

Exista ehf.

Interim Consolidated Financial Statements

1 January to 30 June 2006

Exista ehf.
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108 Reykjavík
Iceland
ID 610601-2350

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Endorsement by the Board of Directors and CEOs

The Condensed Consolidated Interim Financial Statements of Exista ehf. are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Interim Financial Statements include the Consolidated Financial Statements of Exista ehf. and its subsidiaries.

It is the opinion of the Board of Directors and CEOs that these Interim Financial Statements present the necessary information to evaluate the financial position of the company at the end of June 2006 and its operating results and financial developments for the period 1 January to 30 June 2006.

The Board of Directors and CEOs of Exista ehf. hereby confirm the Condensed Consolidated Interim Financial Statements of Exista ehf. for the period 1 January to 30 June 2006 with their signatures.

Reykjavík, 31 July 2006.

Board of Directors

Lýður Guðmundsson
Chairman

Ágúst Guðmundsson

Guðmundur Örn Hauksson

CEOs

Erlendur Hjaltason

Sigurður Valtýsson

Auditors' Report

To the Board of Directors and Shareholders of Exista ehf.

We have reviewed the accompanying Consolidated Balance Sheet of Exista ehf. and subsidiaries as of 30 June 2006 and the related Consolidated Statements of Income and Cash Flows for the period then ended. These Consolidated Financial Statements contain Income Statement, Balance Sheet, Statement of Cash Flow, Statement of changes in Equity and Notes to the Financial Statements. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to issue a report on these Financial Statements based on our review.

We conducted our review in accordance with International Standards applicable to a review engagement. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the Financial Statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying Financial Statements do not give a true and fair review of the financial position of Exista ehf. and its subsidiaries as of 30 June 2006 and of the results of their operations and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 31 July 2006.

Deloitte hf.

Hilmar A. Alfreðsson
State Authorized Public Accountant

Consolidated Balance Sheet at 30 June 2006

	Notes	30/6/2006	31/12/2005
Assets			
Financial assets measured at fair value	7	164,729,287,804	148,666,712,872
Financial assets held for trading	8	28,615,880,522	7,498,667,283
Loans and accounts receivable	9	61,917,878,658	
Goodwill	10	43,682,709,586	
Reinsurance assets		2,059,893,000	
Property, plant and equipment		1,275,729,000	
Cash and equivalents		5,170,451,855	4,965,149,190
Other assets		3,580,655,527	651,333,753
Total assets		311,032,485,953	161,781,863,098
Equity			
Share capital	11	10,838,714,234	8,688,786,915
Statutory reserves		2,161,189,355	2,161,189,355
Capital reserves		70,435,807,991	17,350,713,640
Translation reserves		0	(134,569,928)
Retained earnings		59,668,457,401	68,037,417,098
Shareholders equity		143,104,168,981	96,103,537,080
Minority interest		239,454,000	0
Total equity		143,343,622,981	96,103,537,080
Liabilities			
Borrowings		135,016,397,255	65,498,702,843
Insurance contracts		25,549,886,000	0
Deferred income tax liability		4,401,694,306	35,237,754
Other liabilities		2,720,885,410	144,385,421
Total liabilities		167,688,862,972	65,678,326,018
Total equity and liabilities		311,032,485,953	161,781,863,098

Consolidated Cash Flow Statement

for the period 1 January to 30 June 2006

	Notes	1.1 - 30.6.2006	1.1 - 30.6.2005
Cash flow from operating activities			
(Loss) profit for the period		(3,234,389,769)	13,335,012,491
Adjustments for:			
Exchange difference		3,917,838,809	(15,973,799,877)
Deferred income tax liability, change		(241,851,448)	2,748,082,274
Depreciation and amortization		34,368,824	539,605
Working capital from operations		475,966,416	109,834,493
Changes in operating assets and liabilities:			
Receivables, (increase)		(9,557,373,484)	(76,408,843)
Payables, increase / (decrease)		9,333,257,587	(8,959,963)
Cash from operations		251,850,519	24,465,687
Investing activities			
Financial assets		(5,856,567,235)	(10,461,404,793)
Property, plant and equipment		(1,580,112)	(10,090,862)
Investing activities		(5,858,147,347)	(10,471,495,655)
Financing activities			
Borrowings		6,086,407,227	9,996,751,887
Proceeds on issue of share capital		2,012,968,266	0
Dividends paid		(5,000,000,000)	0
Financing activities		3,099,375,493	9,996,751,887
Net decrease in cash and equivalents		(2,506,921,335)	(450,278,081)
Cash and equivalents at beginning of year		7,677,373,190	1,218,180,916
Cash and equivalents at end of period		5,170,451,855	767,902,835

Consolidated Statement of Changes in Equity for 1 January to 30 June 2006

	Share capital	Reserves	Retained earnings	Minority interest	Total
Equity 1.1.2005	6,039,500,555	926,582,951	19,374,120,980	0	26,340,204,486
Subsidiaries in ISK		448,722,260			448,722,260
Dividends paid			(1,000,000,000)		(1,000,000,000)
Issue of share capital	2,649,286,360	17,350,713,640			20,000,000,000
Statutory reserve		651,314,216	(651,314,216)		0
Profit for the year			50,314,610,334		50,314,610,334
Equity 31.12.2005	8,688,786,915	19,377,333,067	68,037,417,098	0	96,103,537,080
Change in minority interest				274,908,000	274,908,000
Issue of share capital	2,149,927,319	53,085,094,351			55,235,021,670
Dividends paid			(5,000,000,000)		(5,000,000,000)
Translation out		134,569,928	(134,569,928)		0
Loss for the period			(3,234,389,769)	(35,454,000)	(3,269,843,769)
Equity 30.6.2006	<u>10,838,714,234</u>	<u>72,596,997,346</u>	<u>59,668,457,401</u>	<u>239,454,000</u>	<u>143,343,622,981</u>

Notes to the Consolidated Financial Statements

1. General information

Exista ehf. is company incorporated and domiciled in Iceland. The condensed Interim Consolidated Financial Statements for the six months ended 30 June 2006 comprise Exista ehf. (the parent) and its subsidiaries (together referred as the Company)

2. Significant accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Company as at and for the year ended 31 December 2005. The condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis, except for revaluation of certain financial assets.

3. Quarterly statements

	2006		2005		
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter
At fair value	(8,854,352,062)	9,811,230,318	22,322,598,749	9,737,186,409	4,085,313,521
Held for trading	93,030,647	1,723,597,858	466,872,971	347,196,183	148,108,794
Dividends	22,022,535	1,647,603,009	873,104	3,719,312	1,227,760
Interest income	941,751,674	16,149,443			
Insurance contract	975,551,000	0	6,910,409	30,415,990	24,159,820
Income	(6,821,996,206)	13,198,580,628	22,797,255,233	10,118,517,894	4,258,809,895
Insurance claims	(633,415,000)	0	0	0	0
Operating expenses	(674,476,717)	(123,880,243)	(88,692,710)	(70,592,276)	(49,265,958)
Expenses	(1,307,891,717)	(123,880,243)	(88,692,710)	(70,592,276)	(49,265,958)
Operating income	(8,129,887,923)	13,074,700,385	22,708,562,523	10,047,925,618	4,209,543,937
Interest expense	(1,967,936,410)	(1,361,574,877)	(1,280,503,855)	(1,272,304,235)	(192,184,001)
Foreign exchange difference	(2,132,475,743)	(3,064,745,648)	(1,160,632,846)	799,760,321	(789,647,987)
	(4,100,412,153)	(4,426,320,525)	(2,441,136,701)	(472,543,914)	(981,831,988)
(Loss) profit before tax	(12,230,300,076)	8,648,379,860	20,267,425,822	9,575,381,704	3,227,711,949
Income tax	581,669,258	(269,592,810)	8,691,858,128	(1,555,067,812)	(617,655,534)
(Loss) profit for the period	(11,648,630,819)	8,378,787,050	28,959,283,950	8,020,313,892	2,610,056,415

4. Business segments

The following is an analysis of the revenue and results for the period, analysed by business segment, the Group's primary basis of segmentation

			Total	Total
	Operating	Investments	1.1 - 30.6.2006	1.1 - 30.6.2005
Insurance contract	975,551,000	0	975,551,000	0
Investment income	3,218,738,751	2,182,294,671	5,401,033,422	17,784,026,666
Income	4,194,289,751	2,182,294,671	6,376,584,422	17,784,026,666
Insurance claims	(633,415,000)		(633,415,000)	
Operating expenses	(776,276,382)	(22,080,578)	(798,356,960)	(85,613,264)
Operating profit / (loss)	2,784,598,369	2,160,214,093	4,944,812,462	17,698,413,402

Notes to the Consolidated Financial Statements

Finance costs	(8,526,732,678)	(1,615,316,750)
(Loss) profit before tax	(3,581,920,216)	16,083,096,652
Income tax	312,076,448	(2,748,084,161)
(Loss) profit for the period	(3,269,843,768)	13,335,012,491

5. Earnings per share

	1.1 - 30.6.2006	1.1 - 30.6.2005
Profit for the period	(3,269,843,769)	13,335,012,491
Weighted average number of ordinary shares for basic earnings per share calculation	9,047,108,135	6,039,500,555
Basic earnings per share	(0.36)	2.21

6. Subsidiaries

Name of subsidiary	Incorporation	Ownership	Principal activity
Áskaup ehf.	Iceland	100.00%	Holding company
Eignarhaldsfélagið Exista ehf.	Iceland	100.00%	Holding company
Exista B.V.	Netherlands	100.00%	Investment company
Exista fjárfestingar ehf.	Iceland	100.00%	Investment company
Exista Holdings B.V.	Netherlands	100.00%	Holding company
Flutningar ehf.	Iceland	100.00%	Holding company
IGI Group Ltd.	United Kingdom	54.40%	Insurance company
Líftryggingafélag Íslands hf.	Iceland	100.00%	Life insurance company
Lýsing hf.	Iceland	100.00%	Leasing company
Pond Street Investments ehf.	Iceland	100.00%	Investment company
Traustfang ehf.	Iceland	100.00%	Investment company
Vátryggingafélag Íslands hf.	Iceland	100.00%	Insurance company
VÍS eignarhaldsfélag hf.	Iceland	99.93%	Holding company
VÍS International Invest ehf.	Iceland	100.00%	Insurance company
Vörður Íslandstrygging hf.	Iceland	56.65%	Insurance company
Pórskaup ehf.	Iceland	60.00%	Holding company
Öryggismiðstöð Íslands hf.	Iceland	57.40%	Security company

7. Financial assets measured at fair value

Shares - listed	150,477,126,352	129,269,996,737
Shares - other	14,252,161,452	19,396,716,135
	164,729,287,804	148,666,712,872

8. Financial assets held for trading

	30/06/2006	31/12/2005
Shares - listed	13,158,941,746	6,065,663,302
Shares - other	2,897,979,000	0
Funds - listed	1,972,645,000	0
Funds - unlisted	6,049,840,969	347,000,123
Bonds - listed	3,547,633,000	0
Bonds - unlisted	988,840,807	1,086,003,858
	28,615,880,522	7,498,667,283

Notes to the Consolidated Financial Statements

9. Loans and accounts receivable

	<u>30/06/2006</u>
Leasing contracts	46,855,924,000
Bonds indexed	8,943,937,000
Insurance receivables	4,808,624,000
Other	1,309,393,658
	<u>61,917,878,658</u>

10. Goodwill

	<u>30/06/2006</u>	<u>31/12/2005</u>
At period beginning	0	0
Changes and impairment during the period	43,682,709,586	0
At period end	<u>43,682,709,586</u>	<u>0</u>

11. Share capital

Issued shares are 10.838.714.234 with the nominal value of each share amounting ISK 1.

12. Dividends

A dividend of ISK 0,58 per share or total ISK 5.000.000.000 was paid to shareholders in the period 1 January to 30 June 2006. A dividend of ISK 0,17 per share or total ISK 1.000.000.000 was paid to shareholders in the year 2005.

13. Approval of interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors and CEOs on 31 July 2006.