FL Group reports net loss of ISK 47.8 billion in the first quarter

- Portfolio restructured and operating expenses reduced -
- Financial position remains strong with equity of ISK 115 billion-

Reykjavik, Iceland 8 May 2008 – FL Group (OMX: FL), the international investment company, today announces its results for the first quarter ending 31 March 2008.

Financial Highlights

- Net loss after tax of ISK 47.8 billion in 1Q 2008.
- Major factors contributing to the loss are negative mark to market adjustments of listed assets of the Group, including a ISK 20.6 billion loss due to a 21.4% drop in Glitnir shares, ISK 13.8 billion loss on other listed assets and a total ISK 11.3 billion loss on the sale of remaining shares in Commerzbank, Finnair and Aktiv Kapital.
- Total assets at the end of 1Q 2008 were ISK 401 billion.
- Total shareholder equity at end of 1Q was ISK 115.2 billion, including a translation difference of ISK 7.0 billion. Equity ratio at the end of 1Q is 29% and equity ratio in investment operations is 33%.
- Liquid cash at ISK 18.9 billion. Remaining debt maturing in 2008 of ISK 7.0 billion.
- Operating expenses for investment operations totalled ISK 588 million, compared to ISK 884 million in 1Q 2007, which represents a 33.5% decrease and a 73.1% decrease from 4Q 2007.
- TM, FL Group's operating subsidiary, reported a loss of ISK 3.3 billion, mainly due to investments.

Operational Highlights

- Market risk reduced significantly through divestment of shares in listed companies which did not fit within FL Group's revised investment strategy. This includes the divestment of all of the Group´s shares in Commerzbank, Finnair and Aktiv Kapital for a total transaction value of ISK 60 billion.
  - Private Equity portfolio activity included the sale of a 43.1% stake in Geysir Green Energy for ISK 10.5 billion and a subsequent ISK 4.5 billion investment in Glacier Renewable Energy Fund, the sale of holdings in FL Group's property funds to Landic Property for ISK 20.6 billion, and a successful refinancing of Refresco and continued implementation of "Buy & Build" strategy
- Comprehensive internal restructuring and streamlining of operations. Plans for reducing 2008 operating expenses by 50%, year-on-year, are on track.
- In line with FL Group's revised investment strategy, portfolio now more balanced across different sectors with a core focus on banking, insurance and property. Key holdings include Glitnir bank (32%), TM (99%) and Landic Property (39.8%). In addition to core investment areas, FL Group will continue to support its Private Equity portfolio.

FL Group intends to apply for de-listing of shares from OMX Nordic Exchange in Iceland

- On 1 May 2008, the Board of Directors of FL Group announced that it had approved a motion to call an Extraordinary General Meeting on 9 May 2008 in order to put to vote the Board's recommendation to proceed with an application for the de-listing of the Company's shares from the OMX Nordic Exchange in Iceland.
- If the motion for de-listing is approved at the Extraordinary General Meeting, shareholders will be offered to keep their shares in an unlisted FL Group or sell their shares in FL Group in exchange for shares in Glitnir Bank. FL Group's key shareholders with a collective holding of 83% of FL Group have already waived the right to sell their shares and will remain shareholders in FL Group after the delisting.

FL Group's Chief Executive Officer, Jon Sigurdsson, commented:

"I am pleased to report that the objectives FL Group set out at the end of last year are well on their way to being fully achieved despite the ongoing adverse global market conditions. We have restructured the Company's investment portfolio by divesting non-core assets that did not fit our long term strategy. We have also been focused on maintaining a healthy financial position and reduced operating expenses; and have streamlined the Company's operations extensively.

Despite the extremely challenging economic climate which has affected our results for 1Q 2008, our fundamentals remain strong and we maintain a very clear strategic focus following a revision of our investment strategy.

I'm confident that we are moving in the right direction and the outlook for the remainder of the year looks stable. Furthermore, the Board´s recently announced plan to delist the company will present us with increased flexibility and more opportunities for taking the business forward and creating long-term shareholder value."

Financial developments – 1Q 2008

Earnings

Net loss before taxes in first quarter 2008 amounted to ISK 48.3 billion compared to ISK 14.7 billion profit for the same period in 2007. After tax, net loss in the quarter was ISK 47.8 billion compared to ISK 15.1 billion profit for the same period last year. The loss in 1Q 2008 reflected global market turmoil resulting in negative mark to market adjustments of the underlying listed assets of the Group. This negative impact is fully disclosed in the Company's results.

TM recorded a loss after taxes of ISK 3.3 billion in 1Q as both the insurance operation and the investment operation experienced a difficult quarter. The insurance operation made an operating loss of ISK 318 million during the first quarter. Claims expenses were high due to unfavourable external conditions, including bad weather in recent months resulting in an increased frequency of small claims, especially in car and property insurances. The investment operation made an operating loss of ISK 3.1 billion, which is mostly a result of the turbulent equity markets.

Investment income

Net losses from securities and derivatives amounted to ISK 22.9 billion (1Q 2007: 12.5 billion net income) which includes fair value adjustments of listed and unlisted holdings, interest expenses on forward contracts and currency gain / loss through forward contracts. Interest income in 1Q was ISK 2.6 billion compared to ISK 1.5 billion in the previous year.

Interest expense increased to ISK 7.3 billion (ISK 360 million relating to TM) compared to ISK 3.0 billion in 1Q 2007. The increase in interest expense is a result of the rapid growth of the balance sheet last year in addition to increased funding cost. Net foreign exchange losses amounted to ISK 19.0 billion mainly derived from borrowings, compared to ISK 4.6 billion gain last year.

Operating expenses

Operating expenses from investment operations in the first quarter were ISK 588 million compared to ISK 884 million in 1Q 2007, which is a decrease from previous year by 33.5%. Non cash expenses such as stock options and depreciation amount to ISK 198 million. Objectives set last year to decrease operating expenses in 2008 by 50%, compared to 2007, are on track.

Operating expenses of TM during 1Q amounted to ISK 873 million compared to 841 million in 4Q 2007. Total operating expenses in 1Q 2008 for both FL Group's and TM's operations was ISK 1,461 million.

Quarterly statements

ISK million	1Q 08	4Q 07	3Q 07	2Q 07	1Q 07
Net income (loss) from securities and derivatives	-22,935	-60,161	-23,651	7,658	12,472
Interest income	2,583	2,038	973	473	1,498
Interest expenses	-7,338	-6,314	-4,972	-3,263	-3,017
Net foreign exchange gain	-18,965	-3,238	-3,121	4,208	4,627
Subtotal	**-46,655**	**-67,675**	**-30,771**	**9,076**	**15,580**
Insurance premium	3,176	2,769			
Insurance claims	-3,327	-2,598			
Subtotal	**-46,806**	**-67,504**	**-30,771**	**9,076**	**15,580**
Operating expenses	1,461	3,054	1,193	1,022	884
Profit (loss) before income tax	-48,267	-70,558	-31,964	8,054	14,696
Income tax (expenses)	452	7,341	4,817	-12	388
Profit (loss) for the period	**-47,815**	**-63,217**	**-27,147**	**8,042**	**15,084**

Assets

Equity investments worth about ISK 70 billion were divested during 1Q 2008. The Group's total assets have decreased less than this figure, or by ISK 20.9 billion, from ISK 422 billion at the beginning of the year to to ISK 401.4 billion at the end of the quarter. This is mainly due to i) part of divested assets being off balance sheet and financed through forward contracts, ii) currency effect and iii) the fact that the property company Eikarhald ehf was included in the accounts as of 31 March 2008 as an asset classified as held for sale.

The solid cash position of ISK 18.9 billion demonstrates the Group's ability to maintain its liquidity in the current market turmoil.

Investments are divided into three categories: Equity investments (ISK 197.4 billion), loans in relation to investments

(ISK 38.6 billion, part of Loans and Receivables in Balance sheet) and bonds and debt investments (ISK 18.7 billion).

Holdings in listed securities amounted to ISK 129.5 billion which represents 65.7% of the total equity portfolio.

The portfolio of unlisted companies consists of companies with various operations and locations, mainly in Europe. The portfolio was valued at the end of 1Q at ISK 67.7 billion representing 34.3% of the Group's securities portfolio.

Derivatives on the asset side of ISK 6.5 billion represent profitable derivatives contracts as of the end of the period. However, derivatives under liabilities in the amount of ISK 13.8 billion account for derivative contracts with negative value at the same date. Net fair value on the derivative portfolio is therefore negative in the amount of ISK 7.3 bn.

Liabilities and equity

Liabilities totalled ISK 286.2 billion at the end of 1Q 2008 and increased by ISK 19.7 billion from the beginning of the year. The increase in liabilities is explained by inclusion of subsidiary Eikarhald ehf, the property company, which is classified as held for sale and an increase in insurance liabilities. At the same time borrowings decreased by 16 billion and were at end of 1Q ISK 189 billion. Off balance sheet funding of equities through derivatives amounted to ISK 24.9 billion and decreased by ISK 46.5 bn from beginning of the year.

Shareholders' equity was ISK 115.2 billion at the end of 1Q and decreased by ISK 40.6 billion compared to year end 2007. This is mainly explained by the operating loss of ISK 47.8 bn and positive translation difference of ISK 7.1 billion in the period. The equity ratio at the end of 1Q 2008 totalled 29% compared to 37% at the end of 2007. The equity ratio in investment operations totalled 33%, compared to 41% at the end of 2007.

Financing and liquidity

Given the turbulent global market conditions, the Group has put considerable effort into maintaining liquidity. In the first quarter, the Group continued its funding activity with the goal of extending the maturity profile. This resulted in part of the short term debt being replaced with long term debt and by doing so securing strong liquidity. At the beginning of April 2008 the Group had ISK 7.0 billion of remaining debt maturing in the year 2008. Today, the Group therefore has sufficient funds to meet all debt repayments for the remainder of 2008.

Highlights of key business development activities

The first quarter 2008 was characterized by continued turbulence in global financial markets which had a significant impact on the Company's operations and financial performance. During this period, FL Group's investment portfolio went through major restructuring as the management implemented a revised investment strategy, focusing on reducing short term market risk and identifying major long term investments in banking, insurance and property, in addition to private equity projects.

A number of investments that did not represent a strategic fit were divested, exposure to aviation sector was decreased significantly and the private equity portfolio was rationalised. Among divested investments were all of FL Group´s shares in Commerzbank, Finnair and Aktiv Kapital, for a total of ISK 60 bn. These divestments in adverse market conditions caused FL Group to realize considerable losses in 1Q, but as a result the investment portfolio has now been revised to achieve balance and focus. We consider the outlook for the remainder of 2008 to be stable.

During 1Q 2008 FL Group sold its 43.1% share in Geysir Green Energy for ISK 10.5 billion and subsequently invested ISK 4.5 bn in Glacier Renewable Energy Fund, managed by Glitnir Bank. In addition, FL Group's holdings in international property funds were sold to Landic Property for ISK 20.6 billion. Both transactions were strategic decisions where assets were transferred to parties with the knowledge and expertise to further enhance the value of these investments.

FL Group remained an active and supportive shareholder of its core investments in Glitnir Bank, TM and Landic Property and worked closely with the companies' management teams in order to help them realise their vision and long-term objectives.

Key developments within the Group's core investments during 1Q 2008 include:

Glitnir Bank (32% share)

FL Group started investing in Glitnir in 2005 and has since 2006 been the largest shareholder and lead investor. Glitnir is the single largest investment of FL Group.

Glitnir made a profit of ISK 5.9 bn in Q1 2008, which equals 15% ROE, This is good results given current market conditions. Net interest income continued to grow at a strong pace and this was the second best quarter ever in fees & commissions, which is very strong performance given the current environment. Core profit was therefore strong in Q1 2008, especially when considering that impairment on loans was unusually high. The Company's total assets amounted to ISK 3,865 billion (EUR 33 billion) at the end of 1Q 2008 and its market capitalisation amounted to ISK 257 billion (EUR 2.2 billion).

Glitnir has shown its flexibility and strength during current challenging market conditions by restructuring its operation and strengthening its capital base among other factors. Glitnir has closed its branch in Copenhagen and has announced that it will exit its current commercial property financing business operated out of Luxembourg. These moves are expected to increase liquidity, create cost synergies and increase efficiency. Glitnir did also issue a convertible bond during 1Q 2008 to strengthen its capital ratios.

Glitnir delivered strong core income figures in 1Q 2008, which proves the resilience of the business model of the bank.

TM - Tryggingamidstodin (99.1% share)

In 2007 FL Group acquired the insurance company TM, an investment within a core focus sector of FL Group. TM became part of the consolidated accounts as of October 1 2007. The acquisition is still waiting approval from the Icelandic FSA, which is pending.

TM recorded a loss of ISK 3.3 billion during 1Q 2008. The insurance operation had a dissapointing quarter with declining equity markets contributed as a major factor for the loss.

Net insurance premiums amounted to ISK 3.2 bn and increased by 34% from 1Q 2007. Net insurance claims amounted to ISK 3.3 billion, which equals a claims ratio of 104.8%. This high claims ratio is a result of high claims frequency in various insurance classes, most notably in voluntary motor insurance and property insurance in Iceland and marine insurance in the Norwegian operation. The cost ratio was 22.6% but higher sales cost and changes in the reinsurance structure impacted the ratio negatively during 1Q. The combined ratio was 127% in 1Q 2008.

Financial income was negative of ISK 2.1 billion. Interest and dividend income amounted to ISK 0.7 billion but trading losses on securities amounted to ISK 2.9 billion. Difficult conditions on the equity markets worldwide impacted negatively on financial assets. The Icelandic market declined by 20% during 1Q 2008 and the Norwegian market declined by 15%.

Measures taken last year to improve profitability of the insurance operation in Iceland have already delivered favourable developments in some insurance classes, e.g. in seamens accident insurance. However, the result in the insurance operation during 1Q 2008 was disappointing despite the influence of one-off items. The outlook for the coming quarter is continued strong growth in net insurance premium and a considerably improved combined ratio.

Landic Property (39.8% share)

FL Group acquired the majority of its stake in Landic Property in December 2007 in a transaction with Baugur Group. The company is one of the largest real estate companies in Scandinavia with operations comprised of seven business units, regional property companies in Sweden, Denmark, Iceland and Finland, Keops Investments, a property funds unit and Keops Developments. The company owns around 500 properties comprising 2.7 million square meters in total, which are well distributed in key locations in the Nordic countries.

In 2007, Landic Property merged with Keops A/S, a listed Danish property company and Keops became part of Landic Property as of 3 September 2007. Integration with Keops has been successful and entities comprising Landic are now fully operational as one entity.

At the end of March, Landic Property announced its 2007 financial results. Total assets at year end 2007 were EUR 5 billion and total equity was EUR 773 million. Total revenue amounted to EUR 182 million with profit before tax and excluding exceptional items of EUR 59 million. The income statement only includes Keops from 3 September 2007 and a synergy effect is expected to materialise in 2008.

Key events in 1Q included the acquisition of property funds from FL Group for EUR 200 million, the opening of an office in Helsinki, Finland and the divestment of 11 Swedish office properties for a total purchase consideration of SEK 900 million.

Refresco (49% share)

Refresco is Europe's largest manufacturer of private label fruit juice and soft drinks. Since acquiring Refresco in May 2006, FL Group has implemented a successful "buy and build" strategy, as a result of which the company has almost doubled in size by revenues. FL Group's strategic goal for Refresco is to more than double the business again within two to three years and to become a clear global leader in the private label and co-packing for A-brand beverage sector.

During 1Q 2008, FL Group completed a successful refinancing of Refresco. The refinancing deal received unanimous approval from the existing Refresco debt syndicate and the add-on debt facilities were over-subscribed, which in FL Group's belief is a clear demonstration of the confidence the lending banks have in the strength of Refresco's business, its management team and the buy-and-build strategy which FL has been backing. Furthermore, new equity has been injected into the business which, coupled with the refinancing, puts Refresco in a strong position to continue its buy-and-build strategy and make further acquisitions in 2008.

Northern Travel Holding (34.8% share)

Co-established by FL Group in 2006, Northern Travel Holding (NTH) is a leading provider of travel-related services in the Nordic region. Key assets in NTH are the low-cost airlines Sterling Airlines and Iceland Express, Astraeus, as well as controlling ownership stakes in the listed Swedish travel agent Ticket. In addition, NTH owns the Danish travel agent Hekla Rejser.

Despite difficult market conditions due to high fuel prices, NTH's main assets made significant operational progress. Astraeus and Ticket are performing in accordance with estimates and Iceland Express has increased its passenger numbers and market share when compared to 1Q 2007.

In February 2008, Reza Taleghani was hired as the CEO of Sterling and Christian Gormsen as COO. Changes have been initiated at Sterling to move the company forward. New logo and branding campaign has been launched to reinforce Sterling as a full fledged scheduled airline. Sterling revenues at year-end 2007 were approximately DKK 4 billion, EBITDA 2007 was DKK 15 million vs. DKK -119 million in 2006.

Other Investments

Inspired Gaming Group (19.3% share), which is the leading provider of analogue and digital gaming and leisure machines in the UK reported an operating profit of £11.4 million and a total turnover of £166.3 million for 2007. IGG's pub machine division, which has suffered because of new smoke-free regulations, is being put up for sale. However, the server-based gaming sector is performing strongly and expected to rise in 2008.

Royal Unibrew (26.2% share) is the second largest brewery in the Nordic region. In 1Q 2008 Royal Unibrew's revenue increased 19% compared to 1Q 2007. However, consolidated loss amounted to DKK 68.3 million, which is slightly above expectations. Expected profit before tax for 2008 is estimated at DKK 230-270 million, including costs of DKK 50 million relating to the closure of the Aarhus brewery and the reorganisation of the Danish distribution structure.

In 2007, FL Group established a strategic partnership with the US property developer Bayrock Group. Investment projects include four property development projects New York, Fort Lauderdale and Phoenix. FL Group entered into a 50:50 joint venture with Bayrock Group acquiring 40% of Midtown Miami, which is the development of 500,000 square meters of land in midtown Miami, including high-rise condominium towers, office buildings and retail space.

House of Fraser (13.9% share) which is Britain's leading retailer of designer brands operates more than 60 department stores across the United Kingdom and Ireland under several trading names. The strategy for House of Fraser is to invest in the store portfolio to create the best branded retail offering in the UK and Ireland. This is being carried out through a process of investment in rebranding and updating the stores in addition to building relationships with key brands.

Management outlook

During the first three months of 2008 and in recent weeks, FL Group has put a strong focus on decreasing market risk, strengthening the balance sheet, streamlining the investment portfolio, clarifying the strategy, and implementing a cost-reduction programme. FL Group management and shareholders have actively addressed the market challenges and taken the necessary measures in order to consolidate the Company´s position.

The intention of de-listing the company shares from OMX Nordic Exchange in Iceland, as announced recently, will be an important step in the ongoing restructuring of the company as well as in the best interests of shareholders.

Reporting notes and auditing

Financial statements are reported in Icelandic krona ("ISK"). All of the company's listed holdings are reported at market value, which results in market fluctuations having direct effect on the Group´s income statement. The portfolio of the company's unlisted assets is on a regular basis re-valued to fair market value in accordance with IFRS. The Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounts have been reviewed and approved by the Group's auditors, KPMG.

Presentation of financial results

An open meeting for investors, analysts and shareholders will be held at the Hilton Nordica Hotel, Reykjavik, Iceland, at 16:30 GMT today, 8 May 2008. Jon Sigurdsson, CEO of FL Group, will present the company's financial results and answer questions. All related material can be found on the company's website, www.flgroup.is, prior to the meeting. The meeting will be broadcast live on the Company's website, www.flgroup.is.

Investor and media enquires

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About FL Group:

FL Group is an international investment company with core investments in banking, insurance and property, along with a number of private equity investments. FL Group's core investments include Glitnir bank (32% stake), Tryggingamidstodin (99% stake) and Landic Property (39.8% stake).

The Company's headquarters are in Reykjavik and it also has an office in London. FL Group is listed on the OMX Nordic Exchange, Iceland and there are over 4,000 shareholders in the Company.

For more information visit www.flgroup.is.

Financial Statements

Income statement (ISK billion)	1Q 08	1Q 07
Net income (loss) from securities and derivatives	-22.9	12.5
Interest income	2.6	1.5
Interest expenses	-7.3	-3.0
Net foreign exchange gain	-19.0	4.6
Subtotal	**-46.7**	**15.6**
Insurance premium	3.2	0.0
Insurance claims	-3.3	0.0
Subtotal	**-46.8**	**15.6**
Operating expenses	1.5	0.9
Profit (loss) before income tax	**-48.3**	**14.7**
Income tax (expenses)	0.5	0.4
Profit (loss) for the period	**-47.8**	**15.1**

Assets (ISK billion)	1Q 08	4Q 07
Cash and cash equivalents	18.9	21.1
Unpaid share capital	0.0	7.5
Equity investments	177.3	219.0
Bond and debt investments	18.7	16.0
Derivatives	6.5	6.6
Restricted cash	26.0	53.1
Assets classified as held for sale	19.9	0.0
Loans and receivables including insurance receivables	69.2	42.3
Reinsurance assets	19.8	13.9
Deferred tax asset	9.0	8.6
Operating assets	2.3	2.2
Intangible assets	33.9	31.9
Total assets	**401.4**	**422.3**

Equity (ISK billion)	1Q 08	4Q 07
Share capital	13.4	13.5
Share premium	160.1	161.0
Other reserves	8.9	1.6
Retained earnings	-68.4	-20.6
Minority interest	1.2	0.3
Total equity	**115.2**	**155.8**

Liabilities (ISK billion)	1Q 08	4Q 07
Derivatives	13.8	13.5
Short positions	4.9	3.4
Trade and other payables	20.6	14.5
Liabilities classified as held for sale	17.0	0.0
Insurance liability	40.1	29.6
Borrowings	189.0	205.0
Income tax liability	0.7	0.6
Total liabilities	**286.2**	**266.5**
Total equity and liabilities	**401.389**	**422.32**