FL Group reports net loss of ISK 67 billion in 2007

-Global market conditions significantly affect Q4 earnings-
- Financial position and fundamentals remain strong -
-Market risk reduced significantly in Q4 and YTD 2008-

Reykjavik, Iceland 13 February 2008 – FL Group (OMX: FL), the international investment company, today announces its results for the year 2007.

Financial highlights

- Net loss after tax of ISK 63.2 billion (EUR 694.5 million) in Q4 and ISK 67.3 billion (EUR 738.5 million) in 2007, reflecting a significant decrease in market value of FL Group's listed assets. All of FL Group's listed holdings are marked to market.
- Total assets increased to ISK 422.3 billion at the end of Q4 from ISK 262.9 billion at the end of 2006, representing a 60.7% increase. Tryggingamidstodin was fully consolidated by the end of the year.
- Total shareholders equity was ISK 155.8 billion at the end of the quarter, an increase of ISK 13.2 billion from the end of 2006. The increase was due to a share issue in the second half, related to the acquisitions of property companies and Tryggingamidstodin.
- Financial position and liquidity are strong, equity ratio is 36.9% and direct liquidity of ISK 28.6 billion in the form of cash position and unpaid share capital which became payable on 4 January.
- At the time of publishing the annual results, FL Group has refinanced ISK 47.1 billion of borrowings maturing in 2008, with only ISK 8.5 billion of borrowings currently remaining.
- Negative re-valuation of ISK 3.7 billion of FL Group´s unlisted portfolio reflected global market conditions in Q4.
- Increase in operating expenses is largely driven by increased investment activity, non-recurring charges and expenses related to stock options.

Operational highlights in fourth quarter

- ISK 53.7 billion acquisition of several major property companies funded with new share capital.
- Icelandic insurance company Tryggingamidstodin acquired (99.1%), largely funded with an equity increase.
- Jon Sigurdsson appointed Chief Executive Officer.
- Comprehensive internal restructuring, market risk decreased and Copenhagen office closed.
- Reduced exposure to the aviation sector by divesting shares in AMR and Finnair for ISK 35.2 billion.
- Reduced exposure to non-core financial assets. Reduced stake in Commerzbank for ISK 20.7 billion in Q4 and an additional ISK 34 billion have been sold the first quarter 2008.
- Additional divestments in the trading portfolio in the quarter amounted to ISK 29.0 billion.
- Portfolio now is strongly balanced across different sectors, including: banking, insurance and property – each of which has good value potential. So does our Private Equity portfolio.
- FL Group remains committed to its key holdings, Glitnir, TM and Landic Property, and will continue working with the management of these companies to drive growth and profitability.
- As of today, FL Group has sold its 43,1% share in Geysir Green Energy. The transaction amounts to ISK 10.5 billion. Estimated profit of ISK 3 billion, which represents an increase of 40% from the original investment, has already been accounted for in the company´s books.
- All foreign property funds, acquired from Baugur Group in December, have been sold to Landic Property, in line with previous announcements, for a total amount of ISK 20.6 billion.

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

"The fourth quarter of 2007 was an exceptionally challenging period for the global economy and markets worldwide. FL Group has not remained unaffected, as the value of most of our investments came under significant pressure, directly affecting the Group's profitability. However, our confidence in the future remains unwavering: our fundamentals are strong, we have re-aligned our portfolio, which has good value potential, and we have a clear strategic focus.

We are well capitalised and have taken actions to limit our market exposure. We have the financial capacity to face market turbulence and to support our core holdings in Glitnir, Landic Property and TM."

Financial developments – Q4 and full financial year 2007

FL Group's operations are split into three business divisions: Financial Institutions Group ("FIG"), Private Equity and Capital Markets. FIG is a special investment function responsible for strategic investments in banking, insurance and other financials. Private Equity oversees FL Group's private equity holdings in addition to some listed positions that fit specific investment criteria. The Company's Capital Markets function oversees investments in listed securities as well as derivatives and other alternative trading for hedging or investment purposes. The division also handles stake building and stake disposals on behalf of FL Group's FIG and Private Equity divisions.

Key figures

ISK billion	2007	2006	2005	2004
Net Investment income	-73.8	17.5	19.6	2.3
Net insurance premium	0.2	0.0	0.0	0.0
Operating expenses	-6.2	-2.8	-13.4	-10.9
Profit before taxes	-79.8	14.7	20.5	4.3
Net profit	-67.2	44.6	17.3	3.6
Earnings per share (ISK)	-8.2	6.7	5.9	1.6
Total assets	422.3	262.9	132.2	43.5

Earnings

Net loss before taxes amounted to ISK 79.8 billion (2006: ISK 14.7 billion in profit) in 2007 and in the fourth quarter the loss was ISK 70.8 billion (4Q 2006: ISK 33.6 billion in profit). After tax, net loss in the quarter was ISK 63.2 billion (4Q 2006: ISK 33.6 billion profit), representing an ISK 67.3 billion loss in 2007 (2006: ISK 44.6 billion profit). This performance is driven by market turmoil resulting in negative marked to market adjustments of the underlying listed assets of the Group (see table on page 3). This negative impact is fully disclosed in the company's results, since all investments are reported at market value.

The Group had large investments in financials and airlines, both sectors which came under extraordinary pressure in the second half of 2007.

Dividend income totalled ISK 4,297 million in the year 2007, compared to ISK 806 million in the year 2006. The largest part of the dividend income came from Glitnir (ISK 2,479 million) and Commerzbank (ISK 1,111 million). Dividend income is accounted for in the income statement under net (loss) income from securities and derivatives

TM recorded a loss before taxes of ISK 1.5 billion in 4Q, but both the insurance operation and the investment operation had a difficult quarter. The insurance operation made an operating loss of ISK 10 million during the quarter, but the combined ratio amounted to 117%. There were no large claims during the quarter but many small claims, especially in seamen's accident insurances. Investment operation made an operating loss of ISK 1.1 billion, which is mostly explained by difficult equity markets.

Investment income

Net income from securities and derivatives in the year 2007 amounts to a loss of ISK 63.7 billion (2006: 24.0 billion profit). That derives from negative effect of ISK 43.1 billion from listed shares and ISK 0.2 billion from unlisted shares. Currency effect from holdings in shares and forward contracts was negative by ISK 10.3 billion, but against those effects there was a positive currency effect of ISK 2.5 billion which gives net negative currency effect of ISK 7.8 billion. In addition, under the net income from securities and derivatives are interest expenses of ISK 9.9 billion deriving from forward contracts.

Unlisted assets were re-valued in light of current market conditions. The net re-valuation was negative by ISK 3.7 billion in the fourth quarter. FL Group made a positive re-valuation of the portfolio of unlisted assets in third quarter so for the year 2007 the effect for holdings in unlisted assets is negative by ISK 166 million.

Interest income in Q4 accounts was ISK 2.0 billion revenue and ISK 5.0 billion in 2007, compared to ISK 0.9 billion in previous year.

Interest expense increased to ISK 6.3 billion (ISK 428 million related to TM) in the fourth quarter and was ISK 17.6 billion in 2007 compared to ISK 4.9 billion in the year 2006. The increase in interest expense can be contributed to the fast growing investment portfolio and related funding, in addition to increased debt margins in the second half of the year 2007.

TM had a negative investment income of ISK 900 million. Interest and dividend income amounted to ISK 900 million, realised gain from financial assets was ISK 400 million and fair value changes of financial assets was negative of ISK 1.6 billion.

Operating expenses

Operating expenses from investment operations in the fourth quarter were ISK 3,054 million (4Q 2006: ISK 1,067 million from investment operation). Operating expenses amounted to 6.2 billion in 2007. During 2007, the Group continued to expand its headcount, re-locate offices, and increase project activity significantly. This inevitably increased the Group's salary expenses and administration costs. A significant part of the increase in operating costs is also driven by one-time events (terminations of employee contracts, pension agreements etc.) to the tune of ISK 739 million and non-cash charges of ISK 566 million (primarily due to expense of stock options). Cost related to departure of the former CEO, Hannes Smarason is ISK 90 million and is fully expensed in the quarter. Hannes does not have any stock option agreements with the Company.

Main items which fall under operational expenses in 2007 are (TM is excluded in cost analysis):

Main cost drivers (ISK million)	
Salary expenses	701
One off charges	693
Non cash charges deriving from share options	566
Investment related cost (advisory and legal fees)	1,325
Other costs	1,999
Total costs	5,284

Operating expenses of TM during 4Q amounted to ISK 841 million, thereof is one-off expense explaining ISK 100 million.

Management has initiated a cost reduction program, which aims to significantly reduce operating costs during 2008 and cost reduction actions include closure of the Copenhagen office. One off operating expenses, such as from former employees and pension agreements have been fully charged in the year 2007.

Investment income and expenses

Investment Income (ISK million)	**4Q 07**	**3Q 07**	**2Q 07**	**1Q 07**	**4Q 06**
Net income (loss) from securities and derivatives	-60,161	-23,651	7,658	12,472	11,047
Interest income	2,038	973	473	1,498	-85
Interest expenses	-6,314	-4,972	-3,263	-3,017	-503
Net foreign exchange gain	-3,238	-3,121	4,208	4,627	-3,121
	-67,675	-30,771	9,076	15,580	7,338
Insurance premium	2,769				
Insurance claims	-2,598				
	-67,504	-30,771	9,076	15,580	7,338
Operating expenses	3,054	1,193	1,022	884	1,067
Profit (loss) before income tax	**-70,558**	**-31,964**	**8,054**	**14,696**	**6,271**
Income tax (expenses)	7,341	4,817	-12	388	2,970
Profit (loss) from discontinued operations (net of income tax)	0	0	0	0	24,353
Profit (loss) for the period	-63,217	-27,147	8,042	15,084	33,594

Assets

The Group's total assets on 31 December 2007 amounted to ISK 422.3 billion, increasing by 60.7% from the beginning of the year. The solid cash position of ISK 28.6 billion, including unpaid share capital at the end of the year demonstrates the Group's ability to maintain its liquidity in the current market turmoil. Off balance sheet funding of equities through derivatives amounted to ISK 71.4 billion and decreased by ISK 7 billion year on year.

Investments are divided into three categories: Equity investments (ISK 287.0 billion), Loans in relation to investments (ISK 19.4 billion) and bonds and debt investments (ISK 16.0 billion). Holdings in listed securities amount to ISK 197.1 billion, which represent 69% of the total equity portfolio. The five largest listed investments as of end of 2007 are Glitnir Bank, Commerzbank, Finnair, Royal Unibrew and Nordicom. The value of the five largest holdings is ISK 179 billion at the end of the year, which represents 62% of the total share portfolio. As announced on 21 January 2007, FL Group´s partially divested its stake in Commerzbank to 1.15%.

Listed portfolio

ISK million	Sector	Holding	Market value	Change Q4
Glitnir	Banking	32.0%	104,430	-23.0%
Commerzbank AG	Banking	2.9%	45,931	-9.3%
Finnair Oyj	Aviation	12.7%	12,091	-30.6%
Royal Unibrew A/S	Beverage	25.6%	9,927	-18.5%
Nordicom A/S	Property	21.7%	6,859	-11.4%

The portfolio of unlisted companies consists of companies with various operations and locations, mainly in Europe. The portfolio was valued at the end of the year at ISK 90.0 billion representing 31% of the Group's securities portfolio. In addition there is ISK 19.4 billion in loans to the Groups unlisted companies. FL Group undertook at the end of the year a re-valuation on its portfolio of unlisted assets, which resulted in negative re-valuation of the unlisted portfolio of ISK 3.7 billion.

Derivatives on the asset side of ISK 6.6 billion represent profitable derivatives contracts as of the end of the year. However, derivatives under liabilities in the amount of ISK 13.5 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 6.9 billion.

Overview of FL Group´s key investments can be seen in the Notes to editors in the end of this press release.

Liabilities and equity

Liabilities totalled ISK 266.5 billion at the end of the year and increased by ISK 146.3 billion from the beginning of the year. The growth in liabilities follows the Group´s rapidly expanding investment portfolio including the consolidation of Tryggingamidstoðin.

Shareholders´ equity was ISK 155.8 billion as of year end, an increase of ISK 13.2 billion compared to previous year. During 2007, FL Group increased its share capital by total of ISK 5.6 billion in nominal value (ISK 94.8 billion market value), mainly in relation to the acquisition of Tryggingamidstodin and the recent investments in portfolio of companies investing in real-estate projects. In relation to the consolidation of Tryggingamidstodin ISK 1.8 billion of initial investment in Tryggingamidstodin was restated through equity due to step acquisition (negative effect on equity).

With a net loss in 2007, the return on equity was a negative 45.1% on annualized basis, compared to a positive return on equity of 41.0% in 2006.

Financing and liquidity

Given the turbulent global markets, the Group has put a heavy effort into maintaining liquidity.

In the fourth quarter, the Group undertook several funding exercises with the goal of extending the maturity profile where part of the short term debt was replaced with long term debt, resulting in stronger maturity profile.

Since year end, FL Group has continued to refinance short term debt. At the end of 2007 the Group had ISK 55.6 billion of debt maturing in the year 2008 but until today the Group has already refinanced or received commitments to refinance 47.1 billion of the 2008 maturities until 2009-2013 resulting in only ISK 8.5 billion of refinancing left. Thereof ISK 3.5 billion are REPO contracts which are easily refundable by nature.

Today, the Group therefore has sufficient funds to meet all maturing debt obligations for the remainder of 2008.

FL Group's total equity increased in the year 2007 and amounted to ISK 94.9 billion in the end of 2007. This demonstrates the Group's ability to raise equity even in difficult times, and hence the support of FL's shareholders for its chosen strategy. The equity ratio at the end of the year was 36.9% compared to 54.3% at the end of 2006.

The company has sufficient liquidity to cover all maturities for the remainder of 2008, a solid equity ratio and a maturity profile that fits well with the investment portfolio. Thus, the Group is well positioned to cope with unfavourable market conditions.

Highlights of key business development activities

2007 was an exceptionally turbulent year for world financial markets, but was also a very active year for FL Group, characterised by continued investments both in listed companies and private equity. FL Group's flexible and opportunistic investment approach has enabled the group to navigate through difficult market conditions by actively managing its portfolio, disposing of underperforming assets and thus building a good platform for 2008.

The turbulent times in the financial markets saw many of FL Group's key investments lose its value, however both our listed and unlisted portfolio companies have strong fundamentals and showed good operating results in 2007. FL Group remains an active and supportive shareholder of its core investments and seeks to work closely with its management teams in order to help them realise their vision and long-term objectives.

Key developments within the Group´s business divisions for 2007 include:

Financial Institutions Group

Glitnir bank

Glitnir made a profit of ISK 27.7 bn in 2007, which equalled a 19.3% ROE. It is a satisfying result, particularly given that it happened at a backdrop of some major management changes that took place during the year - such as the integration with FIM which was acquired in Q1 2007 - and last but not least the difficult market conditions in second half of 2007.

Glitnir is expected to deliver solid results in 2008, even though the markets remain challenging. There was a good momentum in core income generation during the second half of 2007 setting the tone for 2008. Asset quality is strong and the bank has negligible exposure to risky assets classes. The main focus in 2008 will be on bringing operating expenses down as these were too high in 2007, partly explained by one-off expenses.

Tryggingamidstodin

FL Group acquired TM in 2007, and it constitutes part of FL's core investment portfolio. TM became consolidated into FL Group's accounts on 1 October. The acquisition is still waiting approval from the Icelandic FSA, but decision is expected in Q1 2008.

At the time of the acquisition, TM was not performing well. TM recorded a net income of ISK 2.5 billion in Q4. This was due to the positive income tax as TM had a loss before taxes of ISK 1.5 bn. The insurance operation continued to deliver unacceptable results but combined ratio was 117% for Q4. Voluntary car insurance and seamen's accident insurance have particularly contributed to the weak results of the insurance operation in 2007. Investment income of ISK 0.9 billion was negative but that is mostly explained by difficult equity markets during the quarter.

FL Group has already made some management changes and measures have been taken to improve the results of insurance operation. Substantial improvement in the insurance operation in Iceland is expected and the target is to achieve the combined ratio of below 100% in the coming two years. Nemi is expected to achieve strong growth in premiums for own account as it is now part of larger entity which can take larger part of the insurances that it underwrites. Operating profit of the insurance operation is therefore expected to increase considerably in 2008.

Private Equity

The development of the group's private equity activities has progressed well during 2007. In September the private equity business was formally separated into its own division headed up by Orvar Kaernested. This separation led to a review of the private equity operations and the decision to close the Copenhagen office.

The private equity division was successful in 2007 in developing the assets within its existing portfolio. Significant progress was made with Refresco, a drinks business, acquired by FL Group in 2006. Further successes were achieved with Geysir Green Energy which, although only founded by FL Group in 2007, is now one of the world's leading players in geothermal energy, with investments spanning the globe.

During 2007 the private equity team focused on investment opportunities in selected core sectors, being leisure, consumer goods, property and renewable energy, which resulted in investments being made in both private and publicly listed companies.

The disruptions to the financial markets in the second half of 2007 had a material impact on some of the major transactions that were pursued by the private equity division, largely due to the reduced willingness of banks to lend into leveraged buyouts. Of particular note was the impact of financial market volatility on the planned take-private of Inspired Gaming. The take-private had to be halted at the latter stages of the process, meaning that significant abort costs were borne by the group as a consequence. Whilst abort costs are a risk associated with private equity operations, the costs incurred during the latter half of 2007 are considered to be exceptionally high due to market conditions at the time.

Some of FL Group's key private equity assets are discussed in more detail below.

Refresco
2007 was a tough year for beverage companies due to adverse summer weather conditions and increasing raw material and energy costs. Despite this, Refresco managed to maintain its profitability, significantly outperforming most of its peers. The company made four strategic acquisitions during the year which have almost doubled the size of the business and taken the company from being the second largest private label soft drink producer in Europe to being the largest. Early stage discussions with the next set of acquisition targets has already started and outlook for the 2008 is positive.

Inspired Gaming Group
In February FL Group acquired an initial stake in Inspired Gaming Group, the leading provider of open server-based gaming machines in the UK. In September it was announced that FL Group had approached the company with a view to making a possible bid to take the company private. Due to financial market conditions, FL Group did not proceed with the offer but remains a supportive shareholder to the company.

Landic Property
In December 2007, FL Group made a significant investment in the property sector. The acquisition was valued at ISK 53,7 billion and the purchase price was paid by issuing new shares in FL Group. The deal included acquiring a further 36.9% in Landic Property as well as a number of smaller real estate companies and holdings in international property funds. The property funds were subsequently sold to Landic Property in exchange for a subordinated convertible bond.

Northern Travel Holding
Despite difficult market conditions due to high fuel prices, the main NTH assets made significant operational progress in 2007. Sterling continued a significant turnaround and Iceland Express had a record year sharply increasing its profitability, number of passengers and market share. In September Thorsteinn Orn Gudmundsson was hired as the CEO of NTH and he will lead the continued successful development of the NTH portfolio companies.

Capital markets

Market risk in FL Group's portfolio is actively managed through hedging and active trading of positions. By selling FL Group's stake in AMR and part of the stakes in Commerzbank and Finnair, as well as through hedging, Capital Markets brought down market exposure by ISK 72 billion in Q4.

Exposure from other trading positions was also taken down by ISK 29 billion in the quarter reflecting the desks bearish market view. Icelandic equities holdings were also kept low throughout the quarter avoiding risk correlation with other business units.

Management outlook

During the year 2007 and in recent weeks, FL Group has put a strong focus on lowering market risk, strengthening of its balance sheet, streamlining its investment portfolio, clarifying its strategy and implementing a cost-reduction programme,. FL Group has addressed the challenges of 2007 with dignity and is poised to enter 2008 in a stronger position, and our newly restructured investment portfolio continues to offer good opportunities for future growth.

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. An alternative reporting method for some of our strategic holdings is the equity method, where investment income equals a share of net profit proportional to the size of the equity investment. The portfolio of the company's unlisted assets is on a regular basis re-valued to fair market value in accordance with IFRS. As of 1 October 2007, the insurance company TM was consolidated into FL Group´s accounts. This follows FL Group´s acquisition of 99.1% of TM's share capital. The Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounts have been audited and approved by the Group's auditors, KPMG.

Annual General Meeting

FL Group will have its Annual General Meeting on Tuesday, 11 March 2008, at 17:00 and further details will be published week prior to the meeting.

Presentation of financial results

An open meeting for investors, analysts and shareholders will be held at the Hilton Nordica Hotel, Reykjavik, Iceland, at 17:00 GMT today, 13 February 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. FL Group will host a conference call for international investors and analysts on 14 February 2008 at 08:30 GMT. To log on to the meeting, users need to register prior to the meeting. Call in details will be given following the completion of the registration. Registration details can be found on FL Group's website, under Financial Calendar which is located on the Investor Relations section on the website.

Investor and media enquires

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Financial calendar

1Q 2008 results: 28 February – 2 March
2Q 2008 results: 28 July – 1 August
3Q 2008 results: 27 October - 31 October
4Q 2008 results: 2 February – 6 February

About FL Group

FL Group is an international investment company focusing on three areas of investment, Financial and Insurance (FIG), Private Equity and Capital Markets. FIG is a special investment function responsible for strategic investments in banking, insurance and other financials. Private Equity oversees FL Group's private equity holdings in addition to some listed positions that fit specific investment criteria. The company's Capital Markets function oversees investments in listed securities as well as derivatives and other alternative trading for hedging or investment purposes. With head office in Reykjavik and an office in London, FL Group invests in companies worldwide. The Company is listed on the OMX Nordic Exchange in Reykjavik, Iceland (OMX: FL), with over 4,000 shareholders.

More information on www.flgroup.is

Financial statements for the year 2007

Investment Income	2007	2006
Net income (loss) from securities and derivatives	-63.7	24.0
Interest income	5.0	0.9
Interest expenses	-17.6	-4.9
Net foreign exchange gain	2.5	-2.4
	-73.8	17.5
Insurance premium	2.8	
Insurance claims	-2.6	
	-73.6	17.5
Operating expenses	6.2	2.8
Profit (loss) before income tax	-79.8	14.7
Income tax (expenses)	12.5	2.6
Profit (loss) from discontinued operations (net of income tax)	0.0	27.2
Profit (loss) for the period	-67.3	44.6

Assets (ISK billion)	4Q 2007	4Q 2006
Cash and cash equivalents	21.1	47.0
Unpaid share capital	7.5	0.0
Equity investments	219.0	181.2
Bond and debt investments	16.0	0.0
Derivatives	6.6	4.3
Restricted cash	53.1	9.6
Assets classified as held for sale	0.0	0.9
Loans and receivables including insurance receivables	42.3	19.5
Reinsurance assets	13.9	0.0
Deferred tax asset	8.6	0.0
Operating assets	2.2	0.4
Intangible assets	31.9	0.0
Total assets	422.3	262.8

Equity (ISK billion)	4Q 2007	4Q 2006
Share capital	13.5	7.8
Share premium	161.0	70.5
Other reserves	1.6	0.9
Retained earnings	-20.6	63.4
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Total equity	155.8	142.7

Liabilities (ISK billion)	4Q 2007	4Q 2006
Derivatives	13.5	7.0
Short positions	3.4	0.0
Trade and other payables	14.5	5.9
Liabilities classified as held for sale	0.0	0.6
Insurance liability	29.6	0.0
Borrowings	205.0	105.0
Income tax liability	0.6	1.7
Total liabilities	266.5	120.2

Notes to editors – FL Group´s key investments (As of 31 December 2007)

Financial Institutional Group (FIG)

Glitnir Bank (32.0% holding)

www.glitnirbank.com

Glitnir Bank is a leading Nordic bank offering comprehensive banking services, including retail banking, investment banking, brokerage and asset management. Glitnir is traded on OMX Iceland and its ticker is GLB. Its total assets amounted to ISK 2,949 billion (EUR 30.8 billion) at the end of 4Q 2007. Glitnir had a market capitalisation of ISK 323 billion (EUR 3.4 billion) at the end of fourth quarter 2007. FL Group started investing in Glitnir in 2005 and has been continuously adding to its stake. FL Group has three representatives on Glitnir's seven-member Board.

Tryggingamidstodin (99.1%)

www.tm.is

Tryggingamidstodin (TM) is an Icelandic insurance company. TM offers comprehensive insurance and financing services. TM is traded on OMX Iceland and its ticker is TM. FL Group has made a voluntary takeover bid to the remaining shareholders of TM, a deal subject to confirmation from the Icelandic Financial Supervisory Authority, which is expected in the first quarter 2008.

Private equity portfolio – key investments

Landic Property (39.8%)

www.landicproperty.com

Landic Property is one of the largest real estate companies in the Nordic countries with substantial market shares in Sweden and Denmark and market leading position in Iceland. The Company was formed in July 2007 when Stoðir, founded in 1999 by Baugur Group and Kaupthing Bank, acquired Keops A/S - a Danish listed company from 1998 until 2007. Stodir already owned Atlas Ejendomme which was acquired in January 2006. It is intended to list the Company in during 2007. Landic owns and manages more than five hundred properties, comprising 2.7 million square meters in total.

Royal Unibrew (25.6% holding)

www.royalunibrew.com

Royal Unibrew is the second largest brewery in the Nordic region. Royal Unibrew has a strong market position in a number of sectors and markets and its business model is highly cash-generative. The company has strong growth, both organically and through aggressive but well-targeted acquisitions. During the last five years Royal Unibrew has completed over ten acquisitions outside Scandinavia. Profit before tax for 3Q 2007 was DKK 105.9m. 4Q figures will be announced on 3 March 2008. The company is listed on OMX in Copenhagen.

Inspired Gaming Group (18.9% holding)

www.inspiredgaminggroup.com

Inspired Gaming Group is the leading provider of analogue and digital gaming and leisure machines in the UK. Inspired Gaming operates some 100,000 machines worldwide, 22,000 of them form its open server-based platform. Some of Inspired Gaming's largest clients include Gala Bingo, William Hill and Coca Cola Company. Inspired Gaming is listed on the London Stock Exchange. For 2007, Inspired reported a profit before tax of GBP 15.4 million and an EBITDA of GBP 26.8 million.

Refresco (49% holding)

www.refresco.nl

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. In 2007 Refresco is expected to report sales of c. EUR 1 billion on an annualised basis with EBITDA margin of 9-10%. FL Group's strategic goal for Refresco is to more than double the business again within two to three years to become a clear global leader in the private label and co-packing for A-brand beverage sector.

Northern Travel Holding (34.8% holding)

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.

Bayrock Group (strategic partnership)

www.bayrockgroup.com

In 2007 FL Group established a strategic partnership with the US property developer Bayrock Group. Investment in four property development projects with Bayrock: Trump Soho (46 floor, 5-star hotel condominium in Soho, New York; Trump Lauderdale (5-star hotel condominium on Fort Lauderdale beach. Completion expected Q4 2008); Whitestone New York (development of 13 acres of land located along the East River in Whitestine, Queens. Re-zoning approvals are on track, final approvals expected Q3 2008) and Camelback (5-star hotel and residential condominium in Phoenix. Construction anticipated to start in Q2 2008). FL Group entered into a 50:50 joint venture with Bayrock Group, acquiring 40% of Midtown Miami (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%)

www.hof.co.uk

House of Fraser is Britain's leading retailer of designer brands. It operates more than 60 department stores across the United Kingdom and Ireland under several trading names, including House of Fraser, Frasers, Howells, Dickins & Jones, Rackhams, Army & Navy, Jenners and Beatties. 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 done through a process of investment in rebranding and updating the stores whilst building relationships with key brands. This has included the setting up of the House of Fraser internet site for internet sales.

Capital markets (Trading portfolio)

Capital markets' trading portfolio consists of stakes which are either short term or not identified as core holdings. As of 1Q 2008, FL Group will only disclose changes of total trading portfolio and not for individual investments in this portfolio, unless the size of transaction needs to be reported to the OMX Nordic Stock Exchange, Iceland.