FL GROUP

4Q '07

FOURTH QUARTER
FINANCIAL RESULTS

Analyst presentation
13 February 2008

Disclaimer

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Today's speaker and agenda

Jon Sigurdsson
Chief Executive Officer

- » Financial highlights
- » Business unit overview
- » Moving forward
- » Q&A

Key business highlights

- **Extreme market conditions during second half of the year**
  - Significant impact on the company's operations and financial performance
- **Portfolio rationalised**
  - Sale of non-core assets
  - Exposure to aviation sector decreased significantly
- **Market exposure**
  - During Q4 and in January FL Group has decreased its market exposure by around ISK 130 billion
- **Operations streamlined**
  - Closure of Copenhagen office
  - Focus on reducing operating expenses
- **Refinancing of borrowings maturing in 2008**
- **Strong support for core assets**
  - Glitnir Bank, TM and Landic Property
- **Key focus on liquidity and strong capital base**

FINANCIAL HIGHLIGHTS

Financial highlights

- Net loss after tax of ISK 67.3 billion in 2007, ISK 63.2 billion in 4Q
- Total asset of ISK 422 billion at year-end, ISK 377 billion in investment operations
- Total equity of ISK 156 billion at year-end
- Equity ratio of 37%, 41% in investment operations

Financials highlights **ISK million**	**2007**	**4Q**
Net loss after tax	-67,238	-63,133
Total assets	422,320	
Total assets in investment operations	377,221	
Equity	155,844	
Equity ratio	36.9%	
Equity ratio in investment operations	41.3%	

Reporting considerations

- Financial statements are prepared in accordance with IFRS and audited by KPMG
- **Key considerations**
    - Listed holdings are valued using the marked to market method
    - Unlisted assets are reported on fair market value in accordance with IFRS
    - TM, acquired in 3Q is fully consolidated as of 1 October 2007

Income statement for the full year

Income statement ISK million	2007	2006
Net income from securities and derivatives	-63,682	23,956
Interest income	4,982	854
Interest expenses	-17,566	-4,948
Net foreign exchange gain	2,476	-2,372
	-73,790	**17,490**
Insurance premium	2,769	
Insurance claims	-2,598	
	-73,619	**17,490**
Operating expenses	6,153	2,771
Profit (loss) before income tax	**-79,772**	**14,719**
Income tax (expenses)	12,534	2,631
Profit (loss) from discont. operations (net)	0	27,208
Profit (loss) for the period	**-67,238**	**44,558**

» Market turmoil in second half of the year resulted in significant decrease in investment income

» Stronger cash position throughout the year is reflected by increased interest income from previous year

» Interest expenses increase in line with increased investment activity

» Consolidation of TM changes composition of income statement, decreases comparability between years

Income statement for the quarter

Income statement ISK million	4Q 07	4Q 06
Net income from securities and derivatives	-60,161	11,047
Interest income	2,038	-85
Interest expenses	-6,314	-503
Net foreign exchange gain	-3,238	-3,121
	-67,675	**7,338**
Insurance premium	2,769	
Insurance claims	-2,598	
	-67,504	**7,338**
Operating expenses	3,054	1,067
Profit (loss) before income tax	**-70,558**	**6,271**
Income tax (expenses)	7,341	2,970
Profit (loss) from discont. operations (net)	0	24,353
Profit (loss) for the period	**-63,217**	**33,594**

- Losses in 4Q are largely explained by a significant decrease in market value of listed holdings
- Exceptional items in 4Q increased operating expenses from run-rate levels
- Unlisted assets re-valued by ISK -3.7 billion
- TM consolidated for the first time during 4Q

Overview of largest listed holdings and development

Largest listed holdings ISK million	Sector	Holding at year end	Value at year end	Change in 4Q	Change in 2007
FIG					
Glitnir	Banking	32.0%	104,430	-23.0%	-5.8%
TM	Insurance	99.1%	49,374	0.0%	24.7%
Private Equity					
Royal Unibrew A/S	Beverages	25.6%	9,927	-9.3%	-27.8%
Inspired Gaming Group	Leisure	19.0%	4,054	-31.7%	11.2%
Nordicom	Property	21.7%	6,859	-11.4%	-2.7%
Capital Markets					
Commerzbank AG	Banking	2.9%	45,931	-30.6%	-9.0%
AMR	Aviation	0.0%	0	-37.1%	-53.6%
Finnair Oyj	Aviation	12.7%	12,091	-18.5%	-28.2%
Aktiv Kapital ASA	Financials	13.3%	6,400	-9.8%	-11.2%

» Value of listed holdings decreased significantly during very difficult market environment in 3Q and 4Q, eliminating value increases that had accumulated during the first half of the year

» FL Group has managed to reduce its market exposure significantly by selling assets not aligned with its strategy

Reduction in operating expenses

Operating expenses ISK million	
Total operating expenses	**6,125**
TM Insurance	841
Salary expenses	701
One off charges	693
Non cash charges	566
Investment related cost	1,325
Other costs	1,999

- Total operating expenses in 2007 amounted to ISK 6,125 million, of which TM accounts for ISK 841 million
- Exceptional items expensed during the year amount to ISK 2,018 million
- Non cash charges due to share options amount to ISK 566 million
- Salary expenses amount to ISK 701 million

- **Operating expenses in the investment operations for 2008 will be reduced by 50% from previous year**

Balance sheet | Assets

Balance sheet | Assets ISK million	31 12 07	30 09 07	31 12 06
Cash and cash equivalents	21,125	29,515	47,022
Unpaid share capital	7,500		0
Equity investments	218,998	266,209	181,037
Bonds and debt investments	16,021		124
Derivatives	6,604	19,161	4,309
Restricted cash	53,060	26,976	9,572
Assets classified as held for sale	0	0	904
Loans and receivables, including insurance rec	42,348	22,352	19,478
Reinsurance assets	13,937		0
Deferred tax asset	8,623		0
Tax asset	0	4,397	0
Operating assets	2,167	830	425
Intangible assets	31,937		0
Total assets	**422,320**	**369,440**	**262,871**

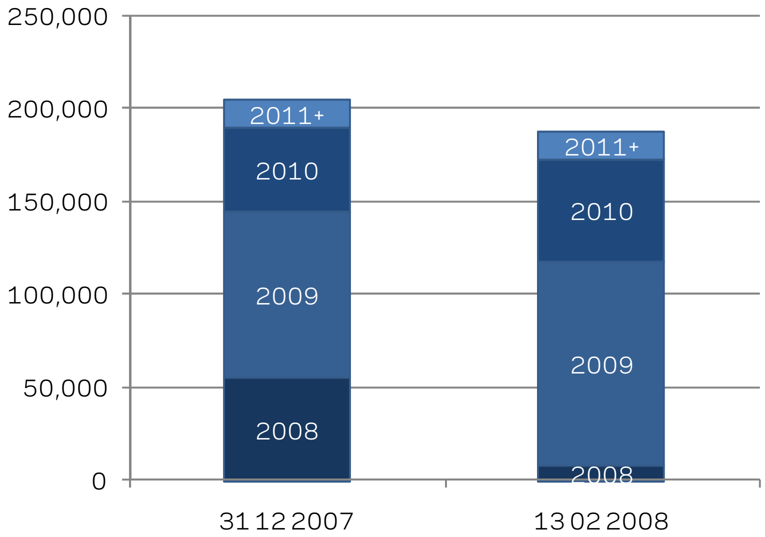
- Strong cash position
- Restricted cash increases
- Equity investments and loans in relation to investments increase mainly due to investments in property portfolio and TM
- Loan trade and other receivables increases mainly from consolidation of TM and unsettled transactions

Balance sheet | Equity and liabilities

Balance sheet | Equity and liabilities ISK million	31 12 07	30 09 07	31 12 06
Total equity	**155,844**	**149,187**	**142,676**
Derivatives	13,488	9,441	7,021
Trade and other payables	14,469	9,726	5,908
IB loans and borrowings	204,979	200,299	104,955
Insurance liabilities	29,626	0	0
Other	3,915	787	2,311
Total liabilities	**266,476**	**220,253**	**120,195**
Total equity and liabilities	**422,320**	**369,440**	**262,871**

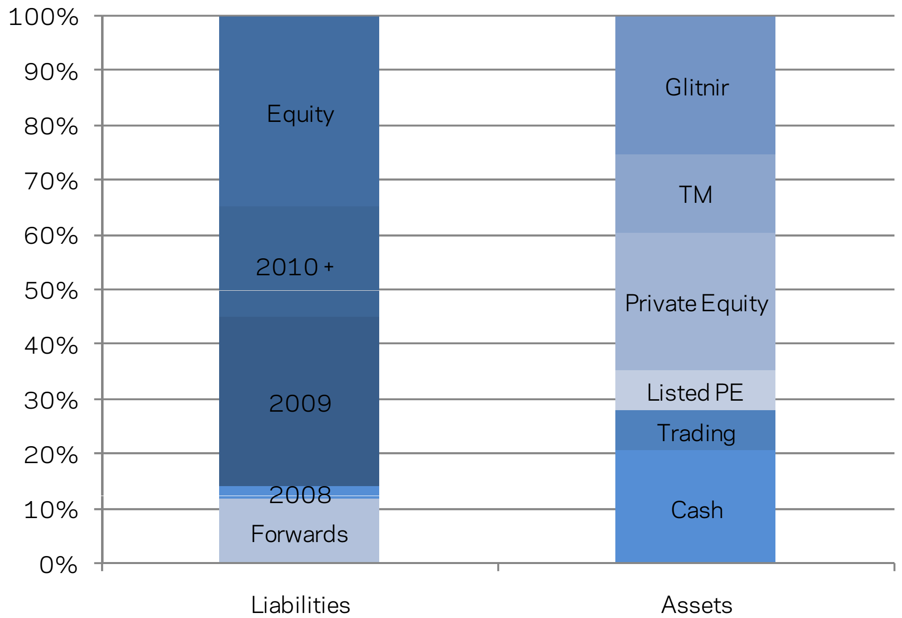
- Total interest bearing liabilities amounted to ISK 205 billion at year-end
- Increased investment activity
- Consolidation of TM increases trade and other payables as well as borrowings
- Shareholders' equity at year end was ISK 156 billion
  - ISK 1.7 bn negative effect from consolidation of TM
- Strong equity ratio at year-end of 37%; 41% excluding TM
- In total new equity worth ISK 95 billion was issued in the year 2007
  - Acquisition of TM
  - Acquisition of property companies

Maturity profile has been enhanced



- FL Group has finalised a refinancing of a large portion of loans that were maturing in 2008
- Liabilities maturing in 2008 currently amount to ISK 8.5 billion
- Debt maturity profile is very healthy – providing support in a difficult market environment

Liquidity is strong



- Healthy balance between maturities of assets and liabilities
- Strong liquidity position
- Liquid assets cover all maturities for the next 52 weeks
- Further work being completed to keep liquidity strong

BUSINESS UNITS OVERVIEW

Business units

- Continued support to current investments both within FIG and Private Equity
- Evaluating add-on investments and other value enhancing actions
- Further integration with TM and execution of strategy a key priority in 2008.
- Capital Markets takes advantage of volatility in markets through short term positions
  - Execution of hedging for other business units

FIG

45% of total investments

Private Equity

35% of total investments

Capital Markets

20% of total investments

FIG | Glitnir

Glitnir | Key financials ISK million	2005	2006	2007
Net interest income	22,351	37,084	39,082
Net fees and commissions	8,773	26,459	37,644
Net operating income	36,411	72,601	85,095
Profit after tax	18,886	38,231	27,651
Total assets	1,471,945	2,246,340	2,948,910
Total equity	84,537	146,119	169,969
ROE	30.3%	39.4%	19.3%
CAD ratio	12.6%	15.0%	11.1%

» **Key financial highlights of fourth quarter**

- » Strong quarter for both net interest income and net fees & commissions
- » Operating expenses too high, partly explained by one-off expenses
- » Profit after tax and minorities of ISK 2.8 bn

» **Outlook for 2008**

- » Good momentum in core income
- » Loan portfolio grew strongly during 2H in 2007
- » Focus on bringing operating expenses down
- » One-off expenses of ISK 3.5 bn in 2007
- » More focus on quality of loan portfolio than on growth
- » Strong asset quality
- » Real estate 28% of loan portfolio, majority with LTV <80%
- » Moderate equity exposure
- » Debt markets remain challenging but Glitnir has strong liquidity position and is focusing on increasing the deposit base

TM | Key financials and highlights

TM | Key financials ISK million	4Q 07	4Q 06	% incr	2007	2006	% incr
Premiums foa	2,769	2,149	28.9%	10,543	6,652	58.5%
Net income	2,351	3,441	-31.7%	14,421	11,460	25.8%
Claims foa	-2,598	-1,967	32.1%	-9,545	-6,376	49.7%
Profit after tax	2,503	232	978.9%	4,375	696	528.6%
Total assets	70,444	69,661	1.1%	70,444	69,661	1.1%
Total equity	25,616	22,134	15.7%	25,616	22,134	15.7%
ROE	41%	4%		18%	4%	
Combined ratio	117%	127%		113%	123%	

- Continued strong growth in premiums for own account
- Claims for own account continue to be high
- Combined ratio of 117% during 4Q which is above the target ratio. Still there is positive development year-on-year
- Profit after tax of ISK 4.4 bn in 2007, equalling a 18.3% ROE

Icelandic operations

- Premiums foa increased by 22% yoy
- Claims foa increased 26% yoy
- Weak results in 2007 but combined ratio slightly better than in 2006
- Two insurance classes, Seamen's accident insurances and voluntary car insurances, are performing badly

Norwegian operations

- Premiums foa increased by 15% yoy
- Claims foa increased by 15% yoy
- Combined ratio above Nemi's target
- Based on market conditions Nemi delivered good results and outperformed some of its competitors

TM | Outlook

- **Changes have been made to improve results**
  - Management changes implemented
  - Weaker than expected results in insurance operations but measures have been taken to improve profitability
  - Nemi expected to achieve strong growth in premiums for own account
- **Value potential**
  - Good potential in the Icelandic operations
  - Nemi is an exciting platform for further Nordic growth
  - Operating business which brings cash flow and stabilitiy
- **Approval from the FSA pending**
- **Outlook**
  - Good outlook for 2008 as premiums for own account are expected to increase significantly and combined ratio expected to decline
  - As Nemi is now part of financially stronger entity it can take larger part of the insurances that it underwrites

BUSINESS UNITS OVERVIEW
PRIVATE EQUITY

Overview of key holdings

LANDIC PROPERTY
40% holding

Refresco HOLDING
49% holding

ROYAL UNIBREW
26% holding

INSPIRED GAMING GROUP
20% holding

Northern Travel Holding
35% holding

BAYROCK GROUP,
50% holding

HOUSE OF FRASER
14% holding

Alfesca
15% holding

Smáralind
34% holding

ÞYRPING
49% holding

EIK FASTEIGNAFÉLAG
71% holding

Successful sale of property funds

- All foreign property funds acquired from Baugur Group in December have been sold to Landic Property
    - Transaction value ISK 20.6 billion
- Consideration paid with a five year convertible bond in Landic Property
    - First conversion possibility two years from now
- Transaction is in line with Landic Property's long term strategy of diversifying its operations further
- Acquisition increases scale and market presence in markets outside the company's current markets

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CATALYST CAPITAL

TERRA FIRMA
INDIA

WCC Europe

Landic is a diversified property company

- Landic Property is a leading real estate company with a significant operations in Sweden, Iceland and Denmark
  - Total assets of c. EUR 4.8 billion
  - More than 3,800 tenants
  - Lettible space around 2.7 million sqm.
- **A very good year for Landic Property**
  - Keops acquisition a key highlight
  - Overall business risk reduced through a wider geographical footprint and a more diversified tenant base
  - Continued good performance of underlying assets
- **Continued emphasis on growth in key markets**
  - Opening of new office in Helsinki provides a window for further growth in Finland and Baltics
  - Acquisition of property portfolio
- **Strong and diversified asset base** with ten largest properties providing 20% of rent income and ten largest tenants providing 26% of rent income
- **High quality assets** located in central locations in Sweden, Denmark and Iceland, where demand is high
- **Long lease contracts** with a portfolio average of c. 7 years remaining and embedded inflation adjustments
- **Economies of scale** allow the company to adjust its product offering to its clients when changes are needed
- **Refinancing for** 2008 is well advanced
- Will publish its annual results in March

Current market developments and next steps

- **Our view on market development**
  - Currently seeing tight and rapid contraction in credit markets
  - Yields have drifted lower in relatively low turnover
  - Strong underlying demand in key markets for Landic

- **Positive analyst comments on the Swedish property market**
  - Peak rents in Stockholm CBD are currently being reported with vacancy rates falling dramatically
  - The sector is facing flat property yields, and this will put a focus on growing the underlying earnings of property portfolios - as opposed to the transaction-driven value creation of the past few years

- **Next steps**
  - **Use existing platform** to expand into new markets
  - **Utilise opportunities** that current market can offer
  - **Improve cost efficiency** and continue in **rationalise internal structure**

- **Operational improvement** include
  - Develop relationship with tenants to be able to better adapt to the clients' needs
  - Sell off assets in urban regions and focus on central locations
  - Improve quality of existing assets by teaming up with developers
  - Strengthen operations of Keops Investments

Interest in Geysir Green Energy sold

- FL Group has completed the sale of all of its shares in Geysir Green Energy to several investors, including a fund managed by Glitnir Bank, focusing on renewable energy
- Total value of transaction amounts to ISK 10.5 billion
  - In line with carrying value as at 31/12
  - An increase of 40% from the original invested amount
- FL Group will become an investor in Glitnir 's fund with a stake worth ISK 4.5 billion
- Support to Glitnir's niche strategy which includes developing a fund focusing solely on renewable energy

Other notable highlights

- **A tough year for beverage companies is now behind us**
  - Adverse summer weather conditions
  - Increased raw material and energy costs
- **Four strategic acquisitions** during the year have almost doubled the size of the business
- Is now the **largest** private label soft drink producer in Europe

- **An offer for Inspired was not made** due to conditions in the financial markets
- Remains a **supportive shareholder**
- Rules on takeovers and mergers prevent the company from making another approach for **six months** from the withdrawal of the previous approach

- **Significant operational progress** despite continued difficult market conditions
- **Sterling** continued a significant turnaround and **Iceland Express** had a record year
- Thorsteinn Orn Gudmundsson hired as CEO

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MOVING FORWARD

Current financials overview

- **Refinancing**
  - A large portion of borrowings maturing in 2008 have been refinanced
  - Liabilities maturing in 2008 currently amount to ISK 8.5 billion
  - Company has liquidity to cover maturities for next 52 weeks
- **Liquidity is strong**
- **Market exposure decreased dramatically**
- **Despite continued volatility in markets the company has managed to keep equity ratio above 30%**

Key business priorities in 2008

- **Adapt to new market environment**
  - Continue to manage market exposure
  - Keep sufficient liquidity to be able to cope with further adverse conditions
- **Focus on core assets**
  - Glitnir Bank, TM and Landic
- **Operations streamlined**
  - Closure of Copenhagen office
  - Focus on reducing of operating expenses

Q&A

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