2 STATUTORY BODIES

The ultimate authority in the affairs of Exista, within the limits established by statutory provisions and the Company's articles of association, is in the hands of lawfully convened shareholders' meetings. Shareholders' meetings may be attended by shareholders and their representatives and advisors. Shareholders' meetings are open to representatives of the press and the OMX Nordic Exchange Iceland hf.

Exista's Annual General Meeting must be held each year before the end of May.

At shareholders' meetings, each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the articles of association or prescribed by law.

13.3 BOARD PRACTICES

The Board of Directors manages Exista's general affairs and endeavours to keep its organisation and operations consistent with its mission and strategy. The Board of Directors directs Company affairs; it works to ensure that the Company's organisation and activities are in good order at all times and that accounting and handling of Company funds are sufficiently supervised.

The Board of the Company shall be composed of up to seven members who are to be elected at the Annual General Meeting for a term of one year. The eligibility of members of the Board is subject to statutory law.

The Board of Directors elects the Chairman of the Board from among its members and allocates other tasks as required.

In addition to overseeing Company operations, the Board of Directors supervises Exista's activities in accordance with the articles of association and the regulatory instruments governing Company activities.

The Board of Directors is responsible for the following tasks, among others:

1. Appointing Chief Executive Officers (CEOs) and determining their salaries and terms and employment.
2. Appointing an Internal Auditor, who is responsible to the Board of Directors, and determining his salary and terms of employment.
3. Hiring a Compliance Officer or formally confirming the hiring of a Compliance Officer.
4. Confirming key aspects of the internal organisation of Exista.
5. Establishing an Audit Committee and nominating its members.
6. Establishing a Remuneration Committee and nominating its members.
7. Deciding which employees are authorised to obligate Exista, and setting rules pertaining thereto.
8. Making a proposal to the Annual General Meeting on how to dispose of profit according to the Annual Accounts.
9. Making decisions on any merger with another company in accordance with the provisions of the law.
10. Promoting the Company's success and supervising its management and overall operation.
11. Taking the initiative in formulating the Company's strategy, both for the short term and for the long term, together with the CEOs.
12. Safeguarding the interests of all the Company's shareholders, as Directors are not to act specifically in the interests of parties supporting their election to the Board.

35 These guidelines can be found on the following website: http://www.omxnordicexchange.com/digitalAssets/23/23256_Recommendation_for_Icelandic_companies.pdf

Exista plans to assess the activity, work practices, and procedures of the Board on an annual basis in view of the Company's progress, and it will engage the assistance of outside parties for this assessment when appropriate. The administrative rules adopted by the Board of Directors on 23 August 2006 state that Board members should familiarise themselves with the provisions of law, the Company's articles of association, securities regulations, any rules that the Company may adopt and that relate to the handling of inside information and insider trading, and other relevant rules.

It is the opinion of Exista's Board that the majority of the Company's Board members are independent of the Company, and three members are independent of major shareholders. A major shareholder is any party controlling at least 10% of the Company's total share capital, either solely or acting in concert with related parties. The independence of a Board member is evaluated as specified in Article 2.6 of the Guidelines on Corporate Governance, which are published by the Iceland Chamber of Commerce, the OMX Nordic Exchange Iceland hf., and the Confederation of Icelandic Employers.

13.4 BOARD COMMITTEES

Exista's Board of Directors has established two committees: the Audit Committee and the Remuneration Committee. Each committee consists of three members of the directors of the Board of Exista hf. who are competent to deal with the Company's financial issues or remuneration, as the case may be.

13.4.1 The Audit Committee

The role of the Audit Committee is to ensure the integrity of the financial information reported to shareholders, to control Exista's internal auditing and accounting system and to evaluate the work of the financial management and elected auditor.

The role also includes monitoring the financial position, evaluating the internal surveillance and risk management, evaluating management reporting on financial issues and assessing whether all statutes and regulations are complied with.

The Audit Committee must consist of at least three members, the majority of whom should be independent of the company. Members must have the relevant skills and experience to discharge the duties of the Committee. Members of the Audit Committee are Gudmundur Hauksson (Chairman), Sigurjón Rafnsson and Hildur Árnadóttir.

The responsibilities of the Audit Committee are set forth in the Audit Committee charter, which was approved by the Board of Exista on 25 September 2007.

The responsibilities of the Audit Committee include the following:

- Nominating an external auditor for shareholders' approval.
- Overseeing the independence of the external auditor.
- Reviewing – together with the external auditor, the Group's internal auditor, and the Chief Financial Officer – the adequacy and effectiveness of the accounting and financial controls of the Group, and soliciting recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- Considering the audit scope and procedures in consultation with the external auditor and the Group's management.
- Reviewing the financial statements each year, together with the Chairman of the Board, CEOs, CFO, and external auditors.
- Reviewing the Audit Committee charter once a year.

In 2007, the Audit Committee appointed an internal auditor for the Group, approved a surveillance scheme, and formulated a timetable scheme so as to enhance the efficiency of the Committee's operation.

Exista complies with the Icelandic corporate governance principles on the operation of an Audit Committee..

13.4.2 The Remuneration Committee

The Remuneration Committee's role is to ensure that the executives' remuneration reflects their personal performance, the interests of the shareholders and Exista's long-term performance. The CEOs are responsible for the remuneration of other employees and for ensuring that such remuneration remains in line with the policy of the Remuneration Committee. The Remuneration Committee's policy is to ensure that Exista can attract and retain highly talented executives. For these purposes, the committee consults external advisers concerning levels of remuneration in comparable companies where appropriate. The remuneration package for executive directors consists of a basic salary, an annual bonus, pension arrangements and other taxable benefits. Furthermore, the Remuneration Committee's role includes negotiating with executives concerning salaries and other terms of employment, negotiating with other employees who also sit on the Board concerning their salaries and other terms of employment, and drafting the remuneration policy, including the performance-linking of salaries and stock options. Exista complies with the Icelandic governance principles on remuneration.

The Remuneration Committee submits proposals for remuneration policies for shareholder meetings for approval. The current policy was approved at Exista's Annual General Meeting on 28 February 2008. For further information refer to *"13.5 Board of Directors and senior management"* below.

The Remuneration Committee consists of three members, the majority of whom must be independent of the company. Members of the Remuneration Committee are Ágúst Gudmundsson (Chairman), Bogi Pálsson and Hildur Árnadóttir.

13.5 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The following description describes the members of the administrative, management and supervisory bodies of Exista and any senior manager who is relevant to establishing that the Issuer has the appropriate expertise and experience for the management of the Issuer's business, including their remuneration and holdings in Exista hf. as at 29 May 2008.

None of the Board of Directors or senior management is subject to any restrictions on the disposal within a certain period of their holdings in the Issuer's securities. The Issuer has not set aside or accrued amounts to provide pension, retirement or similar benefits.

The Annual General Meeting (AGM) held on 28 February 2008 approved the following proposal of the Board of Directors of Exista on Stock Options and Exista's Remuneration Policy:

Article 1 - Objective

The object of this Remuneration Policy is to make an employment for Exista hf. a desirable choice for personnel and thereby guaranteeing the Company a position among the best in the world. In order to do so it is necessary that the Board of Directors of the Company be in a position to offer competitive wages and other payments, comparable to other international companies in similar field of business.

Article 2 - Board of Directors - terms of employment

Board members shall receive a fixed monthly payment in accordance with the decision of the Annual General Meeting of the Company, as stipulated in article 79 of the Act no. 2/1995 on Public Limited Companies. The Board of Directors shall submit a proposal on the fee for the upcoming operating year and shall take into account the time Board members spend on their duties, the responsibility involved and the Company's operations in general. Board members shall in addition to the fixed monthly payment receive a fixed fee for each meeting they attend in the Board's subcommittees. The fee shall be decided by the Annual General Meeting of the Company.

Article 3 - Chief Executive Officer - terms of employment

A written employment contract shall be made between the Company and the Chief Executive Officers (CEOs). Their terms of employment shall be competitive on an international standard. The amount of the salary and other payments to the CEOs shall be decided on the basis of their education, experience and previous occupation. Other terms of employment shall be specified in the contract, along with pension payments, vacation rights, benefits and terms of notice. An initial payment at recruitment is permitted. In general no additional retirement or termination payments to those stipulated in the employment contract shall be agreed upon in the case of termination. However special circumstances may lead to a separate termination agreement being concluded with the CEOs of which contents may be retirement or termination payments.

Article 4 - Acknowledgements to employees and the management

The CEOs are authorised to propose to the Board of Directors that employees and the management of Exista and/or employees and the management of any subsidiary of Exista from time to time should be rewarded in addition to their set terms of employment in the form of delivery of shares, stock options or any payment having to do with Company shares or the future value of such shares. The CEOs are also authorised to propose to the Board of Directors that employees and the management of Exista should be rewarded in addition to their set terms of employment in the form of performance based payments, loan contracts, pension fund contributions, retirement or redundancy payments.

The status of the relevant individual, responsibility and future prospects and the main objectives of this Policy shall be taken into consideration when deciding whether he should be granted rewards in addition to his set terms of employment. When granting stock options similar contracts previously made between the Company and the relevant employee or member of management shall be taken into consideration. Ordinarily a stock option shall only subsist while the employee remains employed by Exista or the relevant subsidiary of Exista.

Article 5 - Approval of the Remuneration Policy and other matters

The Remuneration Policy shall be presented to the shareholders in the Annual General Meeting for their approval. The Remuneration Policy shall be subject to annual review. The Remuneration Policy is binding for the Board of Directors in regards to stock options and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements and any substantial change in such schemes as per Article 79 (a), Paragraph 2, of Act no. 2/1995 on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines. The Board of Directors shall note in the minutes of its meeting any major deviation from the Remuneration Policy and such deviation shall be well justified. The Board of Directors shall inform the Annual General Meeting of such a deviation.

13.5.1 Board of Directors

The Executive Chairman of the Board of Exista, is Lýdur Gudmundsson. Other board members are Ágúst Gudmundsson, Gudmundur Hauksson, Bogi Pálsson, Sigurjón Rúnar Rafnsson, Robert Tchenguiz and Hildur Árnadóttir.

The following description describes the Board members that form the Issuer's Board of Directors as of today and elected at the AGM held on 28 February 2008.

Details of shareholdings of members of the Board of Directors include shares held and shares held by related parties (as defined in FME Rules no. 987/2006 on Treatment of Insider Information and Insider Trading) of such board members.

No service contracts providing for benefits for any of the Board of Directors upon termination of duties have been made with the Issuer or any of its subsidiaries. No amount is set aside or accrued by the Issuer or its subsidiaries to provide pension, retirement or similar benefits because of any of the Board of Directors.

No member of the Board has had any conviction in relation to fraudulent offences in the previous five years. No member of the Board has been a senior manager, member of the administrative, management or supervisory bodies of a company, which has been a part of or associated with bankruptcy, receivership, or liquidation in the previous five years. No member of the Board has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities and has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

Apart from Lýdur Gudmundsson and Ágúst Gudmundsson who are brothers, no family relationships exist between any of the member of the Board and the senior management as now composed.

No Board member is engaged in any activities outside of the Group that are significant with respect to Exista.

There are potential conflicts of interest between duties to the Issuer and Águst Gudmundsson, Gudmundur Hauksson, and Erlendur Hjaltason and their other duties, Águst Gudmundsson being the CEO and board member of Bakkavör Group hf. and a Board member of Exista, Gudmundur Hauksson being the CEO of SPRON and a Board member of Exista, and Erlendur Hjaltason being the CEO of Exista and the chairman of the board of SPRON. There are no other conflicts of interest or potential conflicts of interest between any duties owed to the Issuer by any of the members of the Board and such persons' private interests and or other duties.

The business addresses of the members of the Board of Directors of Exista is Ármúli 3, 108 Reykjavík, Iceland.

The following section lists the current members of the Board of Directors and principal activities, including details of all companies and partnerships outside of the Group of which each Board member has been, or is, a member of the administrative, management and/or supervisory bodies or a partner in the previous five years, and main occupations and/or other occupations that are linked to the ownership or operations of Exista.

Lýdur Gudmundsson, London, United Kingdom

Executive Chairman of the Board of Exista, elected to the Board of Directors in February 2003.

Lýdur Gudmundsson founded Bakkavör Group in 1986. Since then he, along with his brother Ágúst, has managed the company's operations and growth. In 2006 Lýdur switched roles in the company with Ágúst when he stepped down as the CEO of Bakkavör Group to become the Chairman of the board of directors of Bakkavör Group, as well as the Executive Chairman of Exista.

Board member: Bakkavör Group (chairman), Skipti (chairman), Síminn hf. (chairman), Kaupthing Bank hf., Sampo Group Plc., Storebrand ASA, Korkur ehf., Tjarnargata 35 ehf., Ufsastadir ehf. (chairman), Thrædir ehf. (chairman).

In the last five years, Lýdur Gudmundsson was a board member of VÍS Eignarhaldsfélag hf., Vátryggingafélag Íslands hf., Flaga Group hf., Xista ehf., Meidur Holding S.A., Fram Foods hf., Danco ehf., Katsouris (Fresh Foods) Ltd., Bakkavor Birmingham Ltd., Filo Pastry Ltd., Bakkavor (London) Ltd., Bakkavor Invest Ltd., Geest Ltd., Geest Foods Ltd., Bakkavor Asia Ltd. and Bakkavor China Ltd., and Bakkabraedur Holding B.V.

Lýdur Gudmundsson has over 20 years of experience and an outstanding track record in managing rapidly growing companies. Together with his brother, he has built Bakkavör Group from a small raw materials supplier with three employees to an international powerhouse in fresh prepared foods, with over 20,000 employees in nine countries. In recent years, Lýdur has devoted a large part of his time to building up Exista from a holding company of shares in Kaupthing Bank and Bakkavör to a financial services group with significant international presence.

Holdings of financially related parties: 5,135,943,926 shares.

Bakkabraedur Holding B.V., which controls 5,135,943,722 shares in Exista, is owned by Lýdur Gudmundsson and Ágúst Gudmundsson.

Remuneration for the year 2007: 1.58 million euros

Lýdur Gudmundsson does not own any call or put options in Exista.

Ágúst Gudmundsson, London, United Kingdom

Member of the Board, elected to the Board of Directors in February 2003. Chairman of Remuneration Committee.

CEO: Bakkavör Group hf.

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Ever since founding Bakkavör with his brother, Lýdur Gudmundsson, two decades ago, Ágúst Gudmundsson has devoted himself to the development of the company. Ágúst Gudmundsson is the CEO of Bakkavör Group hf. Ágúst is also a member of the Board of Directors of Bakkavör Group.

With a business background spanning more than 20 years, Ágúst has founded and managed exceptionally fast-growing businesses in a number of countries. Under his leadership, Bakkavör Group has grown over the past 20 years from a small start-up company in Iceland to an international food producer with turnover of GBP 1.5 billion.

Board member: Bakkavör Group hf., Fram Foods hf., Korkur ehf. (chairman), Thrædir ehf., Tjarnargata 35 ehf. (alternate), Shieldness Produce Ltd., Bourne Salads Ltd., Bakkavor London Ltd., R.H. Catering Ltd., The Fresh Salad Company Ltd., The Fresh Dip Company Ltd., Moonbread Ltd., Abbeyvale Foods Ltd., Tilmanstone Salads Ltd., The Real Cat Food Company Ltd., The Real Dog Food Company Ltd., Alresford Salads Ltd., Yorkshire Fresh Salads Ltd., Lincs.Cusine Ltd., Mariner Foods Ltd., Bakkavor Invest Ltd., Hitchen Foods Ltd., Clipper Seafoods Ltd., Dipsticks Ltd., Caledonian Produce Ltd., Geest Ltd., Geest Foods Ltd., Bakkavör Asia Ltd., Bakkavör (Acquisitions) Ltd., Bakkavor (Birmingham) Ltd., Bakkavör (Jersey Two) Ltd., Bakkavör Acquisitions (2008) Ltd., Bakkavör Brothers Ltd., Bakkavör Foods Ltd., Bakkavör Holdings Ltd., Bakkavör Horticultural Ltd., Bakkavor Industrial Ltd., Bakkavör Jersey Ltd., Bakkavör Ltd., Bakkavör Overseas Holding Ltd., Bakkavör Overseas Mechanisation Ltd., Bakkavor Properties Ltd., Bakkavör Quest Trustees Ltd., Bakkavör USA Ltd., Butterdean Products Ltd., Cucian Sano Ltd., Exotic Farm Prepared Ltd., Exotic Farm Produce Ltd., Isleport Foods Ltd., Katsouris (Fresh Cook) Ltd., New Primebake Ltd., Notsallow 256 Ltd., Oasis Organics Ltd., Bakkavör Organisation (Trustees) Ltd., Welcome Food Ingredients Ltd., Welland Fresh Foods Ltd., Anglia Crown Ltd., Laurens Patisseries Ltd., The Fresh Soup Company Ltd., The Baking Company Ltd., The Fresh Sauce Company Ltd., The Fresh Snack Company Ltd., Fillo Pastry Ltd., Kent Salads (Holdings) Ltd. and Kent Salads Limited.

In the last five years, Ágúst Gudmundsson was a board member of Flaga Group hf., Xista ehf., Geest Industrial Group Ltd., Geest Properties Ltd., Geest Overseas Holdings Ltd., Bakkavor China Ltd., Katsouris (Fresh Foods) Ltd., River of Light Records Ltd., Geest Overseas Mechanisation Ltd., Helliwell & Co. (Flowers) Ltd., Menu Ltd., North West Growers Ltd., Houghton Millington & Co. Ltd., Hortico International Ltd., The Foodservice Company Ltd., Belben & Company Ltd., Geest Horticultural Ltd., Geest Overseas Ltd., Geest Organisation (Trustees) Ltd., Geest Forward Ltd., Íslenskir fjallaleidsögumenn ehf., and Meidur Holding S.A.

Holdings of financially related parties: 5,135,943,722 shares

Bakkabraedur Holding B.V., which controls 5,135,943,722 shares in Exista, is owned by Ágúst Gudmundsson and Lýdur Gudmundsson.

Remuneration for the year 2007: 31,000 euros

Ágúst Gudmundsson does not own any call or put options in Exista.

Gudmundur Hauksson, Reykjavík, Iceland

Member of the Board, elected to the Board of Directors in June 2001. Chairman of Audit Committee.

CEO of Reykjavík Savings Bank (Sparisjódur Reykjavíkur og nágrennis hf. (SPRON)).

Gudmundur Hauksson has been an executive within the financial sector for many years, having served as CEO of Hafnarfjördur Savings Bank (1986-1987), CEO of the Fisheries Bank of Iceland (1987-1989), and Executive Director of Íslandsbanki (1989-1991). From 1991-1996 he was CEO of Kaupthing hf. (now Kaupthing Bank), and since 1996 he has been CEO of SPRON (Reykjavík Savings Bank).

Gudmundur has over 20 years' experience as an executive in the financial markets. He was CEO of Kaupthing when the Icelandic securities market began taking off, and since he took over at the helm of SPRON, the bank has increased in size many times over. Gudmundur holds a degree in Business Administration from the University of Iceland.

Board member: SPRON – sjódurinn ses, SPRON-Verdbréf hf. (chairman), AGF fjárfestingar ehf. (chairman) Rekstrarfélag Spron hf. (chairman), nb.is-sparisjódur hf. (chairman), Frjálsi fjárfestingabankinn hf. (chairman), Savings Banks' Guarantee Fund (Tryggingasjódur Sparisjóda) (chairman), Depositors' and Investors' Guarantee Fund (Tryggingasjódur innistædueigenda og fjárfesta), Bankers' and Securities Dealers' Association of Iceland and Kista-fjárfestingarfélag ehf. (chairman).

In the last five years, Gudmundur Hauksson was a board member of Kaupthing Bank hf., Kaupthing Luxembourg S.A., Sparisjódur Kaupthings, Klettháls ehf., Althjóda líftryggingafélagid hf. (now Kaupthing Líftryggingar hf.), Lífeyrissjódurinn Eining, Samband Íslenskra Sparisjóda, Xista ehf., SP-Fjármögnun hf., and Lynghála ehf., Icebank hf., Steinsnes ehf., Ískal ehf. and Hraunsnes ehf.

Holdings in Exista: 3,504,198 shares

Holdings of financially related parties: 1,356,812,622 shares in Exista

Gudmundur Hauksson is financially connected to Kista-fjárfestingarfélag ehf., which controls 1,015,846,914 shares in Exista. He is also financially connected to Reykjavík Savings Bank (SPRON), which controls 340,965,708 shares in Exista.

Remuneration for the year 2007: 31,000 euros

Gudmundur Hauksson does not own any call or put options in Exista.

Bogi Pálsson, Gardabær, Iceland

Member of the Board, elected to the Board of Directors in August 2006. Member of the Remuneration Committee.

Bogi has a been a leading figure in the Icelandic business sector for two decades, first as CEO of Iceland's successful Toyota dealership, and later as an investor and entrepreneur. Bogi has a degree in Business Administration from the University of Iceland.

Board member: The Court of Arbitration of the Iceland Chamber of Commerce, Flaga Group hf. (chairman), Eignarhaldsfélagid Stofn ehf (chairman), BOP ehf. (chairman), Fasteignastofn ehf. (chairman), Eco-Electrics á Íslandi ehf. (chairman).

In the last five years, Bogi Pálsson was a board member of the Icelandic Chamber of Commerce (chairman).

Holdings in Exista: 141,091 shares

Holdings of financially related parties: 174,196,147 shares in Exista.

Bogi Pálsson is the owner of the investment company Stofn ehf. which controls 174,196,147 shares in Exista.

Remuneration for the year 2007: 31,000 euros

Bogi Pálsson does not own any call or put options in Exista.

Sigurjón Rúnar Rafnsson, Saudárkrókur, Iceland

Member of the Board, elected to the Board of Directors in August 2006. Member of the Audit Committee.

Sigurjón Rúnar Rafnsson has enjoyed a long and successful career as a business operator and director of diverse companies and investments. He has been Deputy CEO and CFO of Kaupfélag Skagfirdinga Co-operative Society for over 10 years. Kaupfélag Skagfirdinga is among the largest companies in Northern Iceland, with a broad range of activities and business interests. Sigurjón is also a member of the Board of Directors of Sparisjódur Skagfirdinga (Skagafjördur Savings Bank), Fódurblandan hf., and FISK Seafood hf. He holds a degree in Business Administration from the University of Iceland.

Members of the administrative, management and supervisory bodies of: Gift fjárfestingarfélag ehf. (chairman), AFL – Sparisjódur (chairman),, Eignarhaldsfélagid Samvinnutryggingar (alternate), Sláturhúsid í Búdardal ehf., Thórskaup ehf. (alternate), Samband íslenskra samvinnufélaga, Flugleidahótel ehf. (Icelandair Hotels), Kornhladan ehf., Sídasti dropinn ehf., Fódurblandan hf. (chairman), Íbúi hsf. (chairman), Háahlid 3 ehf., Fébót ehf. (chairman, Nýprent ehf., , FISK-Seafood hf., Trésmidjan Borg ehf., Byrdan ehf. (chairman), Fjölnet hf. (chairman), Silkifeldur ehf. (chairman), Fjárvaki ehf. (chairman), , Vörumidlun ehf., Mundarlogi ehf., , Fiskileidir ehf. (chairman), Bústólpi ehf., Thrá ehf. (chairman), Sláturhús KVH ehf., AB 26 ehf., , AB 108 ehf, AB 57 ehf,., AB 124 ehf. (chairman), AB 72 ehf., Fjárfestingarfélagid Fell ehf. (chairman), AB 50 ehf. (chairman), AB 52 ehf., Gilding ehf., FS3 ehf. (chairman), Lönguskerehf. (chairman),, AB 88 ehf., Grindvíkingur ehf., Matróna ehf. (chairman), Fjárfestingafélagid Sveinseyri ehf. (chairman), Gullinló ehf. (chairman), Fjárfestingafélagid EST ehf. (chairman), Arnas Arnæus ehf., AB 100 ehf. and UB Koltrefjar ehf. (chairman).

In the last five years, Sigurjón Rúnar Rafnsson was a board member of Eignarfélagid Andvaka gt., Samvinnusjódurinn ses, Jardgerd ehf., Íslenskar sjávarafurdir ehf., Skardsá ehf., Tvisturinn ehf., Eyjarfótur ehf., Eignarhaldsfélag Lyfju ehf. and Skagstrendingur hf. Ábær ehf., Áki bifreidathjónusta ehf., Sveitir ehf., Gagnaveita Skagafjardar ehf., Reykir í Hjaltadal ehf.

Holdings of financially related parties: 11,146 shares in Exista.

Remuneration for the year 2007: 31,000 euros

Sigurjón Rúnar Rafnsson does not own any call or put options in Exista.

Robert Tchenguiz, London, United Kingdom

Member of the Board, elected to the Board of Directors in March 2007.

In 2002, Robert Tchenguiz established the investment firm R20 Limited, whose purpose was to advise the Tchenguiz Family Trust on its investments. The firm specialises in a range of alternative investment strategies, including private equity, public equity & structured finance, and real estate. Robert is the chairman of R20 Limited.

Over 25 years ago, Robert established and built up Rotch Property Group, one of the largest investors in the UK real estate market. In recent years he has been among the most successful entrepreneurs and investors in the United Kingdom. He has a BSc in Business Administration from Pepperdine University in Los Angeles.

III

Board member: Abbeyrate Limited, Alderchase Limited, Alerun Limited, Alumdawn Limited, Apexgrove, Limited, Arkmist Limited, Artvalley Limited, Asite Plc, B & C Plaza Limited, Bandrule Limited, Bankmead Limited, Barton Business Park No 2 Limited, Bartonmoss Limited, Bartonpath Limited, Bayhart Limited, Beadtrek Limited, Birchlake Limited, Bookdean Limited, Borntrip Limited, Boxcrest Limited, Bpar Limited, Bracemanor Limited, Bravemile Limited, Brookrain Limited, Carpenter (Bath) Limited, Castrose Limited, Cavelane Limited, Charmglade Limited, Choicecourt Limited, City & County (Bath) Limited, Coastcrown Limited, Continental Shelf 149 Limited, Courtdock Limited, Coyote Holdco 1 Limited, Coyote Uk Holdco 2 Limited, Coyote Uk Sub Limited, Craighurst Investments Limited (Bvi), Craybarn Limited, Crosstime Limited, Crosstrip Limited, Crowlane Limited, Crowndream Limited, Crowntime Limited, Croxcourt Limited, Crunch (Cayman) Ltd, Crunch (Propco) Limited, Daledawn Limited, Daledream Limited, Dalefox Limited, Dalerace Limited, Danemast Limited, Dawnread Limited, Dayvalley Limited, Dellweald Limited, Developer Limited, Domecroft Limited, Domelane Limited, Doormanor Limited, Doveweald Limited, Downpark Limited, Drivewall Limited, Duxhurst Limited, Eaglemonts Limited, Equity Buffer Company Limited, Exista hf., Fabgrove Limited, Fernstem Limited, Filmcourt Limited, Firleigh Limited, First Property Insurance Services Limited, Flatgrove Limited, Fleetweald Limited, Flintwalk Limited, Floodsurge Limited, Foldlane Limited, Foldmile Limited, Fordmanor Limited, Freedale Limited, Frostcity Limited, Frostlake Limited, Frostlane Limited, Gainwalk Limited, Galaplace Limited, Gamecrown Limited, Genmead Limited, Globe Management Holdings Limited, Globe Tenanted Pub Company Limited, Globe Tenanted Pub Holdings Limited, Globe Pub Management Limited, Granquay Limited, Greenflat Limited, H.A. Leasing Limited, Hawkmoss Limited, Hedgedean Limited, Herbframe Limited, Highread Limited, Holaw (323) Limited, Holaw (324) Limited, Holaw (339) Limited, Holaw (362) Limited, Holaw (401) Limited, Holaw (403) Limited, Holaw (404) Limited, Holaw (429) Limited, Holaw (434) Limited, Holaw (448) Limited, Holaw (449) Limited, Holaw (451) Limited, Holaw (453) Limited, Holaw (454) Limited, Holaw (457) Limited, Holaw (458) Limited, Holaw (459) Limited, Holaw (461) Limited, Holaw (462) Limited, Holaw (469) Limited, Holaw (470) Limited, Holaw (473) Limited, Holaw (476) Limited, Holaw (487) Limited, Holaw (490) Limited, Holaw (537) Limited, Holaw (538) Limited, Holaw (539) Limited, Holaw (541) Limited, Holaw (546) Limited, Holaw (551) Limited, Holaw (573) Limited, Holaw (575) Limited, Holaw (577) Limited, Holaw (580) Limited, Holaw (581) Limited, Holaw (582) Limited, Holaw (587) Limited, Holaw (600) Limited, Homelawn Limited, Hutch Funding Limited, Hutch Holdco Limited, Hutch Investments (Fareham) Limited, Hutch Investments (Gloucester) Limited, Hutch Investments (Newcastle) Limited, Hutch Investments (North Shields) Limited, Hutch Investments (Pinner) Limited, Hutch Investments (York) Limited, Hutch Trading Limited, Interfield Limited, Keeptime Limited, Lakeglebe Limited, Lancaster Projects Limited, Lanemore Limited, Lanespace Limited, Lanetrim Limited, Lanezone Limited, Lardpam Limited, Laudico Limited, Laurel Pub Bidco Limited, Laurel Pub Equity Holdings Limited, Laurel Pub Holdings Limited, Laurel Pub Pikco Limited, Lawnpalm Limited, Leafview Limited, Leagueframe Limited, Leconfield House Limited, Linewalk Limited, Lodgedawn Limited, Logways Limited, Manorsign Limited, Martridge Limited, Meadfine Limited, Millpeak Limited, Mirel-Rotch Investments Limited, Mistland Limited, Moredean Limited, Nadia Properties Limited, Nestaim Limited, Ottawasudden Limited, Park Road (Medical Centre) Limited, Passgift Limited, Pathcoast Limited, Pikecone Limited, Pikehigh Limited, Pipesafe Limited, Placemanor Limited, Pondcourt Limited, Portgale Limited, Postlane Limited, Postrose Limited, Pridemead Limited, Primary Development Limited, Pumpster Holdco Limited, Pumpster Property Acquisitions Limited, Pumpster Property No2 Limited, Pumpster Property Holdings Limited, Pumpster Property Limited, R&L Properties No 1 Limited, R&L Properties No 2 Limited, R&L Properties No 5 Limited, R20 Limited, Racemost (Holdings) Limited, Racemost Limited, Rainweald Limited, Ranmia Limited, Raychart Limited, Reamlane Limited, Reefstem Limited, Rejuvenage International Limited, Rejuvenage Limited, Restgrove Limited, Restlane Limited, Restmanor Limited, Restmead Limited, Retail & Licensed Properties Limited, Retail & Licensed Properties (B) Limited, Retail & Licensed Properties (Super Equity) Limited, Ridgedrum Limited, Roadbank Limited, Rocklane Limited, Rootcrest Limited, Rotch Developments (Hammersmith) Limited, Rotch Developments Holdings Limited, Rotch (Armley) Limited, Rotch (Bolsover) Limited, Rotch (Langley) Limited, Rotch (Luton Uni-One A) Limited, Rotch (Middleton) Limited, Rotch (Shirebrook) Limited, Rotch 18 (Corby) Limited, Rotch 18 (Welwyn) Limited, Rotch 18 Limited, Rotch Financial Limited, Rotch Investments (Anglia) Limited, Rotch Investments (Luton) Limited, Rotch Investments (Milton Keynes) Limited, Rotch Investments (Normanton) Limited, Rotch Investments (Plymouth) Limited, Rotch Investments (Sidcup) Limited, Rotch Nursing Limited, Rotch Properties Limited, Rotch Property Group Limited, Rovells Limited, S&L Propco Ltd, Sagehill Limited, Sealmoss Limited, Seccom Limited, Serena Ownership Limited, Serena Properties Limited, Setcrest Limited, Sowcrest Limited, Spacemist Limited, Spikecrest Limited, Stanleaf Limited, Starlake Limited, Statedale Limited, Stepend Limited, Storedean Limited, Stylevalley Limited, Tamevale Limited, Teamdawn Limited, Ternkirk Limited, The Globe Pub Company (Holdings) Limited, The Globe Pub Company (Holdings No 2) Limited, The Globe Pub Company Limited, Timecoast Limited, Tireflow Limited, Traincrest Limited, Traywalk Limited, Treetown Limited, Tudorplot Limited, Uni Lease No.1 Plc, Upperbright Limited, Valefrost Limited, Valleytown Limited, Viewpalm Limited, Vr Hotel (Bolton) Limited, Vr Hotel (Carlisle) Limited, Vr Hotel (Luton) Limited, Vr Hotel (Wrexham) Limited, Vr Hotel Holdings Limited, Wallmanor Limited, Watchlane Limited, Wavetop Limited, Waxford Limited, Wealdmist Limited, Westweald Limited, Winglawn Limited, Winning Alliances Limited, Woodkeep Limited, Woodmile Limited, Woolgate Exchange Limited, Wrays Farm (Horley) Limited, Wyn-Ro Developments (Uk) Limited, Wyn-Ro Developments Limited, Wyn-Ro Property Investments (Sea Containers House) Ltd, Ys&L Holdco Limited, Ys&L Propco No4 Limited, Yates Propco Limited, Yates Propco No2 (Huddersfield) Limited, Yates Propco No3 (Liverpool) Limited, Zapo-Rotch Limited, Zenmouth Limited, Zonedawn Limited.

In the last five years, Robert Tchenguiz was a board member of 21/2 Devonshire Square Ltd, Asite Solutions Ltd, Barside Ltd, Bassman Ltd, Beamlock Limited, Brightstone Properties (Birkenhead) Ltd, Casegrove Limited, Caveminster Ltd, Clubview Limited, Coastcourt Limited, Conewalk Limited, Coralglade Ltd, Covewalk Ltd, Country-road Investments Ltd, Covewalk Ltd, Croplane Ltd, Cruciform Services Limited, Domecroft Ltd, Drawmark Limited, Drybarn Ltd, Edenlane Ltd, Flatvalley Ltd, Fleetmist Ltd, Fairhold Limited, Farnborough Airport Properties Company, Farnborough Properties Company, Fleetwalk Limited, Farnborough Airport Properties Company, Farnborough Properties Company, Framecroft Ltd, Freedale Ltd, Galaplace Ltd, Gatevalley Ltd, Globe Lp Limited, Globe (Pt) Limited, Hammersmith (Wp) Ltd, Hillgrant Limited, Holaw (332) Ltd, Holaw (442) Limited, Holaw (445) Limited, Holaw (468) Limited, Holaw (472) Limited, Holaw (619) Ltd, Holdmile Ltd, Hosewalk Ltd, Icb Holdings Ltd (Was Intercede 1748 Ltd - Changed 08.02.02), Intercede 1733 Limited, Interfield Ltd, Investors In The Community (Buxton) Ltd (Now Intercede 1733), Kailis Ltd, Kilt Bidco Nominee Ltd, Kirkglade Ltd, Lanemeadow Limited, Lawnmark Limited, Linemeadow Limited, Location Buiders Limited, Mgr Leisure Ltd, Mayweald Limited, Miletower Ltd, Northwharf Investments (Cherry) Limited, Northwharf Properties (Cherry) Limited, Octane Properties Ltd, Odeon Limited, Odeon Bridge Co Limited (Was Castle Bridge Co Ltd), Odeon Ddb Co Limited (Was Castle Ddb Co Ltd), Odeon Equity Co Limited (Was Castle Equity Co Ltd), Odeon Operational Co Limited (Was Castle Operational Co Ltd), Placedean Limited, Posthouse Investments Ltd (Was Blu (10121) Ltd), Premiertel Plc (Was Cangofrain Limited), Prestigic Ltd, Pubmistress Ltd, Punch Taverns (Pm) Ltd, Qs4 Group Ltd, Quintel S4 Limited, Quintel (Uk) Limited, Rentlane Limited, Rotch Limited, Scalefen Limited, Sportdale Limited, Torontosudden Ltd, Trainview Limited, Vinedawn Ltd, Wavemanor Ltd, Wellzone Limited, Whyte & Mackay Group Ltd, Widworthy Court Management Limited, Zonevalley Ltd., Allglade Limited, Bdn Boscombe Down Ltd, Breepark Ltd, Bricross Limited, Catalyst Estates Limited, Cardfern Limited, Catalyst Estates Limited, Century Park 2000 Limited, Checklane Ltd, Chimeglade Ltd, Chipstore Limited, Cityslik Limited, Cluelane Limited, Cobraexcess Ltd, Coldglade Limited, Colourgrove Limited, Compassbond Limited, Consolidated Finance Limited, Courtvalley Ltd, Crosstrap Ltd, Dacefern Limited, Darkcroft Ltd, Dealgate Ltd, Drivegrove Limited, Drumwell Limited, Farmblock Limited, Fleetmile Ltd, Fleetwalk Limited, Glovelane Limited, Hawkscrown Ltd, Holaw (325) Limited, Holaw (426) Limited, Holaw (428) Limited, Holaw (430) Limited, Holaw (433) Limited, Holaw (442) Limited, Holaw (443) Ltd, Holaw (452) Limited, Holaw (485) Limited, Holaw (486) Limited, Holaw (536) Limited, Holaw (540) Limited, Holaw (544) Limited, Holaw (547) Limited, Holaw (609) Limited, Holaw (550) Limited, Holaw (572) Limited, Holaw (574) Limited, Holaw (576) Limited, Holaw (578) Ltd, Holaw (579) Limited, Holaw (601) Limited, Homecrown Ltd, Interactive Property Management Ltd, Kings Cross (Rotch) Builders Limited, Lakedean Ltd, Lanecloud Ltd, Lawgra (No. 611) Ltd, Lawntrade Ltd, Lawnvale Limited, Leafguard Ltd, Lennoxgrove Limited, Linefarm Limted, Markplace Limited, Medplace Limited, Midtown Limited, Miledean Ltd, Mileford Ltd, Mirel-Rotch (Liverpool) Limited, Mirel-Webbsign Limited, Oakeep Limited, Odeon (Holdings) Ltd, Oxenland Limited, Peerfern Ltd, Pegcroft Ltd, Portalframe Ltd, Prideblaze Ltd, Punchframe Limited, Racemost (Ps) Limited, Riceplot Limited, Roachwalk Limited, Ropedale Limited, Rosemarino Ltd, Rotch (Luton Uni-One) Limited, Rotch Construction Management Limited, Rotch Developments (Ascot) Limited, Rotch Developments (Cowes) Ltd, Rotch Investments (Upper Grosvenor Street) Limited, Rotch Investments Holdings Limited, Rotch Leisure Developments Limited, Rotch Leisure (Wootton) Limited, Rotch Offset (Kuwait) Ltd, Rotch Telecoms Limited, Rotch Tooling Limited, Roxbell Limited, Royalt Ltd, Salehost Ltd, Securities & Commodities Investments Ltd, Shawmain Limited, Sheroyalt (No 2) Ltd, Sheroyalt Ltd, Shireleaf Limited, Skyparks Group Ltd, Smartstone Limited, Smartrate Ltd, Snowlay Limited, Starnjet Limited, Stockbale Limited, Stonegreen Ltd, Stormcross Ltd, Teamwall Limited, Tenchbale Ltd, Thornlane Ltd, Tincrown Limited, Typecroft Ltd, Ventcourt Limited, Ventdean Ltd, Viewvalley Ltd, Vt Investments (Hertford) Limited, Wadecroft Limited, Walkplan Limited, Workgift Ltd, Wyn-Ro Investment (Docklands) Ltd, Wyn-Ro Investments (South Bank) Limited, Wyn-Ro Investments (South Quay) Ltd, Yardmanor Ltd, Floodsurge Ltd.

Holdings of financially related parties: 579,101,094 shares in Exista. The related party is Castel (Luxembourg) S.a.r.l., which is a wholly owned subsidiary of Glenalla Properties Limited. Glenalla Properties Limited is 95% owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz is beneficiary.

Robert Tchenguiz donated his remuneration for the year 2007, EUR 31,000, to charity.

Robert Tchenguiz does not own any call or put options in Exista.

Hildur Árnadóttir, Reykjavík, Iceland

Member of the Board, elected to the Board of Directors in February 2008. Member of the Audit Committee and Remuneration Committee.

Hildur Árnadóttir has been an executive for over 10 years. She started her career in 1990 at KPMG in Iceland and became a partner of the company in 1997. Hildur was CFO of Bakkavör Group from 2004 until 2008. Hildur Árnadóttir is currently working directly for Ágúst Gudmundsson and Lýdur Gudmundsson. Hildur is a Member of the Board of Directors of various companies in which they hold an interest. Hildur has experience as an auditor in the financial sector and CFO in the manufacturing sector. She has been appointed as a Member and Chairman of the Audit committee and the Ethics committee of the Institute of State Authorised Public Accountants as well as other committees. Hildur holds a degree in Business Administration from the University of Iceland and became a state authorised public accountant in 1995.

Board Member: Bakkavör Group hf., Skipti hf., Flaga Group hf., Fram Foods hf., Argyron ehf. (chairman), BAR-Holding ehf., Thróunarfélag Keflavíkurflugvallar ehf. (alternate) Kaupthing Bank hf. (alternate) She is a Board Member of the Iceland Chamber of Commerce and the Finnish Icelandic Chamber of Commerce.

In the last five years, Hildur Árnadóttir was a partner at KPMG hf. and sold her share before joining Bakkavör Group hf.

Holdings of financially related parties: 2,325,582 shares in Exista. The related party is Argyron ehf., a holding company which is 50% owned by Hildur.

Hildur Árnadóttir does not own any call or put options in Exista.

13.5.2 Senior management

The senior management consists of the two CEOs, Erlendur Hjaltason and Sigurdur Valtýsson. Exista has defined the CEOs, as the senior managers of the group relevant to establishing that Exista has the appropriate expertise and experience for the management of its business. The CEO's are responsible for executing the Board's resolutions regarding Exista's policy and development as well as Exista's financial performance. They are also responsible for accomplishing the Company's objectives and facilitating synergies within the Group.

No service contracts providing benefits for any of the senior management upon termination of employment have been made with the Issuer or any of its subsidiaries. No amount is set aside or accrued by the Issuer or its subsidiaries to provide pension, retirement or similar benefits because of any of the Senior management.

None of the senior management has had any convictions in relation to fraudulent offences in the previous five years. None of the senior management has been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of the senior management have been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities or have ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

No family relationships exist between any of the member of the senior management on the one hand and the Board of Directors or senior management on the other hand as now composed.

No member of the senior management is engaged in any activities outside of the Group that is significant with respect to Exista. There are no conflicts of interest or potential conflicts of interest between any duties owed to the Issuer by any of the senior managers and such persons' private interests.

The business addresses of the CEO's of Exista is Ármúli 3, 108 Reykjavík, Iceland.

Erlendur Hjaltason, Chief Executive Officer

Erlendur Hjaltason, born in 1957, graduated with a B.Sc. degree in Business Administration and an MBA degree from Copenhagen Business School in 1984. Erlendur Hjaltason served as a managing director at Eimskip, the largest transport group in Iceland, for 18 years. In 2002 he became the CEO of Eimskip. He joined Exista in 2004 as CEO. His primary responsibilities are towards the Investment Businesses of the Group.

Current directorships and partnerships, in addition to his directorship of the Issuer:

Board membership of Skipti hf., Sparisjódur Reykjavíkur og nágr. hf. (chairman), Flaga Group hf., Síminn hf.(alternative), SVÍV ses. (chairman), Lyfja hf., and Háuklettar ehf. (chairman) Erlendur Hjaltason is also the chairman of the Iceland Chamber of Commerce.

In the last five years, Mr Hjaltason served as the CEO of Eimskip ehf. and a board member of VÍS eignarhaldsfélag hf. (chairman), Bakkavör Group hf., Vöruhótelid ehf., Tjarnargata 35 ehf., ÖM eignarhaldsfélag hf., Sp/f 14, Eimskip Norway AS, Eimskip Transport GmbH, Eimskip Nederland BV, Eimskip Transport AB, Euro Container Line, Eimskip Denmark A/S, MGH Baltic BV, MGH Riga SIA, Eimskip BV, Star Line Shipping BV, Ljosa Line (Panama), Gelders Spetra Shipping BV, Malenstein Air BV, Eimskip Transp BV, Eimskip Belgium NV, Eimskip Shipping BV, Eimskip UK Ltd., East Trans Ltd., Pelican Cargo Ltd., MGH Ltd., Float Line Ltd., Eurohub Ltd., Maras Linija (UK) Ltd., PF Eimskip í Froyum, Eimskip USA Inc., Harbour Grace CS Inc. and Eimskip Canada Inc.

Holdings in Exista: 13,109,699 shares

Holding of financially related parties: 11,683,751 shares in Exista

Erlendur Hjaltason is the owner of the investment company Háuklettar ehf. which controls 0.1% shares in Exista.

Remuneration for the year 2007: 350,000 euros

Erlendur Hjaltason does not own any call or put options in Exista.

Sigurdur Valtýsson, Chief Executive Officer

Sigurdur Valtýsson, born in 1967, graduated with a degree in Economics from Columbia University in New York in 1991. He served as a managing director at Tryggingamidstödin hf., an insurance company, for eight years. He served as a managing director of Corporate Finance for MP Investment Bank from 2000 until he became CEO of the bank in 2003. In May 2006 he became co-CEO of Exista. Sigurdur Valtýsson's primary responsibilities are towards the Operating Businesses of the Group.

Current directorships and partnerships, in addition to his directorship of the Issuer:

Board member: Íslensk endurtrygging hf., Samtök fjármálafyrirtækja (Icelandic Financial Services Association), Svalt ehf. (chairman), Sigurlind ehf.(chairman), Mænuskadastofnun Íslands (The Institution of Spinal Cord Injury, Iceland).

In the last five years, Mr Valtýsson served as the CEO of MP Investment Bank hf. and a board member of VÍS eignarhaldsfélag ehf., the Bankers' and Securities Dealers' Association of Iceland, Vostok Holding ehf. and Lánstraust ehf. (Creditinfo Group).

Holdings in Exista: 0 shares.

Holdings of financially related parties in Exista: 24,716,713 shares.

Sigurdur Valtýsson is the owner of the investment companies Sigurlind ehf. and Svalt ehf. which controls 0.2% shares in Exista.

Remuneration for the year 2007: 420,000 euros.

Sigurdur Valtýsson does not own any call or put options in Exista.

13.6 AUDITORS

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Exista for a term of one year. The auditor shall have access to all the Company's books and documents. Auditors are not elected from among the members of the Board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

The chartered accountants and registered auditor of Exista are Deloitte hf. ID-No. 521098-2449, Smáratorg 3, 201 Kópavogur, Iceland. The auditor responsible for Exista for the duration of the period of 2005-2007 and for the review of the first quarter of 2008 has been Hilmar A. Alfredsson, ID-No. 120759-5159, of Deloitte hf. The auditors' fee for 2005, 2006 and 2007 was as the following table outlines:

(EUR million)	2007	2006*	2005**
Audit and audit-related services	0.4	0.3	0.1
Other professional services	0.3	0.3	0.0
Total	0.7	0.6	0.1

* In 2006 the accounting currency of the Group was the Icelandic króna (ISK). Figures have been converted to euros (EUR) on the basis of the average exchange rate 2006 EUR/ISK (87.66).

** In 2005 the accounting currency of the Group was the Icelandic króna (ISK). Figures have been converted to euros (EUR) on the basis of the average exchange rate 2005 EUR/ISK (78.14).

13.7 COMPLIANCE OFFICER

A compliance officer is employed within the Company. The compliance officer is directly responsible to the CEO and is independent in his or her duties. The compliance officer monitors the implementation of insider rules adopted by the Company, including rules regarding securities trading by employees and primary insiders. The compliance officer is responsible for interpreting the rules, and takes decisions based on the rules. The compliance officer makes proposals for improved working procedures for various positions within the Company, and helps develop and maintain the compliance monitoring system.

14. EMPLOYEES

In 2007, the average number of Exista employees, including subsidiaries, was 433 (corresponding figure for 2006 was 286). Exista's headquarters are based in Ármúli 3, Reykjavík, along with VÍS and Lífís. The majority of Exista's employees are based in Iceland. Exista employs an insignificant number of temporary employees.

The Annual General Meeting held on 28 February 2008 approved the Remuneration Policy of Exista hf. wherein the CEOs are authorised to propose to the Board of Directors that employees and the management of Exista and/or employees and the management of any subsidiary of Exista from time to time should be rewarded in addition to their set terms of employment in the form of delivery of shares, stock options or any payment having to do with Company shares or the future value of such shares. The CEOs are also authorised to propose to the Board of Directors that employees and the management of Exista should be rewarded in addition to their set terms of employment in the form of performance based payments, loan contracts, pension fund contributions, retirement or redundancy payments. The status of the relevant individual, responsibility and future prospects and the main objectives of this Policy shall be taken into consideration when deciding whether he should be granted rewards in addition to his set terms of employment. When granting stock option similar contracts previously made between the Company and the relevant employee or member of management shall be taken into consideration. Ordinarily a stock option shall only subsist while the employee remains employed by Exista or the relevant subsidiary of Exista. The Board of Directors has not, at this time, used this authorisation.

(weighted average numbers of full-time equivalent employees)

	2005	2006	2007	Q1 2008
Exista parent	6	15	34	40
Exista's subsidiaries	-	271	399	381
Total	6	286	433	421

"Exista parent" includes Exista hf. and subsidiaries which employees are part of the operation of the parent company, namely Exista Properties ehf., Exista UK Ltd. and Exista Trading ehf. In 2006 Exista opened an office at Paddington Central in London. At the end of Q1 2008, about 23% of the employees of the parent company were located in the London office. "Exista's subsidiaries" are other operational subsidiaries within the Group, as of now these companies are VÍS, Lífís, Lýsing and Öryggismidstöd Íslands hf. The changes in weighted average number of Exista's subsidiaries' employees for the past 3 years reflects the changes in Exista Group. In May 2006 Exista acquired VÍS eignarhaldsfélag ehf. which included the subsidiaries VÍS, Lífís, Lýsing and Öryggismidstöd Íslands along with Vördur Íslandstrygging hf. (VÍT) and IGI Group of which Exista sold its stake in October 2006 (VÍT) and in April 2007 (IGI).

15. PRINCIPAL SHAREHOLDERS

The total issued shares in Exista hf. amounts to 14,174,767,632 shares. Thereof, the Issuer holds 1,162,793 own shares. On 30 May 2008, the number of total issued shares was increased from 11,361,092,458 shares up to 14,174,767,632 or by 2,813,675,174 New Shares. The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading will be announced at least one day in advance by OMX ICE. The New Shares are to be used as a consideration for shares in Skipti hf. which is acquired as a result of Exista's takeover bid of the entire outstanding share capital of Skipti not previously owned by Exista. Of the 2,813,675,174 New Shares, 2,777,771,471 shares are to be settled on 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining New Shares, or 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled as a result of a squeeze-out process that has been initiated and is expected to be finalised at the beginning of July 2008.

The New Shares are granted rights within the Issuer as of the date of registration of the increase of share capital as of 30 May 2008. Nevertheless, any shareholders' rights attached to the New Shares cannot be exercised before the delivery of the shares to the relevant shareholder have been registered in the Issuer's Register of Shares, which will happen with the settlement of the shares. Consequently the discussion below regards the active share capital at the time of the publishing of the prospectus, taking into account the issue of the shares but the delivery being subject to settlement, additionally estimates of post transactional ownership is presented in the table below. As existing shareholders in the Issuer waived their pre-emptive rights in respect of any of the New Shares, the proportional holdings of shareholders was diluted by 19.8% (calculated as a percentage of the total issued shares past the issue of the New Shares) by the issue of the New Shares.

On 29 May 2008 there were 28,965 shareholders in Exista. This number is expected to increase to 29,300 following the settlement on 2 June 2008.

All active shares have the same rights, including voting rights. The Company has no knowledge of any agreement between the shareholders on the treatment of voting rights. The Issuer is not aware of any arrangements which may at a subsequent date result in a change of control.

Bakkabraedur Holding B.V. holds 45.21% of the active share capital in Exista hf. prior to the acquisition of Skipti and the acquisition of the right to 1,271,961,953 new shares to be delivered as a result of the takeover offer of Skipti from Kaupthing Bank means that Bakkabraedur Holding B.V.'s ownership in Exista will remain unchanged after the issue of new shares in Exista in relation to the takeover of Skipti hf. and the subsequent squeeze out. This stake is 5.21% over 40% of the share capital, which is the mandatory takeover bid threshold. According to the FME's published interpretation of Article 100 of the Icelandic Act on Securities Transactions no. 108/2007, the obligation to issue a takeover bid does not arise due to a single shareholder or a shareholder acting in concert with others having legal control over a company at the time of admission to trading on a regulated market. This exemption is subject to the shareholding having been disclosed at the time of admission to trading.

15.1 LIST OF SHAREHOLDERS – 29 MAY 2008

	PRE-acquisition of Skipti			Consideration	POST-acquisition of Skipti		
Shareholder	Shares	% of active shares	% of total issued shares	Shares	Shares	% of active shares	% of total issued shares
Bakkabraedur Holding B.V.	5,135,943,722	45.21%	36.23%	1,271,961,953	6,407,905,675	45.32%	45.21%
Kista-fjárfestingarfélag ehf.	1,015,846,914	8.94%	7.17%		1,015,846,914	7.19%	7.17%
Gift fjárfestingarfélag ehf.	615,509,009	5.42%	4.34%		615,509,009	4.35%	4.34%
Lífeyrissjódur verslunarmanna	146,020,443	1.29%	1.03%	387,631,622	533,652,065	3.77%	3.76%
Gildi - lífeyrissjódur	197,482,099	1.74%	1.39%	387,631,622	585,113,721	4.14%	4.13%
Castel (Luxembourg) S.a.r.l.	579,101,094	5.10%	4.09%		579,101,094	4.10%	4.09%
Arion custody account	610,946,082	5.38%	4.31%	19,078,849	630,024,931	4.46%	4.44%
SPRON hf.	340,965,708	3.00%	2.41%		340,965,708	2.41%	2.41%
AB 47 ehf.	265,435,668	2.34%	1.87%		265,435,668	1.88%	1.87%
Lífeyrissjódir Bankastræti 7	209,197,306	1.84%	1.48%	435,874	209,633,180	1.48%	1.48%
Total of 10 largest	**9,116,448,045**	**80.25%**	**64.31%**		**11,183,187,965**	**79.10%**	**78.90%**
Eignarhaldsfélagid Stofn ehf.	173,156,147	1.52%	1.22%		173,156,147	1.22%	1.22%
Den Danske Bank A/S	203,144,264	1.79%	1.43%		203,144,264	1.44%	1.43%
Eignarhaldsfélagid Andvaka gt.	170,120,118	1.50%	1.20%		170,120,118	1.20%	1.20%
Icebank hf.	95,259,243	0.84%	0.67%	1,314,852	96,574,095	0.68%	0.68%
Kaupthing Ís-15	131,383,545	1.16%	0.93%	17,326,733	148,710,278	1.05%	1.05%
Kaupthing Bank hf.	111,545,233	0.98%	0.79%	29,807,194	141,352,427	1.00%	1.00%
Stafir lífeyrissjódur	21,885,192	0.19%	0.15%	105,778,343	127,663,535	0.90%	0.90%
Sameinadi lífeyrissjódurinn	23,002,001	0.20%	0.16%	105,717,715	128,719,716	0.91%	0.91%
Sparisjódurinn í Keflavík	105,859,881	0.93%	0.75%		105,859,881	0.75%	0.75%
Imis ehf.	0	0.00%	0.00%	93,971,303	93,971,303	0.66%	0.66%
Total of 20 largest	**10,151,803,669**	**89.37%**	**71.62%**		**12,572,459,729**	**88.93%**	**88.70%**
Total of other shareholders	1,208,125,996	10.63%	8.52%	357,115,411	1,565,241,407	11.07%	11.04%
Total active	**11,359,929,665**	**100.00%**	**80.14%**	**2,777,771,471**	**14,137,701,136**	**100.00%**	**99.74%**
Exista - own shares	1,162,793		0.01%		1,162,793		0.01%
Total issued pre-acquisition	**11,361,092,458**		**80.15%**				
New Shares - To be delivered	2,813,675,174	24.77%	19.85%	-2,777,771,471	35,903,703		
Total issued post-acquisition	**14,174,767,632**		**100.00%**		**14,174,767,632**		**100.00%**

15.2 ABOUT THE LARGEST SHAREHOLDERS

The first notification threshold of major holdings is 5%, under Act. No. 108/2007 on Securities Transactions.[36] To the knowledge of Exista, there are four legal entities which have direct or indirect interests[37] of more than 5% in Exista's total share capital and/or voting rights as of 29 May 2008 pre-acquisition of Skipti. These four largest shareholders in Exista pre-acquisition own a total of 64.67% of the active shares. These are Bakkabraedur Holding B.V., Kista-fjárfestingarfélag ehf., Gift fjárfestingarfélag ehf. and Castel (Luxembourg) S.a.r.l. To the knowledge of Exista, there are two legal entities which have direct or indirect interests of more than 5% in Exista's total share capital and/or voting rights as of 29 May 2008 post-acquisition of Skipti. These two largest shareholders post-acquisition own a total of 52.51% of the active shares. These are Bakkabraedur Holding B.V. and Kista-fjárfestingarfélag ehf.

Bakkabraedur Holding B.V. is a holding company owned by Lýdur Gudmundsson and Ágúst Gudmundsson. Together, they founded Bakkavör Group twenty years ago and have managed its growth from its inception to the current day. Lýdur is currently the Chairman and Ágúst the CEO. Exista holds 39.6% in Bakkavör Group. Bakkabraedur Holding B.V. holds 45.21% of the active shares in Exista as of 29 May 2008 and will do so as well post acquisition of Skipti hf. Lýdur Gudmundsson is the Executive Chairman of Exista hf. and Ágúst Gudmundsson is a Board member of Exista hf.

Kista-fjárfestingarfélag ehf. (Kista), is a holding company owned by four savings banks; SPRON hf., Sparisjódurinn í Keflavík, Sparisjódur Mýrasýslu and Sparisjódur Svarfdæla. SPRON is the largest shareholder with a 48.4% stake in Kista on 29 May 2008. Kista holds 8.94% of Exista's active shares before the acquisition of Skipti, SPRON hf holds 3.00% in its own name, Sparisjódurinn í Keflavík holds 0.93%, Sparisjódur Svarfdæla holds 0.03% and Sparisjódur Mýrasýslu holds imaterial stake in its own name. Gudmundur Hauksson, a Board member of Exista hf., is the Chairman of the Board of Kista and the CEO of SPRON which is the largest savings bank in Iceland. SPRON became a limited liability company in 2007 and had its shares subsequently admitted to trading on OMX ICE. Erlendur Hjaltason, co-CEO of Exista is chairman of the board of directors at SPRON. On 30 April 2008, the boards of Kaupthing Bank hf. and SPRON hf. announced their decision to enter negotiations on a possible merger between the companies and that negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible.

Gift fjárfestingarfélag ehf. is a holding company, newly incorporated through structural and legal form changes of Eignarhaldsfélagid Samvinnutryggingar gt.[38] which was one of VÍS Holding hf.'s main shareholders when Exista acquired its shares in exchange for shares in Exista. Sigurjón Rúnar Rafnsson, Board Member of Exista hf., is a Board Member of Gift fjárfestingarfélag ehf.

Castel (Luxembourg) S.a.r.l. is a wholly owned subsidiary of Glenalla Properties Limited. Glenalla Properties Limited is 95% owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz, Board member of Exista hf., is beneficiary.

Apart from the holding of SPRON and Sparisjódurinn í Keflavík in Kista, the Issuer is not aware that any other of these 20 shareholders hold material interests in each other. The Issuer is also aware that Gift and the pension funds hold shares in Kaupthing Bank hf. but are all below the first notification threshold of major holdings which is 5%. Various pension funds hold pre-acquisition of Skipti about 6% of Exista's total share capital and post-acquisition of Skipti will hold about 12%. The Issuer is neither directly nor indirectly owned nor controlled by others than the listed shareholders to the extent known to the Issuer.

36 See item 1 of Art. 78 in the Act where it is stated: "Where a holder of shares acquires or disposes of shares of an issuer whose shares have been admitted to trading on a regulated market, a notification shall be sent in a verifiable manner to the issuer in question and to the Financial Supervisory Authority if, as a result of the acquisition or disposal, the proportion of voting rights of the holder of shares reaches, exceeds or falls below the thresholds of: 5, 10, 15, 20, 25, 30, 35, 40, 50, 66 2/3 and 90%. "Holder of shares" shall mean any natural or legal person directly or indirectly holding: 1. Shares in the issuer in its own name and on its own account; 2. Shares in the issuer in its own name but on behalf of another natural person or legal person; or 3. Depository receipts, in which case the holder of the depository receipt shall be considered as the holder of the underlying shares represented by the depository receipt."

37 According to the explanatory memorandum of Act no. 108/2007 "indirect interests" refers to that a party is an indirect owner of securities or depository receipts on the basis of a financial relationship to parties who exercise the securities or depository receipts. "Financially related parties" are for example spouse, children or relatives who have lived with the party (the indirect owner) for at least one year.

38 The share capital of the new company will be divided between the beneficial owners of Eignarhaldsfélag Samvinnutrygginga, i.e. former insurees of Samtryggingar gt and Samvinnusjódurinn, according to the company's articles of association. Beneficiaries comprise individuals who have had an insurance policy with the company between 1987 and 1988. This also includes those who insured their property against fire with the company between 1992 and 1993. An individual's rights expire two years after decease but legal entities, institutions and companies must have maintained their rights through an uninterrupted insurance policy with Vátryggingafélag Íslands hf.

Holdings of the Issuer's Board of Directors and Exista CEO's and related parties to the Issuer's Board of Directors and Exista CEO's

(Number of shares)	Holding	Parties financially related
Lýdur Gudmundsson[1)]	0	5,135,943,926
Ágúst Gudmundsson[2)]	0	5,135,943,722
Gudmundur Hauksson[3)]	3,504,198	1,356,812,622
Bogi Pálsson[4)]	141,091	174,196,147
Sigurjón Rúnar Rafnsson[5)]	0	11,146
Hildur Árnadóttir[6)]	0	2,325,582
Erlendur Hjaltason[7)]	13,109,699	11,683,751
Sigurdur Valtýsson[8)]	0	24,716,713

The sum of the number of shares held by those listed in the table above amount to 16,754,988 shares and the sum of the number of shares held by parties financially related to them listed in the table above amount to 6,705,689,887 shares. This does not imply that these shareholders are related in any other way than stated in this Prospectus, but only that the composition of the Board of Directors together with the CEOs of Exista is such that, among the aforementioned, there is a representation of 47.53% of Exista's share capital or 6,722,444,875 shares.

1) Holdings of financially related parties to Lýdur Gudmundsson: 5,135,943,926 shares in Exista. Bakkabraedur Holding B.V., which controls 5,135,943,722 shares in Exista, is owned by Lýdur Gudmundsson and Ágúst Gudmundsson.

2) Holdings of financially related parties to Ágúst Gudmundsson: 5,135,943,722 shares in Exista. Bakkabraedur Holding B.V., which controls 5,135,943,722 shares in Exista, is owned by Lýdur Gudmundsson and Ágúst Gudmundsson.

3) Gudmundur Hauksson's holdings in Exista: 3,504,198 shares and holdings of financially related parties: 1,356,812,622 shares in Exista. Gudmundur Hauksson is financially connected to Kista-fjárfestingarfélag ehf., which controls 1,015,846,914 shares in Exista. He is also financially connected to Reykjavík Savings Bank (SPRON), which controls 340,965,708 shares in Exista.

4) Bogi Pálsson's holdings in Exista: 141,091 shares and holdings of financially related parties: 174,196,147 shares in Exista. Bogi Pálsson is the owner of the investment company Stofn ehf. which controls 174,196,147 shares in Exista.

5) Holdings of financially related parties to Sigurjón Rúnar Rafnsson: 11,146 shares in Exista.

6) Holdings of financially related parties to Hildur Árnadóttir: 2,325,582 shares. The related party is Argyron ehf., a holding company 50% owned by Hildur.

7) Erlendur Hjaltason's holdings in Exista: 13,109,699 shares and holding of financially related parties: 11,683,751 shares in Exista. The investment company Háuklettar ehf. is owned by Erlendur Hjaltason and is a financially related party to him.

8) Holdings of financially related parties to Sigurdur Valtýsson: Exista: 24,716,713 shares in Exista. Sigurdur Valtýsson is the owner of the investment companies Sigurlind ehf. and Svalt ehf. which own the aforementioned shares.

Minority interests are safeguarded by the provisions of Companies Act no. 2/1995 and the Company's articles of association.

16. RELATED PARTY TRANSACTIONS

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Definitions

Exista has a related party relationship with its subsidiaries, associates and other companies where Exista has a significant influence, the Board of Directors of the issuer, CEOs and the managing directors of its principal subsidiaries VÍS and Lýsing and support divisions, close family members of individuals referred to above and shareholders with significant influence.

Entities with significant influence: Entities with significant influence are, as of 29 May 2008, Bakkabraedur Holding B.V., Kistafjárfestingarfélag hf. and Sparisjódur Reykjavíkur og nágrennis hf. (SPRON). In addition Kaupthing Bank hf. has been an entity classified as such, prior to the disposal of Kaupthing Bank's 21% stake in Exista disposed of between August and November 2006. As a result of Exista's takeover bid for Skipti Kaupthing might again become an entity with significant influence.[39]

Exista's associates and companies where Exista has a significant influence: The entities which are Exista's associates and with which Exista has had a related party relationship during the period from 1 January 2005 to 31 May 2008 are Kaupthing Bank and Sampo Oyj. Other companies where Exista has a significant influence and with which Exista has had a related party relationship during the period from 1 January 2005 till 31 May 2008 are Bakkavör Group and Skipti. Thraedir ehf. will also have a related party relationship with Exista when Exista becomes the owner of Skipti as a result of the takeover offer for Skipti and subsequent squeeze out.

The Issuers' Board of Directors, CEO and, the managing directors of its principal subsidiaries VÍS and Lýsing and support divisions and close family members of individuals referred to above: The Board of Directors of the issuer and CEOs, the managing directors of its principal subsidiaries VÍS and Lýsing and support divisions and close family members of those individuals with which Exista has had related party relationship during the period from 1 January 2005 till 31 May 2008 are Robert Tchenguiz, Erlendur Hjaltason, Sigurdur Valtýsson and four managing directors of principal subsidiaries VÍS and Lýsing and support divisions:

Exista's subsidiaries: The entities which are or have been Exista's subsidiaries and with which Exista has had a related party relationship during the period from 1 January 2005 to 31 May 2008 are Áskaup ehf., Exafin B.V., Exista B.V., Exista Holdings B.V., Exista Invest ehf., Exista Properties ehf., Exista Trading ehf., Exista UK Ltd., Fasteignafélagid Jörfi ehf., Flutningar ehf., Framtídarsýn hf., Frásögn ehf., Líftryggingafélag Íslands hf., Lýsing hf., Pera ehf., Pond Street Investments ehf., Vátryggingafélag Íslands hf., VÍS International Invest ehf., ÖM ehf., Vördur Íslandstrygging hf. and IGI Group Ltd.

Information regarding related parties is as follows:

General:

During the period from 1 January 2005 till 31 May 2008, no losses on receivables from related parties and loans and deposits to related parties or write-down for such losses have been incurred.

No unusual transactions have taken place between Exista and its related parties.

The Board believes that all of the related party transactions are conducted on an arm's length basis, both transactions between entities within the Group and transactions between Group companies and related parties who are not part of the Group. Exista engages in and expects to continue to engage in transactions with its related parties.

Entities with significant influence

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Cash and cash equivalents	0.0	0.0	0.0	59.3	0.4
Borrowings	0.0	0.0	0.0	45.9	39.1
Other liabilities	0.0	0.0	0.0	1.6	0.0

Prior to Exista's initial public offering and the admission to trading on OMX ICE in September 2006, Kaupthing Bank was the second largest shareholder with a holding of 21 per cent. of Exista's shares. The cross shareholding was dissolved between August and November 2006.

SPRON, which is through the directorship of Gudmundur Hauksson in Exista, a shareholder with significant influence in Exista provides integrated financial services to Exista. The service rendered by SPRON has been conducted on arm's length basis.

39 Kaupthing Bank hf. might be classified as such again in the future since on 30 April 2008 Kaupthing Bank and Sparisjódur Reykjavíkur og nágrennis hf. (SPRON) announced that they had decided to enter into negotiations on a possible merger between the companies and that negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible. If this merger would take place, SPRON is a large shareholder in Exista and in case of a merger between SPRON and Kaupthing Bank, those shares would be held by the merged entity.

Entities which are Exista's associates and other companies where Exista has a significant influence

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Cash and cash equivalents	242.5	167.9	28.2	0.0	0.0
Loans and receivables	0.0	0.1	0.1	0.0	0.0
Borrowings	597.3	686.0	557.3	0.0	0.0
Other liabilities	51.0	1.7	0.1	0.0	0.0

In March 2008 Kaupthing Bank sold its 27.8% shareholding in Skipti to Exista, by accepting Exista's voluntary takeover offer in Skipti, in exchange for the right to 1,301,769,147 new shares in Exista. In accordance with Kaupthing Bank's management statement that the bank did not intend to become a large shareholder in Exista on a long-term basis as a result of the new shares that it will receive as a consideration for its previous ownership in Skipti, the Bank announced on 30 May 2008 that it had accepted Bakkabraedur Holding B.V.'s offer to buy the Bank's right to 1,271,961,953 new shares. The purchase price was ISK 10.12 per share, which corresponds to the closing price of Exista on 29 May 2008. Kaupthing Bank hf. will, accordingly, taking into account its current shareholding, own 2.69% of the active share capital in Exista.

Lýsing hf., one of Exista's subsidiaries since the acquisition of VÍS Holding, was formerly owned by Kaupthing Bank, but was sold to VÍS in February 2005. In May 2006 Kaupthing Bank sold its 24.1% shareholding in VÍS Holding to Exista in exchange for 596,145,799 new shares in Exista.

As a result of Exista's becoming the owner of Skipti pursuant to the takeover offer for Skipti and the subsequent squeeze out, Exista will have a related party relationship regarding the obligations which were undertaken by Skipti in relations to the shareholding of Thraedir ehf. in Skipti. Thraedir ehf. have accepted the takeover bid made by Exista and will subsequently become shareholders in Exista. Thrædir ehf. is a holding company, founded on 1 September 2006, owned by Skipti hf. (46.66%) and eight senior managers of Skipti hf. and its subsidiary Síminn hf. Skipti hf.'s loan currently stands at ISK 128 million. The maturity of the loan is 31 August 2009, it carries annual coupons that accumulate and are based on Skipti's cost of capital as set out in the financial accounts of the previous fiscal year.

The Group's associates and other companies where Exista has a significant influence provide comprehensive services within certain niches. The companies (the related parties) which offer services to the Group are: (i) Kaupthing Bank which is a northern European bank offering integrated financial services, including corporate banking, investment banking, capital market services, treasury services and asset management, (ii) Skipti which is a holding company of assets within in the telecommunications industry and information technology of which the largest are in Iceland, (iii) Sampo Oyj. which offers comprehensive casualty and property insurance in the Nordic area and the Baltic countries as well as life insurance. Among the business relations that the Group has with the above mentioned companies are VÍS's collaboration agreement with the Nordic insurance company If, which is a part of Sampo Oyj, concerning joint marketing through worldwide networks. If P&C Insurance is a major property and casualty insurance company in the Nordic region, with approximately 3.3 million customers in the Nordic and Baltic countries, in addition to Nordic customers with international operations and VÍS's mutual loyalty scheme with Kaupthing Bank regarding the sales and marketing of insurance and financial services in Iceland. The loyalty scheme, called Vöxtur, has been growing year by year and now has more than 37,000 members. Vöxtur is a comprehensive financial and insurance system consisting of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from Kaupthing Líftryggingar hf. and Lífís, home security services from Öryggismidstöd Íslands hf., and asset financing from Lýsing. The services rendered by these related parties to the Group during the period when they have been related parties have been conducted on arm's length basis.

The Issuer´s Board of Directors, CEOs and the managing directors of its principal subsidiaries VÍS and Lýsing and support divisions and close family members of those individuals:

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Loans and receivables	5.5	4.5	3.9	4.9	0.0

III

Exista granted the CEOs and managing directors, and to companies wholly owned by these persons loans for purchasing shares in Exista in 2005 loan amounting to EUR 4.9 million was granted, in 2006 loan amounting to EUR 0.4 million was granted, and in 2007 loan amounting to EUR 0.0 million was granted and in the first quarter of 2008 loan amounting to EUR 2.1 million was granted. As of 31 May 2008 loans granted to CEOs Erlendur Hjaltason amounted to EUR 0.9 million and Sigurdur Valtýsson amounted to EUR 2.1 million and to other four employees a total of EUR 2.5 million. The loans carry interests that are comparable to Exista's cost of funding and have up to 4 years' maturity.

Exista has provided guarantee for loans amounting to EUR 11.1 million to all employees of Exista, its subsidiaries and related companies that participated in the employee offering of Exista in September 2006.

On 2 February 2007, Exista agreed to acquire Exafin B.V. an owner of 55,340,400 A shares in Sampo Oyj. Exafin B.V. was previously indirectly owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz is a beneficiary. The acquisition, which was completed on 11 April 2007, was financed by 772,134,791 shares in Exista, of which 522,346,339 were new shares with an average price of ISK 24.60 per share and 249,788,452 outstanding own shares. The price of ISK 24.60 per share was, among other things, based on the closing share price on the agreement's reference date, 17 January 2007, and on a calculation of Exista's forward share price for the dividend payment date. Robert Tchenguiz was elected to the Board of Directors at Exista's Annual General Meeting on 14 March 2007.

Remuneration of the Group's CEOs and the Board of Directors is stated under the heading *"13.5 Board of Directors and Senior Management".*

The Group's subsidiaries provide comprehensive services within certain niches. The related parties, the Board of Directors of the issuer and CEOs, the managing directors of its principal subsidiaries and close family members of those individuals are customers of Vátryggingafélag Íslands hf., Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. The services rendered by Exista's subsidiaries to these related parties during the period when they have been regarded as related parties have been conducted on arm's length basis. The terms and conditions of the rendered services are similar for the aforementioned related parties as for other customers of Exista's subsidiaries. The aforementioned amounts do not include transactions related to the business activities of the Board members, the managing directors of its principal subsidiaries and close family members of those individuals.

Exista's subsidiaries:

There is no effect on the Group's financial statements of any relationship between the Group's subsidiaries and the Group. The funding of the Group is centralised. Exista hf. has therefore provided loans and guarantees to its subsidiaries for the following amounts:

(EUR million)	31 Mar 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	1 Jan 2005
Loans	1,376.6	1,302.6	394.2	307.8	0.0
Guarantees	10.4	13.3	0.0	0.0	0.0

A subsidiary of Exista hf., Exista Properties ehf. acquired Skipti's shareholding in Fasteignafélagid Jörfi ehf. for a total consideration of ISK 4,425 million in September 2007.

The Group's subsidiaries provide comprehensive services within certain niches particularly in Iceland, Vátryggingafélag Íslands hf. provides property and casualty insurance, Líftryggingarfélag Íslands hf. provides life insurance, Lýsing hf. provides asset financing, and Öryggismidstöd Íslands hf. provides security to homes and businesses. Parties related to Exista are customers of Vátryggingafélag Íslands hf. Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. The services rendered by Vátryggingafélag Íslands hf., Líftryggingafélag Íslands hf., Lýsing hf. and Öryggismidstöd Íslands hf. to these related parties during the period when they have been regarded as related parties have been conducted on arm's length basis. This applies also to office premises e.g. Exista and Bakkavör share a part of its premises in the Reykjavík and London offices. The terms and conditions of the rendered services are similar for the aforementioned related parties as for other customers of Exista's subsidiaries.

17. FINANCIAL OVERVIEW

The overview is based on Exista's financial statements for the years ended 31 December 2007, 2006 and 2005 and the interim results for the periods 1 January to 31 March of 2007 and 2008. The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

17.1 EXISTA'S STATUTORY ACCOUNTS

This section contains Exista's audited accounts for the years 2005-2007 and reviewed accounts for the first quarter of 2007 and 2008. The quantitative analysis to follow will detail Exista's financial performance in recent years. Investors are advised to read all the explanatory notes, including the descriptions of accounting policies, to the accounts.

The financial statements for Exista hf. are prepared in accordance with the International Financial Reporting Standards (IFRS). To facilitate comparison between years, it is appropriate to point out the primary changes made in Exista's operations and asset classification between 2006 and 2007:

- As of 1 June 2006, the insurance company Vátryggingafélag Íslands hf. (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.

- As of 1 January, 2007 the Group's financial statements have been prepared in euros. Prior to that time, they were prepared in Icelandic króna. The change in functional currency from Icelandic króna to euros was made upon receipt of the proper authorisation from regulatory authorities. This change is carried out in order to reflect, in a more transparent way, the focus of the Group's operation and economic changes with regards to the euro exposure as its main currency.

- As of 1 January, 2007, the equity method has been used to record the Group's strategic holdings in financial companies (Sampo Group and Kaupthing Bank), whereas all strategic holdings were previously recorded at fair value. Strategic holdings in other companies are still assessed at fair value. Exista is the leading shareholder in both Kaupthing and Sampo and reporting these long-term strategic holdings as associates demonstrates Exista's commitment to the companies and to the financial services sector.

17.2 SIGNIFICANT ACCOUNTING POLICIES

Exista's accounting policies are described in Note 3 to the Group's consolidated financial statements.

The preparation of the Group's financial statements requires management to make a number of judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in its consolidated financial statements. The Group believes that the judgements, estimates and assumptions used in the preparation of its consolidated financial statements are appropriate given the factual circumstances as of 31 March 2008. Various elements of the Group's accounting policies, by their nature, are subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, Exista has identified several accounting policies which, due to the judgements, estimates and assumptions inherent in those policies, and to the sensitivity of the Group's IFRS financial statements to those judgements, estimates and assumptions, are critical to an understanding of the Group's financial statements.

The Group's significant accounting policies are determined by the Group's management, in consultation with its external auditors.

Exista's management considers that the following accounting estimates or assumptions are the most important to the presentation of the Company's financial condition or operating performance.

Business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Additionally non-current assets (or disposal groups) that are classified as held for sale are recognised and measured at fair value less cost to sell and do not form the business combinations. The determination of which assets should be classified as held for sale is based, to a considerable extent, on management's judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised whereas indefinite lived intangible assets, including goodwill, are not amortised, and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

On the acquisition of subsidiaries, the identifiable intangible assets may include trademarks, patents, patented technology, customer relationship and distribution relationship. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, assuming no active market for the assets exist. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Impairment testing

Asset recoverability is an area involving management judgement, in the beginning goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination, subsequently management assesses as to whether the carrying amount of the cash-generating unit can be supported by the recoverable amount, that is the net present value of future cash flows derived from such cash-generating unit using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

IFRS requires management to undertake an annual test for impairment of goodwill and to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Group management currently undertakes an annual impairment test covering goodwill and other indefinite lived assets, and also reviews finite lived assets at least annually to consider whether a full impairment review is required. No impairment has been made on assets in the periods under review.

Investments in associates

The Group's recognises associates using the equity method of accounting and hence the results and assets and liabilities, except when the investment is classified as held for sale, in which case it is accounted for at fair value less costs to sell. The determination of which assets should be classified as held for sale is based, to a considerable extent, on management's judgement. Under the equity method, the Group's investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of the individual investments. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Impairment testing for investment in associates is made by comparing the associates' carrying amount with their recoverable amount. Because goodwill included in the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill. Instead, the entire carrying amount of the investment is tested for impairment, by comparing its recoverable amount, which is the higher of value in use and fair value less cost to sell with its carrying amount.

The methodology provided by the accounting standard entails estimating the value of associates by using discounted cash flow analysis of the associates, that is the net present value of future cash flows that have been projected for the associate and which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made. In preparing the discounted cash flow analysis the Group turned to both internal and external expertise. The outcome of the valuation was also compared with a number of other valuations done by number of research analysts working for various financial institutions. On the basis of this analysis calculation is made on the value in use of the associates.

No impairment has been made on assets in the periods under review. Market value of associates being an indication of the fair value less cost to sell showed at year-end 2007 that the book value exceeded market value by EUR 992.3 million but the fair value in use concluded that there was no need for impairment of those assets at year-end 2007.

IFRS requires management to undertake an annual test for impairment of goodwill and to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the current market turbulence, management keeps a close eye on the development of market prices and underlying fundamentals of the Group's associates, and will revisit and address the issue if there is need for impairment again during the course of 2008.

Technical reserves

The Group assesses, at the end of the reporting period, whether the recorded insurance liability can carry out the Group's estimated obligations by assessing future cash flows of the insurance liability, using prudent methods and current information available to its management. All changes in the insurance liability are recognised in the Income Statement. The Group's results therefore depend to an extent on whether future claims development is consistent with the assumptions and calculations used in underwriting, pricing policies, and the estimation of liabilities for obligations for future claims. Claims provisions represent estimates, based on informed knowledge and judgement and on actuarial and statistical projections and assumptions, of expectations of the ultimate cost, including related expenses, to bring all claims incurred, both reported and incurred but not reported, to final settlement. The estimates are also based on other variable factors, including changes in the legal and regulatory environment, results of litigation, changes in medical costs, the cost of repairs and replacement and general economic conditions which are subject to constant change. Due to the nature of technical reserves, the Group cannot determine precisely the amounts that it will ultimately pay to meet its liabilities.

17.3 PROFIT AND LOSS - STATUTORY ACCOUNTS

17.3.1 Interim accounts 2007 and 2008

The following table shows Exista's reviewed condensed consolidated income statement for the period 1 January to 31 March 2008 and 1 January to 31 March 2007 for comparison

17.3.1.1 Q1 2008 vs. Q1 2007

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. Unfavourable conditions on the equity markets where Exista is exposed and the devaluation of the Icelandic króna characterised the first quarter of 2008, the opposite was true for the first quarter of 2007. Additionally 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.

Income Statement	Q1 2008		Q1 2007
(EUR million)	Reviewed	% change	Reviewed
Financial assets designated at fair value	-173.2	n/a	38.2
Financial assets held for trading	58.5	-47.20%	110.8
Dividend	4.4	-12.60%	5.0
Interest revenue	28.5	54.60%	18.4
Insurance premium	28.8	-18.20%	35.2
Share of profits of associates	64.6	-85.90%	457.0
Other revenues	4.6	41.00%	3.3
Total revenues	**16.1**	**-97.60%**	**668.0**
Insurance claims	-28.8	8.70%	-26.5
Operating expenses	-16.5	-1.10%	-16.7
Total expenses	**-45.3**	**4.90%**	**-43.2**
Profit (loss) before financial expenses	**-29.2**	**-104.70%**	**624.8**
Interest expense	-105.1	86.50%	-56.4
Net foreign exchange gain (loss)	88.4	204.30%	29.0
Total financial expenses	**-16.7**	**-38.90%**	**-27.3**
Profit (loss) before tax	**-45.9**	**-107.70%**	**597.5**
Income tax	2.0	-95.40%	43.2
Profit (loss) for the period	**-43.8**	**-106.80%**	**640.7**
Earnings per share (cents)			
Basic	-0.37	n/a	5.69
Diluted	-0.37	n/a	5.69

Revenues

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 first three months of 2008, as opposed to a gain of EUR 38.2 million in the first three months of 2007. This was due to a loss on listed shares. Net gain on financial assets held for trading was EUR 58.5 million in the first quarter of 2008, as opposed to EUR 110.8 million in the first quarter of 2007. Net gain on financial assets held for trading mainly relate to assets managed as part of the insurance operations and other trading instruments.

Dividend income totalled EUR 4.4 million the first quarter of 2008, as opposed to EUR 5.0 million in the first quarter of last 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 first three months of 2008, as opposed to EUR 18.4 million for the first three months of 2007. The increase between years is mainly due 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 first quarter 2008, compared to EUR 35.2 million during the first quarter of 2007. Lower premium income is due to the sale of the British insurance company IGI Group in 2007 and the depreciation of the Icelandic króna as the insurance premiums are predominantly in Icelandic króna.

Share in profit of associates amounted to EUR 64.6 million in Q1 2008. 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.

Other revenues amounted to EUR 4.6 million in the first quarter of 2008 compared with EUR 3.3 million in the first quarter of 2007. The increase is mainly due to higher rental income, which amounted to EUR 1.2 million as opposed to EUR 0.1 million.

Expenses

The Group's total expenses, including insurance claims, amounted to EUR 45.3 million for first three months of 2008. In the first quarter of 2007 total expenses amounted to EUR 43.2 million reflecting an increase of 4.9% in the first quarter of 2008 compared to same time last year.

Operating expenses totalled EUR 16.5 million for the first quarter of 2008, 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 first quarter in 2008, compared with EUR 26.5 million for the same quarter in 2007. Claims costs were high in the quarter due to unfavourable external conditions, such as inclement winter weather in Iceland.

Operating results, financial expenses, and taxes

Loss before financial expenses amounted to EUR 29.2 million during the first three months of 2008, as opposed to a profit of EUR 624.8 million in the first three months of 2007.

Interest expenses totalled EUR 105.1 million in the first quarter of 2008, as compared with EUR 56.4 million in the first quarter of 2007, mainly as a result of increased borrowings between the first quarter of 2007 and the first quarter of 2008 in line with the growth of the balance sheet.

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. The gain is a result of the depreciation of the Icelandic króna during Q1 2008 as Exista's accounting currency is the euro and the company has a large part of its liabilities in Icelandic króna.

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 deferred income tax liability was dissolved in the first quarter of 2007.

17.3.2 Annual accounts 2005-2007

The following table shows Exista's audited consolidated income statement for the years ended 31 December 2007, 31 December 2006 and 31 December 2005. The table also shows translation to euro amounts for 2006 and 2005, solely for the convenience of the reader. The translation to euros for the year ended 31 December 2006 in the following discussion have not been audited but are translation figures as presented for comparison in the annual accounts for the year ended 31 December 2007. The translation to euros for 2005 have not been audited either but were translated to euros using the average mid exchange rate (78.14) for the Income Statement.

17.3.2.1 2007 vs. 2006

Exista's profit before tax in 2007 totalled EUR 525.7 million, as opposed to EUR 436.6 million in 2006. Profit after tax totalled EUR 573.9 million in 2007, as compared with EUR 426.7 million in the prior year. Earnings per share were 5.11 cents in 2007, up 19% from the previous year. Return on equity was 23% in 2007 compared with 27% in 2006.

In comparing revenues between years, it is worth noting that since the beginning of 2007 the equity method has been used to record the Group's strategic holdings in financial companies – that is, Sampo Group and Kaupthing Bank – whereas all strategic holdings were recorded at fair value in previous years. This change affects financial assets at fair value through profit or loss, financial assets held for trading, and share of profit in associates. Furthermore, as of 1 June 2006, the insurance company Vátryggingafélag Íslands hf. (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. The year 2007 was therefore Exista's first full year with the insurance and asset finance business included in the accounts.

Revenues

Total revenues amounted to EUR 961.5 million in 2007, as opposed to EUR 696.7 million for the prior year.

Financial assets at fair value yielded capital gains of EUR 0.8 million during 2007, as opposed to EUR 357.6 million in 2006. The reason for the drop between years is, on one hand, a loss on listed shares, which amounted to EUR 63.9 million in 2007

Income Statement	2007 Audited EUR million	% change	*2006 Unaudited translation EUR million	% change	**2005 Unaudited translation EUR million	2006 Audited ISK million	% change	2005 Audited ISK million
Financial assets designated at fair value	0.8	-99.8%	357.6	-42.9%	626.5	31,348	-36.0%	48,952
Financial assets held for trading	-46.3	n/a	129.0	950.0%	12.3	11,309	1,078.0%	960
Dividend	12.6	-84.0%	78.7	795.1%	8.8	6,902	904.7%	687
Interest revenue	91.2	81.3%	50.3	3,753.4%	1.3	4,411	4,224.5%	102
Insurance premium	129.0	75.3%	73.6	n/a	0.0	6,452	n/a	0
Share of profits of associates	756.2	n/a	0.0	n/a	0.0	0	n/a	0
Other revenues	17.9	135.5%	7.6	n/a	0.0	662	n/a	0
Total revenues	**961.5**	**38.0%**	**696.7**	**7.4%**	**648.8**	**61,083**	**20.5%**	**50,700**
Insurance claims	-104.4	78.2%	-58.6	n/a	0	-5,136	n/a	0
Operating expenses	-65.4	28.0%	-51.1	1529.8%	-3.1	-4,476	1,726.9%	-245
Total expenses	**-169.9**	**55.0%**	**-109.6**	**3,395.6%**	**-3.1**	**-9,613**	**3,823.7%**	**-245**
Profit before financial expenses	**791.7**	**34.8%**	**587.1**	**-9.1%**	**645.7**	**51,470**	**2.0%**	**50,455**
Interest expense	-350.3	236.5%	-104.1	128.4%	-45.6	-9,123	156.1%	-3,562
Net foreign exchange gain (loss)	84.3	n/a	-46.4	274.9%	-12.4	-4,067	320.6%	-967
Total financial expenses	**-266.0**	**76.7%**	**-150.5**	**159.7%**	**-58.0**	**-13,190**	**191.2%**	**-4,529**
Profit before tax	**525.7**	**20.4%**	**436.6**	**-25.7%**	**587.7**	**38,280**	**-16.6%**	**45,926**
Income tax	48.2	n/a	-9.9	n/a	56.2	-872	n/a	4,389
Profit for the period	**573.9**	**34.5%**	**426.7**	**-33.7%**	**643.9**	**37,409**	**-25.7%**	**50,315**
Earnings per share (cents)								
Basic	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31
Diluted	5.11	18.8%	4.30		10.63	***3.77	-54.6%	***8.31

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report at the average mid exchange rate of 87.67. The 2007 mid exchange rate was 87.6.

** Figures for 2005 in euros have not been audited and were converted at the average exchange rate 78.14.

*** ISK

compared with a gain of EUR 289 million in 2006. On the other hand it is the change in how the strategic long-term holding, Kaupthing Bank, was recorded in 2007. From the beginning of 2007 the equity method has been used to record the Group's holding in Kaupthing, whereas it was recorded at fair value in 2006.

The loss on financial assets held for trading totalled EUR 46.3 million for 2007 as opposed to a gain of EUR 129 million in 2006. This is mainly a result of loss on listed shares and bonds as the global turbulence in the second half of the year caused the market value of these assets to fall. However, during the fourth quarter of 2007, the trading unit reduced its short-term position-taking in the market and liquidated its portfolios ahead of the market decreases that occurred during the first quarter of the current year. This improves the risk profile of the Group, enhances liquidity, and reflects the increased emphasis on financial services as the core operations of the Group.

III

Dividend income totalled EUR 12.6 million for 2007, as opposed to EUR 78.7 million for 2006. The reason for the year-on-year drop is that the dividend for the Group's associate, Kaupthing Bank, is not recorded in the income statement. Instead, dividends of associated companies, which amounted to EUR 135 million in 2007, are recorded as a reduction in book value in the balance sheet.

Interest revenue, which is generated primarily by asset financing operations, totalled EUR 91.2 million during 2007, while interest revenue was EUR 50.3 million for the previous year. Asset financing activities were first included in the Group accounts in June 2006, which are operated through the subsidiary Lýsing.

Revenue from life and non-life insurance premiums totalled EUR 129.0 million during 2007. Insurance premium income amounted to EUR 73.6 million in 2006. Insurance premiums from the insurance companies, VÍS and Lífís, were included in the Group accounts for the first time in June 2006. The combined ratio for the Group was 99.5% in 2007 compared with 113.3% in 2006. This positive trend is mainly due to increased premiums tariffs and other measures taken in order to improve the profitability of the insurance operation.

Share in profit of associates totalled EUR 756.2 million for 2007. 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 quarterly financial statements.

Other revenues amounted to EUR 17.9 million for 2007 compared to EUR 7.6 million. The increase is mainly due to higher revenues from security services.

Expenses

Operating expenses totalled EUR 65.4 million in 2007, as opposed to EUR 51.1 million for the previous year. Rise in salaries and administrative expenses explain the majority of the increase. In 2007 the average number of Exista employees, including subsidiaries, was 433 but members of staff averaged 286 in 2006.

Life and non-life insurance claims, which were first included in the Group accounts in June 2006, totalled EUR 104.4 million in 2007, as opposed to EUR 58.6 million for the seven month period in 2006.

The Group's total expenses, including insurance claims, amounted to EUR 169.9 million for 2007. In 2006, however, total expenses were EUR 109.6 million, which reflects the cost impact that the addition of insurance and asset finance businesses has had on Group's operations.

Operating profit, financial expenses and taxes

Profit before financial expenses totalled EUR 791.7 million in 2007, as opposed to EUR 587.1 million in 2006. Interest expenses totalled EUR 350.3 million for the year, as compared with EUR 104.1 million in 2006. Increased interest expenses reflect the growth in the Group's balance sheet and funding.

Net foreign exchange gains amounted to EUR 84.3 million for 2007, against a loss of EUR 46.4 million in 2006. 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 rules, currency hedging against its investment in associates is now recorded in the Group accounts as a change in equity. The Group's currency hedging against its investments, such as Bakkavör Group (whose share capital is in the Icelandic króna), is on the other hand recognised in the income statement in accordance with IFRS.

Income tax was positive in the amount of EUR 48.2 million for 2007. The positive tax for 2007 is explained primarily by a deferred income tax liability that was dissolved in the first quarter

17.3.2.2 2006 vs. 2005

Exista's profit before tax in 2006 totalled ISK 38,280 million, as opposed to ISK 45,926 million in 2005. Profit after taxes totalled ISK 37,409 million in 2006, as compared with ISK 50,315 million in the previous year. Earnings per share were 3.77 króna for 2006, down 55% from the previous year. Return on equity was 27% in 2006 compared with 104% in 2005.

In comparing revenues between years, it is notable that important sources were added to the revenue stream as of June 2006. The income base is more diversified in 2006 than in 2005, reflecting the transformation of the company to a financial services group. Furthermore, the year 2005 was characterised by favourable market trends (the OMXI 15 was up by 67.5% in 2005), which benefited Exista as its main holdings at that time, Bakkavör Group and Kaupthing Bank, were both listed on the OMX ICE. Exista was also a very different company in 2005 compared to 2006 as there were very few employees with the company at that time and therefore overhead costs were very low.

Revenues

Total revenues amounted to ISK 61,083 million in 2006, as opposed to ISK 50,700 million for the year 2005.

Financial assets at fair value yielded capital gains of ISK 31,348 million during 2006, compared with ISK 48,952 million for the year before. The drop between years is due to smaller gain on listed shares, which amounted to ISK 25,333 million as opposed to ISK 48,122 million in 2005 as the Icelandic stock market increased substantially more in 2005 than in 2006. The OMXI 15 rose 67.5% in 2005 compared with 13.3% in 2006.

The gain on financial assets held for trading in 2006 totalled ISK 11,309 million, as opposed to a gain of ISK 960 million in 2005. This increase is mainly derived from gains on listed shares, which amounted to ISK 1,157 million in 2006 compared with ISK 528 million in 2005 as trading activity increased substantially between 2005 and 2006 with the establishment of Exista Trading unit in September 2006.

Dividend income totalled ISK 6,902 million for 2006, as opposed to ISK 687 million for 2005. This increase is largely due to an extraordinary dividend payment from Kaupthing in October, 2006. The dividends were paid with Exista shares, which were deducted from the Group's equity at year-end.

The Group's interest income, which is generated primarily by asset finance activities, totalled ISK 4,411 million during 2006, while interest income was ISK 102 million in 2005. The asset finance arm was included in the Group accounts as of 1 June 2006.

Life and non-life insurance premiums totalled ISK 6,452 million in 2006. The premiums from insurance underwriting were included in the Group accounts as of 1 June 2006 and therefore no comparison figure exists for 2005.

Expenses

Total expenses amounted to ISK 9,613 million during 2006, as opposed to ISK 245 million for the prior year. This reflects the substantial changes Exista underwent in the wake of its acquisition of VÍS Holding on 1 June 2006. Overhead cost was much lower in 2005 as staff members were considerably fewer than in 2006.

Insurance claims were included in the Group accounts as of 1 June 2006, totalling ISK 5,136 million for the seven-month period. Operating expenses for the year as a whole totalled ISK 4,476 million compared with only ISK 245 million in 2005, reflecting the substantially increased scope of Exista's operations following the addition of insurance and asset financing companies to the Group's operations.

Operating profit, financial expenses and taxes

The Group's profit before financial expenses for the year 2006 totalled ISK 51,470 million, as opposed to ISK 50,455 million in 2005. Interest expenses amounted to ISK 9,123 million during the year, as compared with ISK 3,562 million during 2005. Part of the increase between years, ISK 1,651 million, can be traced to the asset financing activities that were included in the Group accounts as of 1 June.

The foreign exchange difference was negative in the amount of ISK 4,067 million in 2006, which is due to the depreciation of the Icelandic króna during 2006, as part of Exista's liabilities were denominated in foreign currency while its accounting currency was the Icelandic króna.

Income tax totalled ISK 872 million for the year 2006 reflecting a 2.3% effective tax rate. Income tax in 2005, however, was positive in the amount of ISK 4,389 million. Following new tax planning, the Group restructured its foreign holding companies which hold its significant stakes in Bakkavör Group and Kaupthing Bank.

17.3.3 Turnover by activities

Exista's operation is based on two foundations: Financial Services and Investments. Financial Services are divided into subsidiaries, which are VÍS, Lífís and Lýsing and associates, which are Sampo Oyj and Kaupthing Bank hf. Investments are Exista's other shareholdings and investments in listed and unlisted companies. Among the Group's largest investments are Bakkavör Group hf., Skipti hf. and Storebrand ASA.

17.3.3.1 Q1 2008 vs. Q1 2007

The following table shows Exista's revenues and result for the period covering the first quarter of 2007 and 2008 segmented by the two main business categories in accordance with the reviewed condensed consolidated interim financial statement of Exista hf. for the 3-month period ending 31 March 2008.

Financial services

Financial services generated an after-tax profit of EUR 67.2 million in the first quarter of 2008. 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 in Q1 2008. 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 in Q1 2008. 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.

III

Investments

Investments recorded an after-tax loss of EUR 111.0 million during the first quarter of 2008. 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 as the share prices of Exista's main investments declined substantially due to the global financial turmoil during the first quarter of 2008. Interest income totalled EUR 5.1 million and other revenues EUR 4.3 million.

Segment Revenue and Result *(EUR million)*	Financial Services	Investments	Total Q1 2008	Total Q1 2007
Investment revenues	70.3	-116.0	-45.7	611.1
Insurance premium	28.8		28.8	35.2
Interest revenues	23.4	5.1	28.5	18.4
Other revenues	0.3	4.3	4.6	3.3
Total revenues	**122.7**	**-106.6**	**16.1**	**668.0**
Insurance claims	-28.8		-28.8	-26.5
Operating expenses	-12.6	-3.8	-16.5	-16.7
Total expenses	**-41.5**	**-3.8**	**-45.3**	**-43.2**
Profit (loss) before financial expenses	**81.3**	**-110.4**	**-29.2**	**624.8**
Financial items	-13.6	-3.1	-16.7	-27.3
Profit (loss) before tax	**67.7**	**-113.5**	**-45.9**	**597.5**
Income tax	-0.5	2.5	2.0	43.2
Profit (loss) for the period	**67.2**	**-111.0**	**-43.8**	**640.7**

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.

17.3.3.2 2005 - 2007

The following table shows Exista's revenues for the period covering 2005-2007 segmented by the two main business categories as they were defined in the reviewed condensed consolidated interim financial statement of Exista hf. for the 3-month period ending 31 March 2008. Exista's reporting of segment results have changed slightly from the last annual accounts, and subsequently the following presentation and discussion is based on management accounts. The following presentation and discussion is all in euros which became Exista's functional currency 1 January 2007, but prior to that it had been Icelandic króna. In the management accounts the Icelandic króna has been translated into euros based on the average mid exchange rate in 2005 and 2006, 78.14 and 87.67 respectively. Segment reporting only became relevant with the acquisition of VÍS Holding which became part of the group in June 2006, prior to that Exista's operations was the holding of relatively few investments and therefore segment reporting not applicable.

Segment revenues (management accounts EUR millions)	2007	2006	2005
Financial Services	1,010.2	528.4	n/a
Investments	-48.7	168.3	648.8
Total	961.5	696.7	648.8

The following table shows Exista's revenues and results for the period covering 2005-2007 based on the same premises as described above.

Financial services

Financial services generated an after-tax profit of EUR 688.9 million in 2007. The Group's total revenue from financial services for 2007 amounted to EUR 1,010.2 million. This includes insurance premiums of EUR 129.0 million, interest income of EUR 84.2 million, and investment revenue in the amount of EUR 795.4 million, which includes the profit from associates and accordingly Sampo's recorded gain from sale of its banking operation, this is partly offset by loss of Exista's proprietary trading activities in mainly listed shares.

Total expenses of financial services amounted to EUR 154.1 million in 2007. Of that amount, insurance claims were EUR 104.4 million and operating expenses EUR 49.6 million.

Profit before financial items was EUR 856.1 million and financial items totalled EUR -215.7 million in 2007. Therefore, the profit before tax totalled EUR 640.4 million for 2007.

The combined ratio for the Group was 99.5% in 2007. For the year 2007, operations at VÍS yielded an after-tax profit of EUR 126 million. The profit from operations of the asset finance arm totalled EUR 5.6 million for the year 2007, and return on equity was 9%.

Investments

Investments recorded an after-tax loss of EUR 114.9 million during for the year 2007. Investments comprise Exista's shareholdings and investments in listed and unlisted companies.

Investment revenue was negative in the amount of EUR 72.0 million as the share prices of Exista's main investments declined substantially due to the global financial turmoil in particular in the last quarter of 2007. Interest income totalled EUR 7.0 million and other revenues EUR 16.4 million.

Total expenses were EUR 15.8 million. Loss before financial items totalled EUR 64.4 million, while financial items amounted to EUR -50.3 million. Therefore, the total loss before tax amounted to EUR 114.7 million in 2007.

Financial services

Financial services generated an after-tax profit of EUR 319.3 million in 2006. The Group's total revenue from financial services for 2006 amounted to EUR 528.4 million. Interest income was EUR 47.7 million in 2006. Investment revenue was EUR 406.2 million, mainly attributable to the profit from Exista's stake in Kaupthing Bank. Insurance premium income amounted to EUR 73.6 million in 2006. Insurance premiums from the insurance companies, VÍS and Lífís, were included in the Group accounts for the first time in June 2006.

Segment Revenue and Result (management accounts, EUR m)	Financial Services	Investments	Total 2007	Total 2006
Investment revenues	795.4	-72.0	723.4	565.3
Insurance premium	129.0		129.0	73.6
Interest revenues	84.2	7.0	91.2	50.3
Other revenues	1.6	16.4	17.9	7.6
Total revenues	**1,010.2**	**-48.7**	**961.5**	**696.7**
Insurance claims	-104.4		-104.4	-58.6
Operating expenses	-49.6	-15.8	-65.4	-51.1
Total expenses	**-154.1**	**-15.8**	**-169.9**	**-109.6**
Profit (loss) before financial items	**856.1**	**-64.4**	**791.7**	**587.1**
Financial items	-215.7	-50.3	-266.0	-150.5
Profit (loss) before tax	**640.4**	**-114.7**	**525.7**	**436.6**
Income tax	48.4	-0.2	48.2	-9.9
Profit (loss) for the period	**688.9**	**-114.9**	**573.9**	**426.7**

Segment Revenue and Result (management accounts, EUR m)	Financial Services	Investments	Total 2006	Total 2005
Investment revenues	406.2	159.1	565.3	647.5
Insurance premium	73.6		73.6	
Interest revenues	47.7	2.6	50.3	1.3
Other revenues	0.9	6.7	7.6	
Total revenues	**528.4**	**168.3**	**696.7**	**648.8**
Insurance claims	-58.6		-58.6	
Operating expenses	-37.8	-13.2	-51.1	-3.1
Total expenses	**-96.4**	**-13.2**	**-109.6**	**-3.1**
Profit (loss) before financial items	**432.0**	**155.1**	**587.1**	**645.7**
Financial items	-101.8	-48.6	-150.5	-58.0
Profit (loss) before tax	**330.2**	**106.5**	**436.6**	**587.7**
Income tax	-10.9	0.9	-9.9	56.2
Profit (loss) for the period	**319.3**	**107.4**	**426.7**	**643.9**

Total expenses of financial services amounted to EUR 96.4 million in 2006. Of that amount, insurance claims were EUR 58.6 million and operating expenses EUR 37.8 million.

Profit before financial items was EUR 432.0 million and financial items totalled EUR -101.8 million in 2006. Therefore, the profit before tax totalled EUR 330.2 million for 2006.

The combined ratio for the Group was 115% in 2006. For the year 2006, operations at VÍS yielded an after-tax profit of EUR 58.0 million. The profit from operations of the asset finance arm totalled EUR 11.5 million for the year 2006, and return on equity was 28%.

Investments

Investments recorded an after-tax profit of EUR 107.4 million during for the year 2006. Investments comprise Exista's shareholdings and investments in listed and unlisted companies.

Investment revenue was EUR 159.1 million as the share prices of Exista's main investments increased in a favourable market conditions. Interest income totalled EUR 2.6 million and other revenues EUR 6.7 million.

Total expenses were EUR 13.2 million. Profit before financial items totalled EUR 155.1 million, while financial items amounted to EUR -48.6 million. Therefore, the total profit before tax amounted to EUR 106.5 million in 2006.

17.3.4 Turnover by geographical markets

The geographical markets that Exista operates in are defined as northern Europe. Exista has had immaterial operations outside northern Europe for the period between 2005 and 31 March 2008. This is true for both turnover and asset held, which gives a better understanding of the geographical split of Exista's operation. For further information, the following is a breakdown of all of Exista's assets by geographical location where Northern Europe has been split into Iceland, the Nordic Countries and the United Kingdom (UK). The exposure to Ireland, Estonia, Latvia and Lithuania is negligible. The split is based on the main market in which the asset operates or the location of the asset when the asset has a limited operational exposure outside its location. The diversification has increased between Iceland and Scandinavia and reduced the exposure to Iceland that existed in 2005 and 2006.

Breakdown of Assets by gegraphical locations

	Iceland	Scandinavia	UK	Total	Other
31 Mar 2008	49%	44%	5%	98%	2%
31 Dec 2007	49%	41%	8%	98%	2%
31 Dec 2006	72%	13%	13%	98%	2%
31 Dec 2005	88%	1%	10%	99%	1%

17.4 BALANCE SHEET – STATUTORY ACCOUNTS

The following table shows Exista's reviewed condensed consolidated balance sheet at 31 March 2008 and Exista's audited consolidated balance sheet at 31 December 2007.

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17.4.1 Interim account 31 March 2008

Balance Sheet	31 Mar 08		31 Dec 07
(EUR millions)	Reviewed	% change	Audited
Financial assets at fair value through profit or loss	1,017.2	-9.5%	1,123.4
Financial assets held for trading	168.8	-19.7%	210.2
Loans and receivables	782.8	-0.3%	785.0
Goodwill and other intangible assets	352.9	-24.8%	469.4
Investments in associates	4,439.8	-6.3%	4,737.6
Reinsurance assets	10.1	0.0%	10.1
Investment properties	52.1	-25.7%	70.1
Property and equipment	21.4	-22.5%	27.6
Cash and equivalents	485.5	-14.5%	567.6
Other assets	28.9	204.2%	9.5
Total Assets	**7,359.5**	**-8.1%**	**8,010.5**
Share capital	143.5	19.0%	120.6
Reserves	722.0	-1.9%	736.3
Retained earnings	1,467.7	-2.9%	1,511.3
Equity attributable to equity holders of the Parent	**2,333.2**	**-1.5%**	**2,368.1**
Minority interest	0.3	-50.0%	0.6
Total Equity	**2,333.5**	**-1.5%**	**2,368.7**
Borrowings	4,364.3	-14.8%	5,123.7
Hybrid securities	255.4	2.2%	250.0
Technical provision	192.6	-13.0%	221.5
Deferred income tax liability	10.6	-43.6%	18.8
Other liabilities	203.1	630.6%	27.8
Total Liabilities	**5,026.0**	**-10.9%**	**5,641.8**
Total Equity and Liabilities	**7,359.5**	**-8.1%**	**8,010.5**

17.4.2 Annual accounts 2005 - 2007

The following table shows Exista's audited consolidated balance sheet at 31 December 2007, 31 December 2006 and 31 December 2005. The table also shows translation to euro amounts for 2006 and 2005, solely for the convenience of the reader. The translation to figures in euros for 31 December 2006 in the following discussion have not been audited but are a translation of the audited year ending 31 December 2006 figures as presented for comparison in the annual accounts for the year ending 31 December 2007. The translation to euros for 2005 has not been audited either but were translated to euros using the mid year-end exchange rate (74.70) for the Balance Sheet

Balance Sheet	31 Dec 2007 Audited EUR million	% change	*31 Dec 2006 Unaudited translation EUR million	% change	**31 Dec 2005 Unaudited translation EUR million	31 Dec 2006 Audited ISK million	% change	31 Dec 2005 Audited ISK million
Financial assets at fair value through profit or loss	1,123.4	-50.6%	2,272.7	14.2%	1,990.2	215,019	44.6%	148,667
Financial assets held for trading	210.2	-74.9%	837.0	725.0%	100.4	79,191	944.9%	7,499
Loans and receivables	785.0	11.5%	703.8	n/a	0.0	66,591	n/a	0
Goodwill and other intangible assets	469.4	1.0%	464.8	n/a	0.0	43,976	n/a	0
Investments in associates	4,737.6	n/a	0.0	n/a	0.0	0	n/a	0
Reinsurance assets	10.1	-36.1%	15.8	n/a	0.0	1,498	n/a	0
Investment properties	70.1	n/a	0.0	n/a	1.1	0	n/a	80
Property and equipment	27.6	126.2%	12.2	802.3%	1.4	1,154	1,042.6%	101
Cash and equivalents	567.6	645.9%	76.1	14.5%	66.5	7,198	45.0%	4,965
Other assets	9.5	-24.6%	12.6	100.3%	6.3	1,194	154.0%	470
Total Assets	**8,010.5**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**
Share capital	120.6	7.4%	112.3	-3.5%	116.3	10,629	22.3%	8,689
Reserves	736.3	2.2%	720.7	177.8%	259.4	68,187	251.9%	19,378
Retained earnings	1,511.3	42.4%	1,061.3	16.5%	910.8	100,407	47.6%	68,037
Equity attributable to equity holders of the Parent	2,368.1	25.0%	1,894.3	47.2%	1,286.5	179,223	86.5%	96,104
Minority interest	0.6	-89.8%	5.9	n/a	0.0	556	n/a	0
Total Equity	**2,368.7**	**24.7%**	**1,900.2**	**47.7%**	**1,286.5**	**179,779**	**87.1%**	**96,104**
Borrowings	5,123.70	134.7%	2,183.0	149.0%	876.8	206,534	215.3%	65,499
Hybrid securities	250		0.0	n/a	0.0	0	n/a	0
Technical provision	221.5	-1.1%	223.9	n/a	0.0	21,180	n/a	0
Deferred income tax liability	18.8	-68.8%	60.2	12,748.4%	0.5	5,697	16,177.1%	35
Other liabilities	27.8	0.0%	27.8	1,342.1%	1.9	2,630	1,726.4%	144
Total Liabilities	**5,641.80**	**126.1%**	**2,494.9**	**183.8%**	**879.2**	**236,042**	**259.4%**	**65,678**
Total Equity and Liabilities	**8,010.50**	**82.3%**	**4,395.1**	**102.9%**	**2,165.8**	**415,821**	**157.0%**	**161,782**

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report at the year-end mid exchange rate of 94.61. The 2007 year-end mid exchange rate was 91.18.

** Figures for 2005 in euros have not been audited and were converted at year-end mid exchange rate 74.70

17.4.3 Assets

17.4.3.1 31 March 2008 vs. 31 December 2007

Exista's total assets amounted to EUR 7,359 million as of 31 March 2008, a decrease of EUR 651 million or 8.1% since the beginning of the year. Unfavourable conditions on the equity markets where Exista is exposed and the devaluation of the Icelandic króna characterised the first quarter of 2008.

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, which is a 5% increase from the beginning of the year, this is the result of Skipti being listed and thereby offsetting the unfavourable price movements of large investments. Consequently, unlisted companies totalled EUR 125 million at the end of March, down from EUR 273.8 million at the beginning of the year, because of Skipti's listing.

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Listed shares	Share %	Nominal value	Closing price	31 Mar 2008 EUR million	31 Dec 2007 EUR million
Bakkavör Group hf.	39.63%	855,151,478	ISK 41.30	291.2	548.5
Storebrand ASA	8.69%	39,097,164	NOK 40.10	195.0	278.3
SPRON hf.	4.26%	231,135,934	ISK 4.29	7.5	21.3
*Skipti hf.	96.69%	7,254,061,329	ISK 6.64	397.2	0.0
Other	-	-	-	1.2	1.5
Total listed shares				**892.1**	**849.6**

* Skipti hf. was listed on the OMX ICE on 19 March 2008. The Board of Directors of Exista hf. decided on 19 March 2008 to submit a voluntary takeover bid for the entire share capital of Skipti hf. Exista hf. offered ISK 6.64 a share which is the same price as in the completed Skipti share offering.

Prior to the take over bid, Exista owned 43.68% and at the end of Q1 the Group had acquired additional 53.01% and owns a total of 96.69% in Skipti.

Financial assets held for trading, which consist mainly of the technical provisions of the insurance operations, totalled EUR 169 million at the end of March 2008. This was EUR 41 million less than at the beginning of the year, which is mainly due to sale of financial assets and the devaluation of the Icelandic króna.

Loans and receivables totalled EUR 783 million at the end of March 2008, 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 of 2008, 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. The decrease is due to the depreciation of the Icelandic króna during the first three months of 2008 as the goodwill is in Icelandic króna but Exista's functional currency is the euro.

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.

Changes in investments in associates	31 Mar 2008	31 Dec 2007
At the beginning of the year	4,737.6	0.0
Purchases of shares in associates	51.0	2,083.0
Transfers	49.1	1,995.3
Share of results for the period	64.6	756.2
Dividend	-28.8	-135.4
Net foreign currency exchange difference	-433.7	38.5
Investment in associates at period-end	**4,439.8**	**4,737.6**

Investment in Associates	Nominal value	Incorporation	Ownership	Principal Activity	Market Value 31 Mar 2008
Kaupthing banki hf.	183,264,688	Iceland	24.75%	Banking	1,213.4
Sampo Oyj	115,607,679	Finland	19.98%	Fin.services	1,982.7
Other	–	–	–	–	3.8
Total Associates					**3,199.9**

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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. At the end of Q1 2008 it was assessed whether the Group's investment in associates were impaired by comparing their carrying amount with their recoverable amount. Because the goodwill included in the carrying amount of an investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36, Impairment of Assets. Instead, the entire carrying amount of the investment is tested under IAS 36 for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. The impairment test concluded that there was no need for impairment of those assets.

Sampo Oyj announced on 7 May 2008 that the board of Sampo Oyj had decided to cancel 6,715,000 Sampo A shares which had been repurchased during 2007 and between January and March 2008. The cancellation reduced the number of Sampo A shares by the corresponding amount but had no effect on the share capital. Exista has been authorised by the Finnish Insurance Supervisory Authority to hold up to 20% of the share capital in Sampo. Exista announced on 16 May 2008 that its holding in Sampo remained at 19.98% following the cancellation of the A shares after Exista had divested 1,350,000 Sampo A shares and cancelled an equity swap agreement in order to maintain its holding at 19.98% of total issued share capital in Sampo, following the cancellation of shares. Exista's holding in Sampo remains the same as of 29 May 2008.

Reinsurance assets totalled EUR 10.1 million as of 31 March 2008 with no change in the total amount from the beginning of the year. Investment properties totalled EUR 52 million at the end of March 2008, down from EUR 70.1 million at the beginning of the year, which is mainly due to the depreciation of the Icelandic króna as the properties are denominated in Icelandic króna but Exista's accounting currency is the euro.

Other properties and equipment amounted to EUR 21 million at the end of the quarter in 2008 compared with EUR 27.6 million at the beginning of the year. The decrease is a result of the deprecation of the Icelandic króna during the first three months of 2008.

Cash and equivalents amounted to EUR 485 million as of 31 March 2008 compared with EUR 567.6 at the end of 2007. Other assets totalled EUR 29 million at the end of March 2008 compared with EUR 9.5 million at the end of December 2007.

17.4.3.2 31 December 2007 vs. 31 December 2006

Exista's total assets amounted to EUR 8,010 million as of 31 December 2007, an increase of EUR 3,615 million, or 82%, over the prior year.

Listed shares	Share %	Nominal value	Closing price	31 Dec 2007 EUR milion	31 Dec 2006 EUR million
*Kaupthing bankihf.	–	–	–	0.0	1,515.1
Bakkavör Group hf.	39.63%	855,151,478	ISK 58.50	548.5	545.8
**Storebrand ASA	8.69%	39,097,164	NOK 56.70	278.3	0.0
***SPRON hf.	4.26%	213,135,934	ISK 9.13	21.3	0.0
Other	–	–	–	1.5	4.4
Total listed shares				**849.6**	**2,065.2**

* The investment in Kaupthing bank hf. has been accounted for using the equity method since 1 January 2007 and classified as investment in associates since

** The investment in Storebrand was recorded in Financial assets held for trading in 2006

*** SPRON hf. was listed on the OMXI on 23 October 2007

Financial assets at fair value totalled EUR 1,123 million at the end of 2007. This is a decrease of EUR 1,149 million, or 51%, 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 in 2006, but is recorded as an associate using the equity method.

Financial assets held for trading, which at the end of 2007 consisted mainly of assets managed as part of the insurance operations, totalled EUR 210 million at the end of 2007. This is roughly EUR 627 million less than at the end of 2006 as Exista's proprietary trading was part of the assets held for trading at the end of 2006 but Exista ceased its proprietary trading before the end of 2007.

Investment in Associates	Nominal value	Incorporation	Ownership	Principal Activity	Market Value 31 Dec 2007
Kaupthing banki hf.	170,439,413	Iceland	23.02%	Banking	1,644.6
Sampo Oyj	115,607,679	Finland	19.98%	Fin.services	2,090.2
Other					10.5
Total Associates					**3,745.3**

Loans and accounts receivable totalled some EUR 785 million at the end of 2007, up 12% since year-end 2006 and are mostly due to the Group's asset financing activities. Asset financing agreements and loans totalled EUR 694 million at the end of the year.

The Group's goodwill, valued at EUR 469 million at the end of 2007, is due to the purchase of insurance and asset financing businesses in 2006. Goodwill accounts for less than 6% of total assets and has been tested for impairment.

Holdings in associated companies were valued at EUR 4,738 million at the end of 2007. A substantial portion of these holdings is the Group's stakes in the financial services companies Sampo Group and Kaupthing Bank but Exista acquired close to a 20% stake in Sampo Group in 2007. In Exista's accounts, the book value of these assets was EUR 992 million above market value, according to the market price of 31 December 2007. At year-end it was assessed whether the Group's investment in associates should be subject to impairment by comparing their carrying amount with their recoverable amount (higher of value in use and fair value less cost to sell). The impairment test concluded that there was no need for impairment of those assets.

Reinsurance assets, which are part of technical provisions that are expected to be paid by reinsurers, totalled EUR 10 million at the end of 2007 compared with EUR 15.8 million in 2006. The decrease between years is the result of Exista's restructuring of its insurance operations. Part of that was making the reinsurance policy more efficient, which resulted in paying less to the reinsurers and that, in turn decreased the reinsurers' share in the Group's technical provision. However, the reinsurers' share in the Group's future losses will thus be less and thereby increasing Exista's underwriting risk.

Investment properties totalled EUR 70 million, and other properties and equipment amounted to EUR 28 million at the end of 2007. Other assets totalled EUR 10 million at year-end 2007 compared with EUR 12.6 million the year before. Cash and cash equivalents amounted to EUR 568 million at the end of 2007 as opposed to EUR 76 million in 2006, which reflects the emphasis Exista has placed on a strong liquidity position.

17.4.3.3 31 December 2006 vs. 31 December 2005

Exista's total assets amounted to ISK 415.8 billion at year-end 2006, which is an increase of ISK 254 billion from the previous year. The balance sheet doubled in size as a result of the acquisitions of insurance companies during the year and increased trading activity.

Financial assets at fair value totalled ISK 215 billion at year-end 2006, an increase of 45% since the year before. The increase is in listed shares, which accounted for ISK 195.4 billion, mainly in Kaupthing Bank and Bakkavör Group. Other shares accounted for ISK 19.6 billion, of which the largest shareholding was in Síminn (Iceland Telecom), recognised at the purchase price in July, 2005.

Financial assets held for trading amounted to ISK 79.2 billion at the end of 2006, having increased by ISK 71.6 billion during the year as Exista Trading was established in September 2006. A part of the increase can be explained by the inclusion of insurance companies and technical provisions in the Group accounts. However, the vast majority of financial assets held for trading, or ISK 73.5 billion, is listed shares, bonds and funds.

Loans and receivables totalled ISK 66.6 billion at year-end 2006, most of which is due to Lýsing's asset financing activities. In all, asset financing agreements totalled ISK 60 billion at the end of 2006.

The Group's goodwill was valued ISK 44 billion at year-end 2006, which is due to Exista's acquisition of VÍS Holding, including the asset finance company Lýsing.

Reinsurance assets amounted to ISK 1.5 billion at year-end 2006 but there were none in 2005 as the insurance business was only included as of June 2006. Properties and equipment amounted to ISK 1.2 billion at year-end 2006 compared with ISK 0.1 billion at the end of 2005. The increase between years is mainly a result of acquisitions of properties and equipment through business combinations in the net amount of ISK 567 million and ISK 485 million respectively. Cash and equivalents totalled ISK 7.2 billion at year-end 2006.

17.4.4 Liabilities

17.4.4.1 31 March 2008 vs. 31 December 2007

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 compared with EUR 250 million at the beginning of the year.

Technical provisions totalled EUR 193 million and decreased by EUR 29 million over the three month period. Technical provisions are the sum of premium provisions and claims provisions. Premium provisions are the part of the premium and reinsurance premium collected but related to subsequent financial years. Claims provisions are amounts set aside for claims incurred but not paid before the balance sheet date. They are estimated by claims history and are adjusted for cost of claims and claims incurred. Then the estimated salvage value of the damaged assets is subtracted.

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.

Other liabilities amounted to EUR 203.1 million at the end of the first quarter of 2008 compared with EUR 27.8 million at the beginning of the year. Other liability consists mainly of unsettled transactions.

17.4.4.2 31 December 2007 vs. 31 December 2006

Exista's total liabilities amounted to EUR 5,642 million as of 31 December 2007, an increase of EUR 3,147 million since the beginning of the year. In broad terms, Exista's liabilities consist mainly of borrowings and technical provisions.

Borrowings totalled EUR 5,124 million at the end of 2007, an increase of approximately EUR 2,941 million since the beginning of the year. The majority of this funding was to finance the investment in Sampo Group. A more detailed discussion on Exista's funding during the year is in the chapter below, Capital Resources.

In the fourth quarter of 2007, Exista issued a hybrid security, Preferred Equity Certificates (PEC), in the amount of EUR 250 million. These certificates rank prior only to share capital but are subordinated to all other present and future obligations of the Group, whether secured or unsecured. The PEC's are issued for indefinite time and have as such no maturity date. They bear interest which accrues over the life of the instrument and are only payable should they be redeemed.

Technical provisions totalled EUR 222 million at the end of the year, after having decreased by roughly EUR 2 million since the beginning of the year.

The Group's deferred income tax liability amounted to EUR 19 million at the end of 2007, as opposed to EUR 60 million at the beginning of the year. In line with the ongoing tax planning of the Group, strategic assets were transferred between subsidiaries during the year, resulting in a positive income tax in the Income Statement and lowering the deferred tax liability.

17.4.4.3 2006 vs. 2005

Total liabilities amounted to ISK 236 billion at year-end 2006, up by ISK 170.3 billion from the beginning of the year.

Borrowings totalled ISK 206.5 billion at the end of 2006, an increase of ISK 141 billion over the year. Of that total, the borrowings of the asset finance company Lýsing amounted to ISK 55 billion. The Group has engaged in substantial marketing efforts in order to diversify its funding sources and enhance its access to international capital markets. The Group raised ISK 91 billion in new funding during the year, derived from syndicated and bilateral loans, bonds and commercial paper, among other sources.

Technical provisions totalled ISK 21.2 billion as of 31 December 2006, but the Group had no technical provisions at the beginning of the year. Deferred income tax liability amounted to ISK 5.7 billion at year-end 2006 compared with ISK 0.04 billion at the end of 2005. The increase is primarily related to VÍS Holding's acquired deferred tax liability.

17.4.4.4 Capital resources

Exista places great emphasis on dynamic funding operations and a strong liquidity position. Since acquiring its insurance and assets finance businesses in mid-year 2006, the Group has been systematically developing its funding operations as a financial services group. The funding structure has been centralised for the entire Group, funding sources have been expanded, maturities extended and focus shifted from secured to unsecured funding.

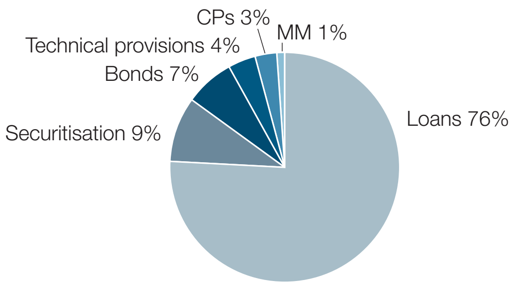
Funding and liquidity strategy

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

Funding operations

The year 2007 was an active one in terms of funding and refinancing for the Group. During the course of the year, a total of EUR 4.3 billion was raised through various financing arrangements. In addition, agreements for EUR 450 million in committed credit lines were completed. Exista utilised a wide variety of funding instruments, including syndicated loans, securitisation, bond issues, repo transactions, and commercial paper. Loans have been playing increased role in Exista's funding. As of 31 March 76% of outstanding liabilities were in the form of loans, including bilateral loan agreements and syndicated loans, as compared to nearly 70% at year-end 2007 and nearly 60% at the end of 2006. As of 31 March 2008 the breakdown of funding sources was as shown in the chart below.

Breakdown of Funding sources
31 March 2008



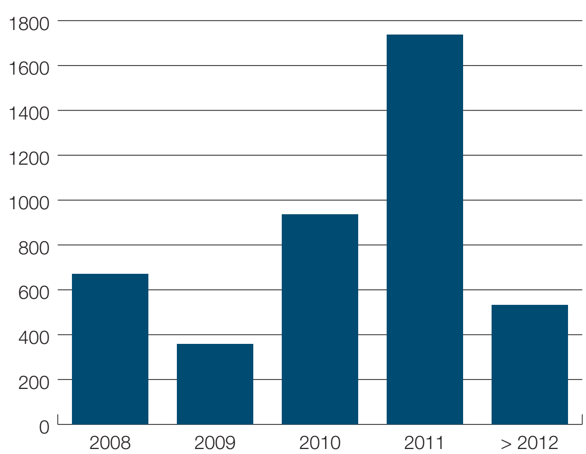
Diversification

During 2007, Exista concluded two major international funding transactions that substantially broadened the Group's creditor base. In August, Exista signed a EUR 500 million senior unsecured credit facility, which was substantially oversubscribed by 27 banks from 12 countries, and in September, Exista completed a EUR 500 million asset-backed securitisation facility. The transaction, which is backed by a part of the Group's asset finance portfolio, has a ten-year maturity and is effectively a securitisation platform that can be expanded along with the growth of the portfolio.

Extension of maturity profile

In 2007, Exista placed emphasis on raising term funding, that is, liabilities with a maturity of three years or longer in order to extend its maturity profile. The EUR 4.3 billion raised during the year has an average maturity of 3.7 years, compared to an average maturity of 1.8 years in 2006. As of 31 March 2008 maturing debt in 2008 and most of 2009 have already been funded and redemption profile remains light until 2011, bringing the average maturity of 3.1 years on 31 March 2008:

Maturity Profile at end of Q1 2008



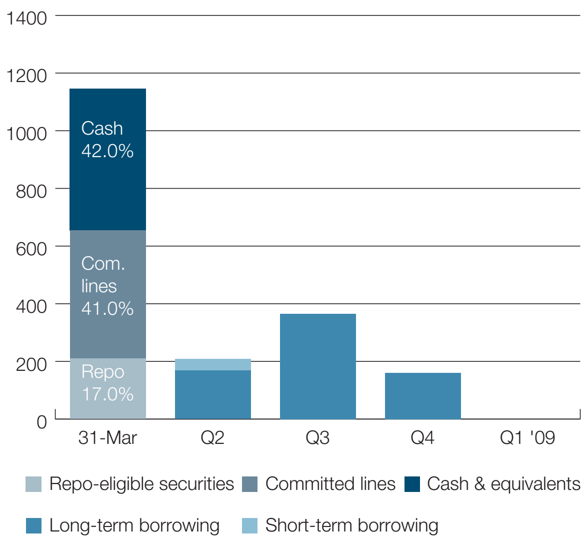
Maintenance of strong liquidity

As a wholesale funded entity, Exista maintains a conservative liquidity policy. Exista secured committed liquidity lines in the amount of EUR 450 million before year-end 2007, in order to support the Group's objective of maintaining strong liquidity at all times.

Liquidity management

Maintaining a solid liquidity position is central to Exista's funding policy. Internal liquidity requirements demand that, at a minimum, committed liquidity sources cover all obligations maturing within 26 weeks. Furthermore, internal requirements also demand that all debt maturing within 52 weeks be covered with the addition of other liquidity sources.

Commited Liquidity at end of Q1 2008



At the end of the first quarter of 2008, the Group's committed liquidity covered 89 weeks of refinancing obligations, compared to 50 weeks at year-end 2007. 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 March was composed of 42% cash, 41% committed lines and 17% repo-eligible securities.

III

Currency risk management

On 1 January 2007 the accounting currency of the Group was changed from the Icelandic króna to the euro. The Group undertakes certain transactions denominated in currencies other than its accounting currency, including the Norwegian krone, the US dollar, the Japanese yen and the Icelandic króna. Currency exposure is managed with asset and liability matching. Derivative financial instruments (primarily currency forwards) are also used to hedge risks associated with currency fluctuations relating to certain firm commitments and forecasted transactions. For investments in associates and unlisted assets, the accounting currencies of the underlying assets are used in the currency balance. For listed equities, the currency of the primary listing is used.

The net carrying amounts of the Group's currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

Net Position (amounts in EUR millions)	2007	2006
EUR	-627.5	-35.3
NOK	301.8	59.8
USD	119.0	-14.4
JPY	106.0	-38.7
ISK	98.4	303.8
Other	3.8	-198.4

In 2006 the accounting currency of the Group was the Icelandic króna (ISK). Figures have been converted to euros (EUR) on the basis of the 2006 EUR/ISK exchange rate at year-end (94.61).

17.4.5 Equity and changes in equity

17.4.5.1 Q1 2007 and Q1 2008

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. During the first quarter of 2008, a negative exchange difference net of currency hedging of EUR 223.4 million was recognised as change in equity. The exchange difference arises since some of the subsidiaries and associates have a different reporting currency from Exista hf.

The Board of Exista decided to exercise 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%.

The following table shows changes in equity from beginning of 2007 to 31 March 2007 and from the beginning of 2008 to 31 March 2008 according to the reviewed condensed consolidated statement of changes in Equity for the period 1 January to 31 March 2008 forming part of the condensed consolidated interim financial statements of Exista for the first quarter of 2008.

Changes in Equity (EUR m)	Share capital	Reserves	Retained Earnings	Minority Interest	Total Equity
Equity at 1 Jan 2007	112.3	720.7	1,061.3	5.9	**1,900.2**
Change in minority interest				-1.2	**-1.2**
Issue of share capital	5.9	139.7			**145.6**
Payment of dividends			-123.7		**-123.7**
Profit for the period			640.7	-0.1	**640.6**
Net buy back of own shares	2.3	55.1			**57.4**
Exchange difference arising on translation of foreign operation		24.4			**24.4**
Equity at 31 Mar 2007	**120.6**	**939.9**	**1,578.3**	**4.6**	**2,643.4**
Equity at 1 Jan 2008	120.6	736.3	1,511.3	0.6	**2,368.7**
Change in minority interest				-0.1	**-0.1**
Issue of share capital	23.0	209.2			**232.2**
Payment of dividends					**0.0**
Loss for the period			-43.6	-0.2	**-43.8**
Exchange difference arising on translation of foreign operation		-223.4			**-223.4**
Equity at 31 Mar 2008	**143.5**	**722.0**	**1,467.7**	**0.3**	**2,333.5**

17.4.5.2 2005-2007

The Group's equity totalled EUR 2,369 million as of 31 December 2007, an increase of EUR 469 million, or 25%, since year-end 2006, based on comparative figures from Exista's annual accounts for the year ending 31 December 2007 which have been translated to euros using the exchange rate at 31 December 2006 (94.61). The Group's equity totalled ISK 179,779 million as of 31 December 2006, an increase of ISK 83,675 million, or 87%, since year-end 2005. The Group's equity ratio was 29.6% as of 31 December 2007 compared with 43.2% and 59.4% in 2006 and 2005 respectively.

Dividend payments were made each year. Dividend payments are made in Icelandic króna. On 30 April 2007 Exista paid ISK 1.0 per share, a total dividend of ISK 10,838 million (EUR 123,7 million). On 21 April 2006 Exista paid ISK 0.58 per share, a total dividend of ISK 5,000 million (EUR 57 million). In 2005 Exista paid ISK 0.17 per share, a total dividend of ISK 1,000 million (EUR 12.8 million).[38]

As of 1 January 2007, the accounting currency was changed from the Icelandic króna to the euro. The Group undertakes certain transactions denominated in currencies other than its accounting currency, including the Norwegian krone, the US dollar, the Japanese yen and the Icelandic króna. These transactions are related primarily to the Group's strategic holdings that are not accounted for in euros. This has led to changes in the Group's currency hedging against its investment in associates. In accordance with IFRS hedge accounting rules, currency hedging is also recorded in the Group accounts as a change in equity. During 2007, a negative exchange difference of EUR 165 million was recognised as change in equity.

The table below shows changes in equity from beginning of 2005 to year-end 2006 in Icelandic króna according to the audited consolidated statement of changes in Equity for the year 2006 presented in Exista's audited annual accounts for the year ending 31 December 2006.

The following table on next page show changes in equity from the beginning of 2005 to the end of 2007 in euros. The following table shows changes in equity for the period from 1 January 2006 to 31 December 2007 according to Exista's consolidated statement of changes in equity as presented in the audited annual accounts for the year ending 31 December 2007. The table also shows translation to euro amounts of changes in equity for the period from 1 January 2005 to 31 December 2005 and for the period from 1 January 2006 to 31 December 2006, solely for the convenience of the reader. The translation to figures in euros for 31 December 2006 in the following discussion have not been audited but are a translation of the audited year ending 31 December 2006 figures as presented for comparison in the annual accounts for the year ending 31 December 2007. The translation to euros for 2005 have not been audited either but were translated to euros using the year-end exchange rate (74.70) for the consolidated statement of changes in equity.

Changes in Equity (ISK million)	Share capital	Reserves	Retained Earnings	Minority Interest	Total Equity
Equity at 1 Jan 2005	6,040	927	19,374	0	26,340
Issue of share capital	2,649	17,351			20,000
Payment of dividends			-1,000		-1,000
Translation difference		449			449
Statutory reserve		651	-651		0
Profit for the year			50,315		50,315
Equity at 31 Dec 2005	**8,689**	**19,377**	**68,037**	**0**	**96,104**
Change in minority interest				652	652
Issue of share capital	2,150	53,085			55,235
Payment of dividends			-5,000		-5,000
Translation out		135	-135		0
Profit for the year			37,505	-96	37,409
Net buyback of own shares	-210	-4,410			-4,620
Equity at 31 Dec 2006	**10,629**	**68,187**	**100,407**	**556**	**179,779**

38 Figures have been converted to euros (EUR) on the basis ot the average mid exchange rate for the corresponding year: 2007 EUR/ISK (87.60), 2006 EUR/ISK (87.67) and 2005 EUR/ISK (78.14)

Changes in Equity (EUR million)	Share capital	Reserves	Retained Earnings	Minority Interest	Total Equity
Equity at 1 Jan 2005	80.9	12.4	259.4		352.6
Issue of share capital	35.5	232.3			267.7
Payment of dividends			-13.4		-13.4
Translation difference		6.0			6.0
Statutory reserve		8.7	-8.7		0.0
Profit for the year			673.6		673.6
Equity at *31 Dec 2005	**116.3**	**259.4**	**910.8**	**0.0**	**1,286.5**
Equity at 1 Jan 2006	91.8	204.8	719.1	0.0	1,015.8
Change in minority interest				6.9	6.9
Issue of share capital	22.7	561.1			583.8
Payment of dividends			-52.8		-52.8
Translation out		1.4	-1.4		0.0
Profit for the year			396.4	-1.0	395.4
Net buyback of own shares	-2.2	-46.6			-48.8
Equity at **31 Dec 2006	**112.3**	**720.7**	**1,061.3**	**5.9**	**1,900.3**
Change in minority interest				-5.5	-5.5
Issue of share capital	5.9	139.7			145.6
Payment of dividends			-123.7		-123.7
Profit for the year			573.7	0.2	573.9
Net sale of own shares	2.3	54.9			57.1
Changes in equity of associates		-14.0			-14.0
Exchange difference arising on translation of foreign operation		-165.0			-165.0
Equity at 31 Dec 2007	**120.6**	**736.3**	**1,511.3**	**0.6**	**2,368.7**

* Figures for 2005 in euros have not been audited and were converted at the mid year-end exchange rate of 74.70

** Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report and were translated to euros at the mid year-end exchange rate in 2006 of 94.61

17.5 CASH FLOW STATEMENTS - STATUTORY ACCOUNTS

The following tables contain the audited consolidated cash flow statement for Exista as of 31 December 2007, 2006 and 2005 for comparison and the reviewed cash flow statement as of 31 March 2008 and 31 March 2007.

17.5.1 Interim cash flow statements for 2007 and 2008

The following table shows Exista's reviewed condensed consolidated cash flow statement for the period 1 January to 31 March 2008 and 1 January to 31 March 2007 for comparison. The first quarter of 2008 was characterised by repayment of debt and the first quarter of 2007 was characterised by the substantial acquisition of a stake in Sampo Oyj.

Cash Flow	Q1 2008	Q1 2007
(EUR millions)	Reviewed	Reviewed
Net cash generated by operating activities	73.6	60.0
Net cash (used in) generated by investing activities	49.4	-1,358.6
Net cash (used in) generated by financing activities	-184.1	1,311.0
Net increase (decrease) in cash and equivalents	**-61.1**	**12.4**
Cash and equivalents at the beginning of the period	576.6	76.1
Effects of foreign exchange rate changes	-21.0	0.0
Cash and equivalents at the end of the period	**485.5**	**88.4**

17.5.2 Annual cash flow statements for 2005-2007

The following table shows Exista's audited consolidated cash flow statement for year ended 31 December 2007, 31 December 2006 and 31 December 2005. The table also shows translation of 2006 and 2005 to euro amounts, solely for the convenience of the reader. The translation to euros for the year ended 31 December 2006 in the following discussion have not been audited but are a translation of the year ending 31 December 2006 figures as presented for comparison in the annual accounts for the year ending 31 December 2007. The translation to euros for 2005 have not been audited either but were translated to euros using the average mid exchange rate (78.14) for the cash flow statement. The Company generated EUR 180 million in cash from operations in 2007 and nearly doubled the cash generated in 2006. Net cash used in investing activities amounted to EUR 2,465 million in 2007, which consists mainly of the investment in Sampo Oyj. The net increase in cash was EUR 492 million compared with EUR 24 million in 2006 and EUR 48 million in 2005, reflecting the company's emphasis on preserving liquidity in current market conditions. Further information on Exista's cash flow can be found in the chapter above, Capital Resources.

Cash Flow	2007 *Audited* *EUR million*	*2006 *Unaudited translation* *EUR million*	**2005 *Unaudited translation* *EUR million*	2006 *Audited* *ISK million*	2005 *Audited* *ISK million*
Profit for the year	573.9	426.7	643.9	37,409	50,315
Net investment and foreign exchange (gain) loss	35.2	-435.4	-602.4	-37,631	-47,069
Income tax recognised in Income Statement	-48.2	9.9	0.0	0	0
Interest expenses recognised in Income Statement	350.3	104.4	0.0	0	0
Technical provision, change	-2.4	6.2	0.0	0	0
Share of profits of associates	-756.2	0.0	0.0	0	0
Deferred income tax liability, change	-39.1	8.4	-56.2	734	-4,389
Dividends from associates	135.4	0.0	0.0	0	0
Depreciation and amortisation	3.4	5.6	0.1	495	5
Loans and receivables, change	-72.4	-187.9	-5.8	-17,777	-457
Payables, change	0.0	154.3	1.5	16,685	118
Cash generated from (to) operations	**179.8**	**92.3**	**-18.9**	**-85**	**-1,477**
Interest paid	-212.8	-90.7	0.0		
Income tax paid	-1.5	-1.6	0.0		
Net cash (used in) generated by operating activities	**-34.4**	**-0.1**	**-18.9**	**-85**	**-1,477**
Financial assets	-2,396.2	-738.1	-524.2	-69,827	-40,963
Investment properties	-63.4	0.0	-		
Property and equipment	-5.2	-1.4	-1.0	-132	-80
Net cash (used in) generated by investing activities	**-2,464.8**	**-739.4**	**-525.2**	**-69,959**	**-41,043**
Proceeds from borrowings	3,115.3	795.2	348.9	75,238	27,267
Proceeds from issue of share capital	0.0	21.3	256.0	2,013	20,000
Dividends paid to equity holders of the Parent	-123.7	-52.8	-12.8	-5,000	-1,000
Net cash (used in) generated by financing activities	**2,991.6**	**763.7**	**592.1**	**72,251**	**46,267**
Net increase in cash and equivalents	**492.4**	**24.2**	**48.0**	**2,207**	**3,747**
Cash and equivalents at the beginning of the financial year	76.1	52.5	14.6	4,965	1,218
Effects of foreign exchange rate changes	-0.9	-0.6	-10.1	27	0
Cash and equivalents at the end of the financial year	**567.6**	**76.1**	**52.5**	**7,198**	**4,965**

* Figures for 2006 in euros have not been audited but are a translation of the audited ISK figures for 2006 as reported in the 2007 annual report.

** Figures for 2005 in euros is a translation of the 2005 cash flow statment at the average exchange rate (78.14).

17.6 DIVIDENDS AND DIVIDENDS POLICY

The Board of Directors has not set a dividend policy for Exista. Distribution of dividends is decided by a shareholders meeting. In general, it is the Board's policy to pay dividends to shareholders if external and internal conditions allow it. The amount of dividend that Exista pays at any given time will depend on a number of factors, including earnings, financial conditions, cash requirements (including capital expenditure and investment plans), the liquidity position, current and projected external market conditions and such other factors as Exista deems relevant at the time. The amount of dividends declared is subject to applicable restrictions on the payment of dividends under Icelandic law and other factors the Board of Directors may deem relevant.

At Exista's annual general meeting in February 2008, it was approved that no dividends be declared in respect of profits for the year 2007. Given the exceptional external environment and the uncertainties prevailing in global financial markets at the time of the meeting, it was decided, for precautionary reasons, not to pay out the Group's profit for the time being.

At Exista's annual general meeting in March 2007, dividends for 2006 were approved in the amount of 100 per cent of the nominal par value of the share capital, corresponding to ISK 10,838,746,119 (EUR 124 million). Payment of the dividends declared was made on 30 April 2007 to shareholders.

On 21 April 2006, a dividend of ISK 5,000 million (EUR 57 million) was paid to shareholders for the year 2005. Dividend for the year 2004 in the amount of ISK 1,000 million (EUR 12.8 million) was paid to shareholders in 2005.

The following table sets forth the dividends Exista has paid per Share with respect to the years ending on 31 December 2007, 2006 and 2005.

Dividend payments	2007	2006	2005
Diviend payment (EUR million)*	123.7	57.0	12.8
Weighted average number of shares	11,230.5	9,942.9	6,054.2
Dividend per share (in EUR cents)	1.10	0.57	0.21
Dividends per share (in ISK)	1.00	0.58	0.17
Profit attributable to parent for the previous year (EUR million)	427.8	643.9	172.9
dividend as % of profit	*28.9%*	*8.9%*	*7.4%*

17.6.1 Legal and arbitration proceedings

Litigation is a normal part of insurance and finance operations. The Group is involved in litigation due to the settlement of claims for the insurance part of the business. This is fully accounted for in technical provisions until each individual case is settled. The Group is furthermore involved in litigation relating to collections of outstanding claims in the insurance and finance part of the Operating Businesses.

The Issuer is not engaged in litigation or arbitration that could substantially affect its financial position.

The Issuer states that it has not been in any governmental, legal or arbitration proceedings, during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability. The Issuer also states that it is not aware of any such proceedings which are pending or threatened. Due to the fact that the Group's main business concerns are leasing and financing, credit activities and other financial service, litigation is always a possibility.

17.6.2 Significant change

The Issuer states that there has not been any material adverse change in the prospects of the Issuer since the latest published reviewed financial statements, i.e. the interim report of Exista hf. for the first quarter of 2008.

The Issuer also states that there has not been any significant change in the financial or trading position of its group since the latest published reviewed financial statements, i.e. the interim report of Exista hf. for the first quarter of 2008.

Exista's operations are dependent on the return on invested capital. Hence the results will be affected by general market conditions that affect the whole investment community, such as fluctuations in interest rates and overall conditions on equity markets.

The current economic situation in Iceland is to a large extent dependent on the global financial environment. The Icelandic financial market has joined the growing list of markets around the world that have been affected by the global credit crisis. The Central Bank of Iceland has been hawkish in its statements and interest rates are at record levels at 15.5%. The Icelandic króna has appreciated by 7% from the end of the first quarter to 23 May 2008 which could ease the pressure on inflation, which nevertheless will probably exceed 12% in the coming months. A reduction in GDP growth and consumer consumption is therefore foreseen this year. Money markets have been dysfunctional which has put increased pressure on the currency and equity markets.

* Figures have been converted to euros (EUR) on the basis of the average mid exchange rate for the corresponding year: 2007 EUR/ISK (87.60), 2006 EUR/ISK (87.67) and 2005 EUR/ISK (78.14)

18. ADDITIONAL INFORMATION

18.1 SHARE CAPITAL

The share capital of Exista amounts to ISK 14,174,767,632 nominal value divided into as many shares of one ISK each (the par value per share is ISK 1).

In accordance with Article 4 of the Issuer's articles of association, the Board of Directors decided on 30 May 2008 to increase the Issuer's share capital by ISK 2,813,675,174 from ISK 11,361,092,458 (fully paid) to ISK 14,174,767,632. The New Shares are to be used as a consideration for shares in Skipti hf. which is acquired as a result of Exista's takeover bid

Development of the share capital

The following table outlines the development of the share capital.

Date	Description	Trans-action	Change	Rate	Issued shares	Own shares	Outstanding shares
1 Jan 2005	Opening Balance				6,039,500,555	0	6,039,500,555
19 Dec 2005	Rights issue	Share increase	2,649,286,360		8,688,786,915	0	8,688,786,915
31 Dec 2005	**Status**				**8,688,786,915**	**0**	**8,688,786,915**
31 May 2006	Acquisition of VÍS Holding and merger of VÍS Holding, Exista eignarhaldsfélag and Exista	Share increase	2,149,959,204		10,838,746,119	0	10,838,746,119
17 Aug 2006	Increase in own shares in connection with a completion of employment contracts	Own shares increased	362,977		10,838,746,119	362,977	10,838,383,142
24 Oct 2006	Share swap due to Exista's purchase of 0.0018% stake in Vátryggingafélag Íslands hf. (VÍS). Following this transaction Exista owns 99.9986% stake in VÍS.	Own shares decreased	31,739	21.5	10,838,746,119	331,238	10,838,414,881
26 Oct 2006	Dividend payment from Kaupthing Bank hf. in the form of Exista shares	Own shares increased	209,457,216		10,838,746,119	209,788,454	10,628,957,665
31 Dec 2006	**Status**				**10,838,746,119**	**209,788,454**	**10,628,957,665**
10 Apr 2007	Purchase of own shares in connection with a completion of an acquisition of shares in Sampo. See below.	Own shares decreased	40,000,000	28.6	10,838,746,119	249,788,454	10,588,957,665
11 Apr 2007	Acquisition of 9.50% of shares in Sampo Oyj from Tchenguiz Family Trust. Following this transaction Exista owns 15.48% stake in Sampo Oyj.	Share increase	522,346,339	24.6			
		Own shares decreased	249,788,452	24.4	11,361,092,458	2	11,361,092,456
15 Jun 2007	Purchase of own shares in connection with a completion of an employment contract	Own shares increased	1,162,791	24.0	11,361,092,458	1,162,793	11,359,929,665
31 Dec 2007	**Status**				**11,361,092,458**	**1,162,793**	**11,359,929,665**
30 May 2008	Acquisition of 57.05% stake in Skipti hf. - Following this transaction Exista owns 100% of active share capital in Skipti hf.	Share increase	2,813,675,174	10.1	14,174,767,632	1,162,793	14,137,701,136
30 May 2008	**Status**				**14,174,767,632**	**1,162,793**	**14,137,701,136**

* Thereof 2,777,771,471 shares which will be delivered against delivery of shares in Skipti on 2 June 2008 and 35,903,703 shares which are to be settled as a result of a squeeze-out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008.

for the share capital of Skipti as described above. The New Shares are expected to be admitted to trading on 3 June 2008. The date when the shares will be admitted to trading will be announced at least one day in advance by OMX ICE. Of the New Shares, 2,777,771,471 shares are to be settled (fully paid and delivered) before 18:00 GMT 2 June 2008. Kaupthing Bank hf. as the Manager has subscribed for the remaining 35,903,703 shares on behalf of the owners of 0.73% of Skipti's share capital which are to be settled (fully paid and delivered) as a result of a squeeze out process that has been initiated for shares in Skipti and which is expected to be finalised at the beginning of July 2008.

The shareholders of the New Shares cannot exercise their rights as shareholders before the shares have been registered in the Register of Shares. This will happen with the aforementioned settlement of the New Shares.

18.1.1 Own shares

Exista holds 1,162,793 own shares (which equals to 0.01% of total issued shares). By law the Company's own shares do not carry voting rights.

18.2 LICENCES AND MATERIAL CONTRACTS

Exista's operations are, to some extent, based on Exista's operating licences as an insurance underwriter and an asset financing company and through its associates as providers of other financial services in the countries in which the Group, including its associates, operate. Exista's operations or profitability are not dependent on patents, individual agreements or manufacturing processes. Exista's management believes that there are no individual contracts or similar circumstances relating to the business which are of material significance to its operations or profitability.

18.3 MEMORANDUM AND ARTICLES OF ASSOCIATION

18.3.1 Share capital

The shares are issued electronically at the ISD, pursuant to the Act on Electronic Registration of Securities. Once a shareholder has paid in his share in full to the Company, he shall be issued an electronic certificate in a securities depository and a registered title which confers on him the full rights provided for in the Issuer's articles of association. Transfer of shares becomes effective at registration with the ISD. The shares are not in different classes.

Shareholders' meetings may decide on an increase in the share capital of the Company, whether through subscription to new shares or through the issue of bonus shares, based on the rules that apply to the amendment of the Issuer's articles of association. Shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Company. If a shareholder does not exercise all of his right to subscribe, other shareholders are entitled to an increased right to subscription.

After the Issuer's last share increase on 30 May 2008, the Board of Directors of the Company is authorised to increase the share capital of the Company by up to ISK 4,186,324,826, or its equivalent in euros, nominal value through the subscription of up to 4,186,324,826 new shares. The current shareholders have waived their pre-emptive rights to the new shares pursuant to Article 34 of the Companies Act and pursuant to the Issuer's articles of association. This authorisation was originally of up to 7,000,000,000 new shares, but was partly used on 30 May 2008 and is effective until 28 February 2013 to the extent that it has not been exercised before that date.

The Company is not permitted to grant credit against share certificates in the Company unless permitted by law. According to the Issuer's articles of association, the Board of Directors may, over the next 18 months as of 28 February 2008, purchase up to 10% of the Company's own shares. The shares' purchase price may be up to 20% above the average sales price of shares registered on the OMX Nordic Exchange in Iceland hf. in the two weeks immediately preceding the purchase. No lower limit is set on this authorisation, either regarding the purchase price or the size of the share purchased each time.

Rights

At shareholders' meetings each share carries one vote. It is not permitted to exercise voting rights for the Company's own shares. As mentioned above, shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Company. If a shareholder does not exercise all of his right to subscribe, other shareholders are entitled to an increased right to subscription.

The shareholders' pre-emption rights may be waived by the shareholders by a resolution passed with the approval both of 2/3 of the votes cast and shareholders controlling at least 2/3 of the shares in the Company represented at the meeting, cf. Article 34 of the Companies Act. The shareholders have already waived their pre-emption rights in respect of the authorised increase in share capital by up to ISK 4,186,324,826.

Disclosure requirements

As the Company's shares are traded on the OMX ICE Main Market, the Company will be subject to the disclosure requirements set out in Act no. 108/2007 on Securities Transactions, government regulations and OMX ICE rules. Act no. 108/2007 stipulates for example rules that apply to changes in the ownership of substantial holdings in a company which has had one or more classes of its shares admitted to trading on a regulated securities market. According to the Act, a substantial holding is 5% of voting rights or the nominal value of share capital, and multiples thereof of up to 40%, as well as 50%, 66.67% and 90%. When a party acquires a substantial holding, or increases a holding to exceed or reduces a holding to fall below these limits, the party must immediately give notice to both the relevant registered securities market, on behalf of the FME, and the Company.

Tax issues

The shares of Exista are subject to taxation according to law in effect at any given time. Investors are advised to seek external tax advice on the tax implications of any investment in the shares.

The Issuer's shares are subject to stamp duty in Iceland which the Issuer shall pay within a year of the issue of the shares. Stamp duty has been paid on all shares that have already been issued.

The Issuer is obliged to retain PAYE taxes on dividend payments, according to Article 3, paragraph 2 and Article 5, paragraph 4, of Act no. 94/1996 on Capital Income Tax. For Icelandic parties other than those exempt from PAYE tax on capital earnings, the PAYE tax is a final taxation. As regards parties living abroad, it must be established whether there is a double taxation agreement with the state where the party in question resides and, if so, it must be established whether there is any taxation payable in addition to that in Iceland.

Profit from the sale of shares in Exista is taxable in Iceland. As regards parties living abroad, it must be established whether there is a double taxation agreement with the state where the party in question resides and, if so, it should be determined which state has the right of taxation.

Shares in Exista fulfil the conditions of item 1 of section B of Article 30 of Act. no. 90/2003, with subsequent amendments, on Income Tax. That provision contains rules concerning the deductibility of increased investments in shares before the end of 2002 from the income tax base.

Action necessary to change the rights of shareholders

Each shareholder is under obligation, without specific undertaking, to abide by the Issuer's articles of association in their current form or as legitimately amended at any time, cf. Article 8 of the articles of association. Shareholders' liability for the Company's affairs is limited to their share contribution. According to Article 20 of the Issuer's articles of association, the articles may be amended at a lawfully convened shareholders' meeting. The notice of the meeting shall state the business of the meeting. Proposals for amendments of the Issuer's articles of association cannot be discussed at shareholders' meetings unless they were mentioned in the call to the meeting. If the agenda includes a motion to amend the articles, the main substance of the motion shall be included in the notice of the meeting. A decision to amend the Issuer's articles of association is only valid if approved with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, on the condition that other voting power is not reserved in the Issuer's articles of association or in statutory law. According to Article 4 of the articles of association of the Company, the consent of all shareholders is required to:

1) Oblige shareholders to contribute funds etc. for Company needs beyond their commitments.
2) Limit shareholders' rights to dispose of their shares.
3) Amend provisions of the articles of association regarding voting, shareholdings in the Company or the equal rights of the shareholders.
4) To amend the purpose of the Company substantially.

The articles of association otherwise refer to Art. 94. of the Companies Act no. 2/1995.

18.3.2 Annual General Meetings

The Annual General Meeting shall be called with at least one week's notice and at most four weeks' notice. Shareholders shall be notified of Annual General Meetings by verifiable means, including through an advertisement in a daily newspaper. Extraordinary meetings should be called in the same manner and with the same notice.

All shareholders are authorised to attend shareholders' meetings. Shareholders may, with a written letter of proxy, grant a proxy a permission to attend a shareholders' meeting on their behalf and exercise their voting rights. A shareholder may also attend a meeting accompanied by an advisor.

The Board of Directors may determine that shareholders may participate electronically in shareholders' meetings without being present. Shareholders who intend to take advantage of their right to participate electronically shall notify the Company's office with 5 day prior notice and submit, in writing, any questions they might have regarding the agenda or presented documents they wish to have answered at the meeting. If the Board of Directors is of the opinion that sufficiently secure equipment is available and decides to use this authorisation it shall be clearly noted in the invitation to the meeting. The Board of Directors is also authorised to decide that the shareholder's meeting only be held electronically. Otherwise Article 80a of the Companies Act as amended from time to time shall apply.

18.3.3 Board of Directors

The Board of Directors of the Company shall be comprised of up to seven members. They are to be elected at the Annual

General Meeting for a term of one year. The Company currently has seven directors, whose details and interests are set out in chapter *"13 Administrative, Management, Supervisory Bodies, and Senior Management"* above.

III

According to Article 63 of the Companies Act elections of directors are carried out by ballot where the number of nominations exceeds the number of directors to be elected. Unless a shareholder or shareholders representing at least 10% of the issued shares in the Company requests proportional or multiple voting, elections of directors are carried out as a majority vote. Any requests for proportional or multiple voting must be made at least five days prior to the shareholders' meeting, and in the event that both proportional voting and multiple voting are validly requested, the method used will be multiple voting.

The chairman of the Board of Directors and the managing directors of the Company are appointed by the directors.

III