



Private Placement

Investor Presentation
December 2007



- » Acquisition of property assets and increase in share capital
- » Overview of FL Group
- » Financials
- » Offering details

- » Equity increased to ISK 180 bn
- » Refinancing strengthens maturity profile and liquidity
- » Property assets acquired for ISK 54 bn
- » Continued focus on private equity investments
- » Market risk decreased
- » Operational efficiency will be improved



ACQUISITION OF PROPERTY ASSETS



» Acquisition of a diversified property portfolio from Baugur Group

- » Acquisition of 12 property companies and funds spread across Europe for ISK 53.8 bn
- » Selected assets intended to be sold back-to-back to Landic Property for ISK 13.7 bn
- » In line with increased focus on Private Equity
- » Companies with a leading market position, generating strong cash flows
- » Kaupthing Bank has provided a fairness opinion on the valuation methodology
- » Purchase of property and back-to-back sale to Landic Property is subject to final consents and approvals

» A new platform further growth

- » Landic Property will be FL Group's platform for investments in property
- » Co-operation with leading market professionals in UK

LANDIC
PROPERTY

Smáralind

IMMO
CROISSANCE

(LXB)

PYRPING

EIK
FASTEIGNAFÉLAG

prestbury

CATALYST CAPITAL

WCC Europe

TERRA FIRMA
INDIA



Attractive characteristics

- » High quality across a mix of hotel, retail, office, leisure and residential
- » Access to leading management teams and expertise
- » Particularly strong footprint within the Scandinavian market and Iceland
- » Development potential

Value creation possibilities

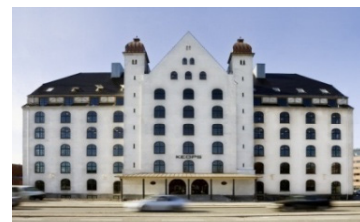
- » Property development
- » Tenant and yield enhancement
- » Potential for future yield compression

Beneficial for the development of FL Group

- » Increased focus on private equity
- » Diversification of assets
- » Increased stability

- » Landic Property is a leading Nordic real estate company with a substantial market share in Iceland, Sweden and Denmark
 - » Circa 500 properties with approximately 2.7m sqm of rental space, split into office space, retail, industrial and hotels
 - » Assets valued at over ISK 400 bn
 - » More than 3,800 lease agreements
 - » Over 270 employees
- » Largest investment by value. FL Group is acquiring a 39.8% holding in the company
- » A key strategic asset for FL Group
 - » A platform for further growth
 - » Valuable experience in deals with a property angle

LANDIC
PROPERTY





- » Strong tenant base includes both governmental bodies, leading retail companies, airlines and banks:
 - » Swedish Police Department and Stockholm County Council
 - » Hagar, Magasin, Illum
 - » TeliaSonera, Nordea, LM Ericsson
 - » Scandinavian Airlines
 - » Hilton Nordica Hotel
- » Diversified asset portfolio:
 - » Revenues for 2008 estimated approx. ISK 30 bn
 - » 78% of rental income outside of Iceland
 - » 10 largest properties account for only 20% of revenues
- » Favourable valuation:
 - » Valuation represents a pro-forma estimated 2007 yield of approx. 8% (excl. Keops development)
 - » Double overhead cost structure and high expenses in relation to acquisition and integration of Keops
 - » Nordic peers are trading in a yield range of 4.3-7.9%
 - » Valuation in line with Keops transaction this summer

LANDIC
PROPERTY

Kringlan
(Reykjavík, Iceland)

Haninge Söderbymalm
(Haninge, Sweden)

Huddinge Medicinaren 19
(Huddinge, Sweden)

Söderbymalm 3:488
(Haninge, Sweden)

Østergade 52
(Copenhagen, Denmark)

Tulpanen 3
(Möndal, Sweden)

Kungsängen 15:1
(Kungsängen, Sweden)

Holtagardar
(Reykjavík, Iceland)

Alleen & Amager Strandvej
(Copenhagen, Denmark)

Hilton Nordica Reykjavik
(Reykjavík, Iceland)



- » Fasteignafélag Íslands (32.3%) is the parent company of Smáralind and some of the prime development plots adjacent to the Smáralind shopping mall
- » Key figures:
 - » Total assets around ISK 25 bn, equity of ISK 13 bn
 - » Around 63,000 sqm in the premium shopping complex of Smáralind
 - » Currently 16,000 sqm are under construction at Norðurturninn with further development potential of around 100,000 sqm
 - » Transaction yield of Smaralind is 7.7% using next year's estimated rent revenues



- » Thyrrping (49.7%) is Iceland's leading property development company, specialising in regional planning and construction. The company has ISK 8.5 bn in total assets
- » Current principal development projects are:
 - » Borgartun 26, a high-profile office and service complex in the heart of Reykjavik's CBD
 - » 101 Skuggi (Phase 2 and 3), a high-rise residential tower of 250 luxury apartments on the seafront in downtown Reykjavik
 - » Nesgarðar, where 190 luxury apartments will be built on a prime location the north side of the town of Seltjarnarnes, adjacent to Reykjavik
- » Valuation of asset:
 - » Conservative valuation assumptions: A fully leased office building in Borgartún valued at multiples below city centre standards for new offices; e.g. Skuggahverfi valued at 20% discount to the current estimated price per sqm
 - » No specific value attributed to development pipeline and expertise





- » Eik fasteignafelag is a property company in Iceland focusing on commercial real estate
- » The company was acquired in April 2007 by a consortium led by FL Group
- » Main figures:
 - » Total assets around ISK 19 billion
 - » Over 100,000 sqm are in the company's portfolio
- » Valuations
 - » Strong asset sales and rent enhancement implies favourable valuation



-
- » Two funds focusing on the booming Indian market
 - » Credit turmoil in Europe and US does not appear to have impacted the Indian property market
 - » Valuations
 - » Funds were recently put in place and are valued at investment cost in the transaction
 - » No premium payable for value created since investment





- » The LXB funds are primarily invested in assets that have development potential.
 - » Retail, warehousing, edge of town developments, shopping centres, garden centres, mixed use properties and residential
- » Strong tenants, including Tesco, Morrisons, Sainsbury's and House of Fraser
- » Fund manager has an excellent track record within the UK market



- » The Prestbury 1 fund is comprised mostly of three different asset portfolios:
 - » A portfolio of 18 pub properties in the UK
 - » A portfolio of 23 hospitals based in the UK
 - » A portfolio of 8 UK and German hotel and leisure properties, including Madame Tussauds in London and Thorpe Park in Surrey
- » Yields differ from one portfolio to another
- » Investment made at investment cost of seller

WCC Europe

- » The WCC Europe Sarl invests primarily in retail, office and warehouse property across Continental Europe
- » The portfolio currently comprises:
 - » 4 properties in Italy
 - » 4 properties in Poland
 - » 3 properties in Germany
 - » 1 property in Hungary
- » Investment made at investment cost of seller



Scandinavia and Iceland

- » Yields are significantly above financing costs, and provide potential for future contraction
- » Turmoil in financial and credit markets has impacted transaction volumes and pricing, although less so than markets such as the UK
- » Opportunities for consolidation of a number of sub-sectors, such as development

UK

- » Significant reduction in volume of property transactions, resulting in uncertainty as to yield movements in some sub-sectors
- » Increased pricing differentiation between classes of assets

Continental Europe

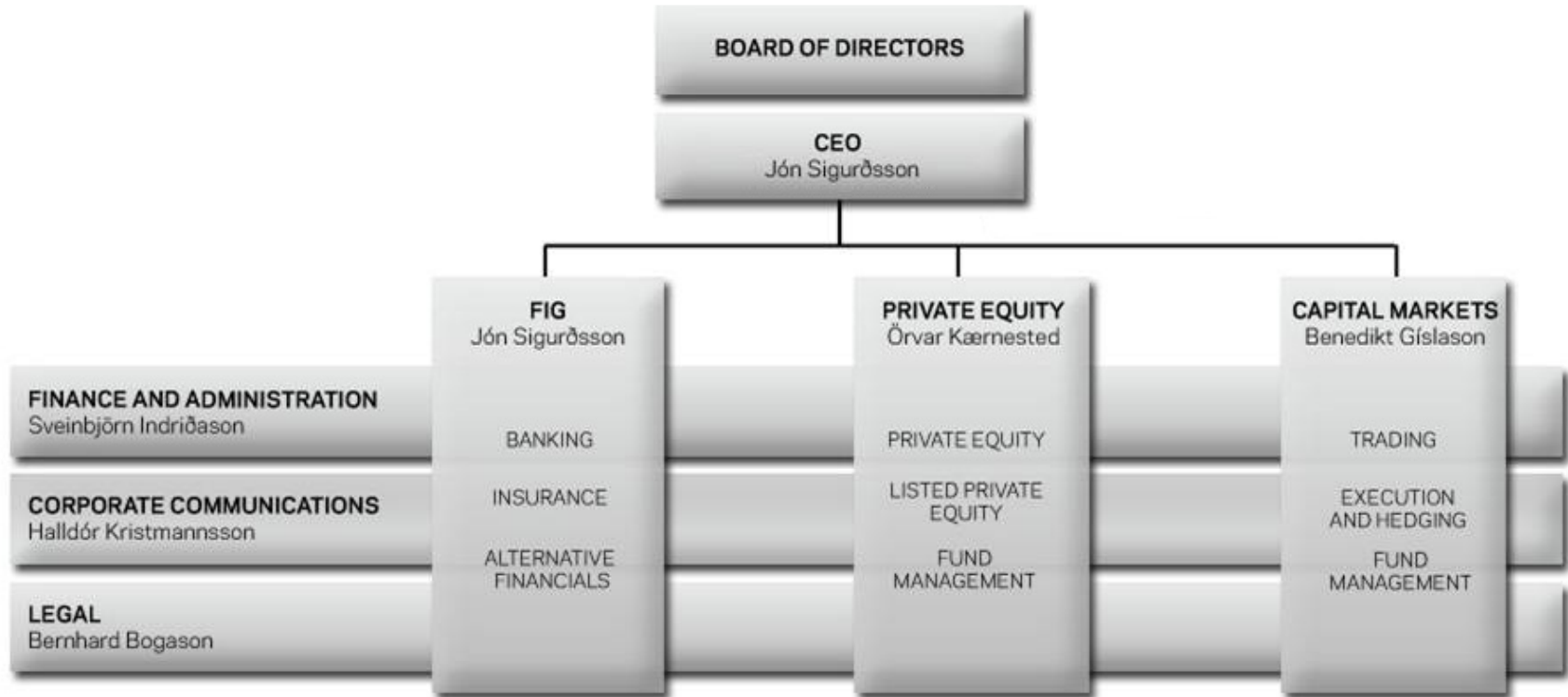
- » Attractive pricing of property assets
- » Value creation opportunities as markets are internationalised (e.g. shopping malls in Italy)
- » Yield movements have differed by geography, with limited movements in Eastern Europe

India

- » Property fundamentals are strong, primarily supported strong economic growth
- » Significant opportunities in markets such as hotels
- » Market insulated from US and European credit difficulties



CORPORATE OVERVIEW



FIG

- 50% of total assets

- » Strategic stakes in banks, insurance companies and other financial institutions
- » Management of holdings where FL Group is a reference shareholder
 - » Shareholdings in excess of 20%
 - » Board representation
 - » Active involvement in strategy and development

PRIVATE EQUITY

- 25% of total assets

- » LBO, MBO, public-to-private and special situations
- » Investment in seasoned companies within mature industries, with strong cash flows and good management
- » Flexibility of investing in listed companies with good value and buyout potential
- » An opportunistic view on time horizon and geography
- » Targeting IRR's of 20%+

CAPITAL MARKETS

- 25% of total assets

- » Proprietary trading in shares, bonds and currency with a short to medium term investment horizon
- » Manage risk in FL Group's portfolio through hedging
- » Execution of transactions for other business units of FL Group
- » CM has responsibility for larger listed investments including Commerzbank, Finnair and Aktiv Kapital
- » Active ownership approach



FIG

- » Managing strategic investments within banking, financials and insurance
- » Glitnir bank and Tryggingamidstodin are key assets
- » New opportunities are constantly being explored

- » Actively influencing investments and strategy development through board representations and ownership
- » Continue focusing on long term strategic investments in banking, insurance and other financials
- » Drive further expansions of current investments both organically and through M&A where true synergies are captured

- » Challenging market conditions are revealing new opportunities

Quick facts

- » FL Group has 32% holding in Glitnir worth approximately ISK 109 bn
- » Strong foothold in the Nordic region
- » Strong position globally in three niche sectors: Sustainable energy, Offshore Service Vessels and Seafood

Opportunities

- » Strengthen foothold in existing core markets
- » Focus on integration and efficiency
- » Further expansion of the bank both organically and through M&A
- » Growth driven by Corporate & Investment Banking, Capital Markets and Investment Management

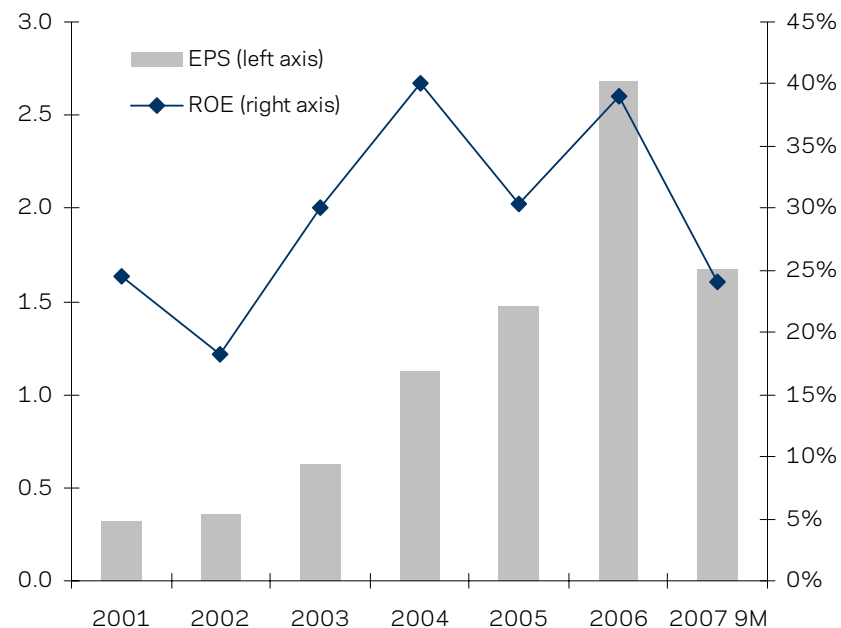
Glitnir's key figures for Q3 2007

- » ISK 2,766 billion total assets
- » ISK 342 billion market capitalization (as of 7 Dec-07)
- » 24.1% ROE in 9M 2007
- » 32.8% avg. ROE past 5 years

Recent developments

- » Turbulent market in recent months
- » Glitnir has no exposure to subprime mortgages but its share price is down 19% during Q4 2007
- » Investors have underweighted investments in banks during these turbulent times
- » FL Group believes that Glitnir will continue to deliver strong results in the coming years

ROE and EPS, 2001-2007



Quick facts

- » FL Group has 99.1% holding in TM worth c. ISK 50 bn
- » Tender offer period ended on 28 November. Deal is subject to confirmation from the Icelandic FSA
- » TM has 24% market share in the Icelandic market
- » TM acquired the Norwegian insurance company Nemi Forsikring in 2006, its first international acquisition

TM's key figures for Q3 2007

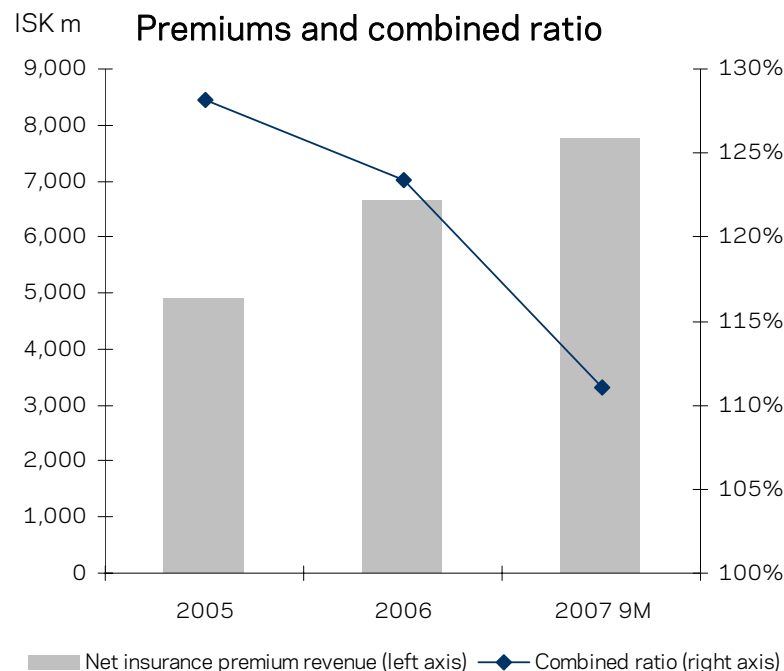
- » TM recorded a loss of ISK 555 m, mostly explained by lower financial income and one-off items
- » Premiums for own account amounting to ISK 2.7 bn, 58% growth YoY
- » Claims for own account amounting to ISK 2.4 bn
- » Adjusted combined ratio 106%

Recent Developments

- » TM has decreased its market exposure to equities during Q4
- » Positive development in combined ratio in recent quarters, but the ratio is still too high, target <100%
- » Next steps to improve the profitability of the insurance operation being taken, i.e. focusing on loss making insurance classes and reinsurance policy

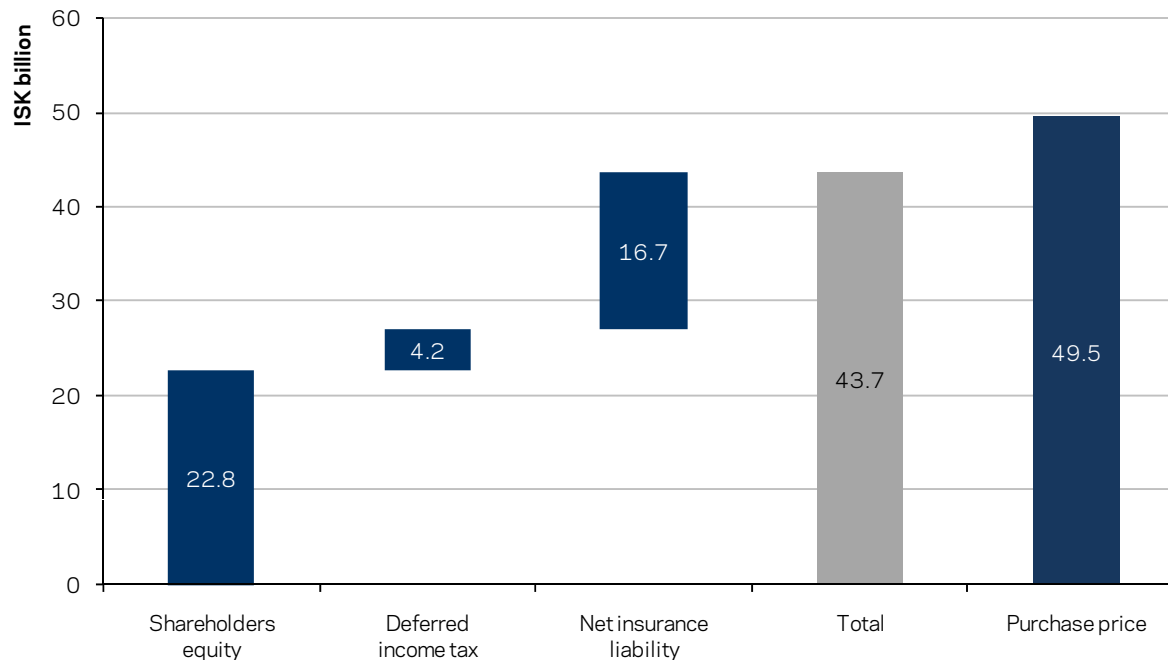
Opportunities

- » Good potential in the Icelandic operation
- » Nemi expected to continue to deliver strong organic growth
- » Nemi a platform for further Nordic growth
- » Co-operation between TM and Nemi has created opportunities





- » TM is an investment within a core focus sector which opens up a new area of possibilities
- » TM is a financially strong company with solvency ratio of 11x the minimum ratio
- » Consolidation of TM will lead to more stable cash flows and strengthening of operations
- » Possibilities of extracting value from balance sheet restructuring
- » FL Group believes that TM is being acquired at an attractive valuation
 - » Estimated 2.2x book value with Nordic peers trading at 2.5x book value.





PRIVATE EQUITY



- » Focused buyout operation generating 20% IRR's
 - » Solid asset base with significant potential of good returns and increased growth
 - » Assets worth in excess of ISK 100 bn post property transaction
 - » 10 employees operating primarily out of London supported by FL Group's structure
 - » Aim to raise first private equity fund in 2008
- » Focus on private equity investments will continue going forward
 - » Current market is challenging, however a number of interesting opportunities are being explored
 - » Further property investment increases diversity of investment portfolio and provides a platform for continued growth



Strategy

- » Execute and lead leveraged buyouts investing alongside strong management teams in established companies generally within mature industries
- » Mid cap focus where target deal size ranges from EUR 300m to EUR 1,500m enterprise value
- » Take minority stakes in listed companies which are seen as good value opportunities and/or have buyout potential
- » Opportunistic industry focus with a flexible time horizon

Current market

- » Current market is challenging but provides interesting opportunities
- » Private equity market expected to open up on more favourable valuations

Future focus

- » Active involvement in each investment providing support for management to execute business plans and planned acquisitions
- » FL Group is increasingly being approached by investors and management teams to participate in transactions
- » The team is currently evaluating a number of investment opportunities
- » Well equipped to take advantage of the current market conditions



49% holding



20% holding

Bayrock Group
JV

50% holding

HOUSE OF FRASER

15% holding



26% holding



43% holding

Alfesca

15% holding



35% holding

LANDIC
PROPERTY

40% holding



32% holding



49% holding



71% holding

CATALYST CAPITAL

TERRA FIRMA
INDIA



CAPITAL MARKETS



Strategy

- » Profit from short to medium term price movements in capital markets
- » Focus on risk management with respect to risk-return and liquidity and maximizing risk-adjusted returns
- » Stake building and disposals for Private Equity and FIG
- » Manage risk in FL Group's portfolio through hedging

Current market

- » Consistent in avoiding risk correlation with other business units
 - » Icelandic equities holdings kept low and short trading in banking/brokerage/airline stocks
- » Successful stake disposals of AMR in a difficult market environment
 - » Block sale of 8%. Market risk on remaining position was hedged out simultaneously
- » Use of risk has been low lately as markets lack direction and few conviction buy cases have appeared

Development

- » Continue active involvement on our investments



- » Members of the Capital Markets desk have the authority to conclude transactions in listed securities up to a fixed limit per security / transaction

- » The trading mandate for Capital Markets is based on a Value-at-Risk hard limit
 - » The combined risk of the desk's positions as measured by 1-Day 99% Value-at-Risk may not exceed a fixed limit
 - » The 1-Day 99% Value-at-Risk shall be measured following industry standards
 - » Risk guidelines are also in place to address liquidity and concentration risk

- » Risk is actively monitored with respect to the risk covenants in place – reports available in the morning of each day measuring market risk and liquidity risk

- » Manage risk in FL Group's portfolio through active hedging



FINANCIALS



- » Financial performance of the company has been very strong in recent years
- » Market turbulence in recent months has significantly impaired this year's results
- » Diversification of income sources is already underway with emphasis on reducing impact of market fluctuations on P&L:
 - » Increased Private Equity activity
 - » Consolidation of TM
 - » Possible equity method accounting of key strategic assets
 - » Fund management revenues
- » Increased focus on operational efficiency:
 - » Copenhagen office closed
 - » Operational cost will decrease in 2008

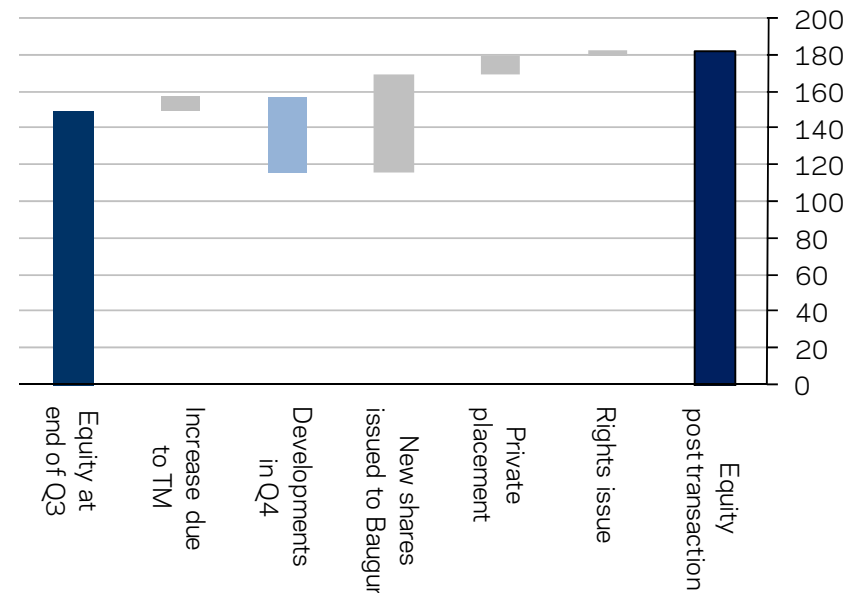
ISK million	FY 2005	FY 2006	9M 2007
Investment income	21,958	23,956	-3,520
Net income, securities and derivatives	1,270	854	2,944
Interest income	-2,258	-4,948	-11,252
Interest expenses	-621	-2,371	5,713
Net foreign exchange gain/loss	20,349	17,491	-6,115
Operating expenses	-1,652	-2,771	-3,098
Profit before income tax	18,697	14,720	-9,213
Income tax	-3,292	2,631	5,193
Discontinued operations (net)	1,846	27,208	0
Profit for the year	17,251	44,559	-4,020



- » Transaction and equity increase changes balance sheet significantly
 - » Share capital increases by 49%
- » FL Group secured ISK 45 bn long-term financing
 - » A part of the financing will be used to repay the Company's short-term debt
- » Strong financial position
 - » Total equity of ISK 180 bn
 - » Total assets of ISK 440 bn
 - » Cash and cash equivalents of circa ISK 35 bn
- » Equity ratio to increase to approximately 41%

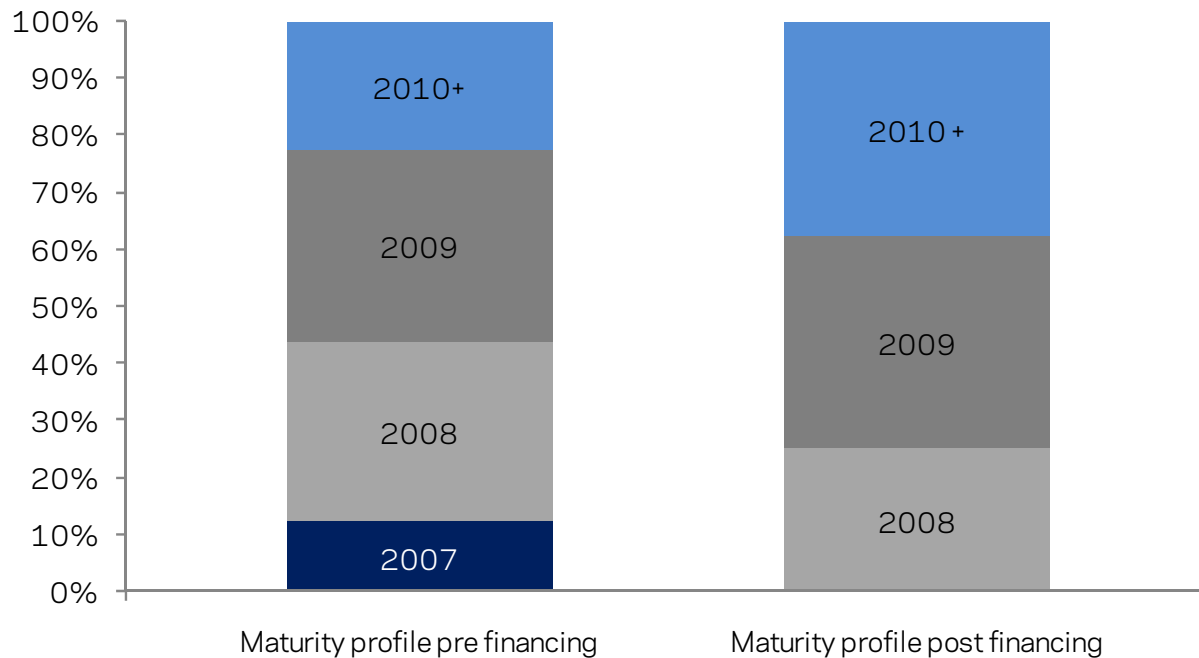
ISK million	2006	30 / 09	30 / 11 e
Total assets	262,871	369,440	440,000
Cash, equivalents and restricted cash	56,594	56,491	35,000
Listed securities	166,960	234,432	
Unlisted securities	14,201	31,777	
Total equity	142,676	149,187	180,000
Total liabilities	120,195	220,253	260,000

30/11 numbers are pro-forma estimates for FL Group including TM's 30/9 numbers

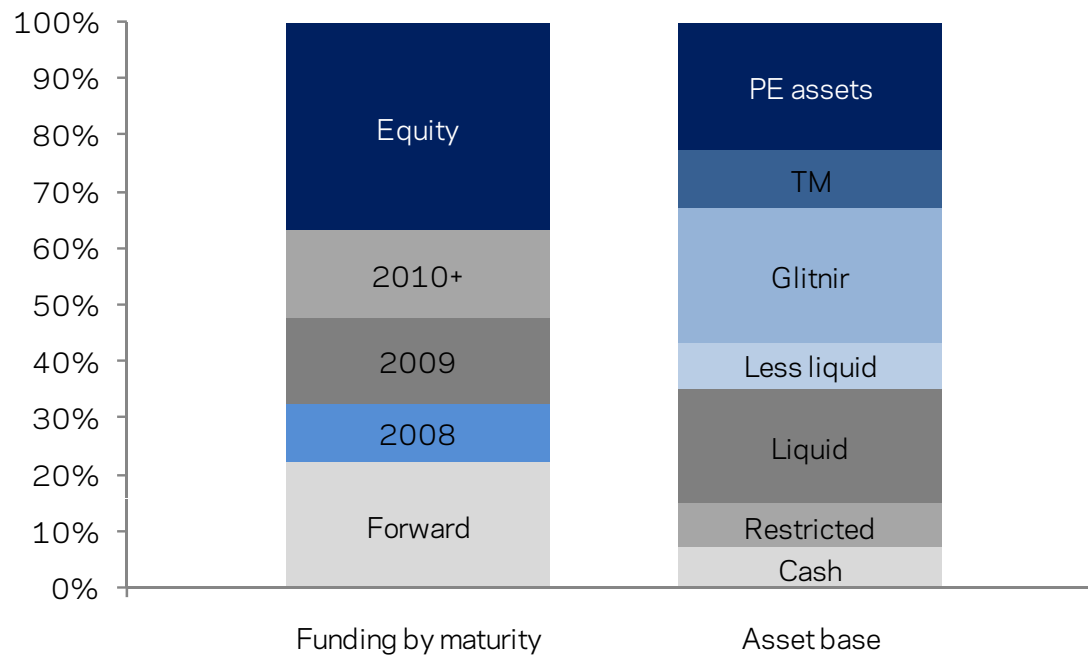




- » Refinancing of the company will improve the maturity profile considerably
- » FL Group will continue to work on its funding to further enhance its maturity profile



- » Capital structure and funding options differ substantially between business units
- » Primary objectives of funding policy is to:
 - » Minimise maturity mismatch between assets and liabilities
 - » Diversify funding sources to fulfil the needs of each business unit
 - » Maintain a healthy balance of cash or cash instruments and have liquid assets to cover maturing liabilities for the next 12 months





SUMMARY



- » **Financial strength increased**
 - » Equity of ISK 180 bn and cash of ISK 35 bn
 - » Opportunities in current market conditions can be better exploited with a strong equity base

- » **Solid asset base**
 - » High quality assets in the portfolio
 - » Property assets complement current asset base very well
 - » A new platform investment positioned for growth

- » **Operational improvements**
 - » Operating expenses will decrease next year

- » **Better managed market risk**
 - » Decreased market exposure on high beta sectors

- » **Strong investment platform going forward**
 - » Operations run from London and Reykjavik
 - » Rigorous risk and capital management



OFFERING INFORMATION



- » Acquisition of property assets from Baugur Group
 - » ISK 53.8 bn paid in shares at the price of ISK 14.7 per share
- » Private placement
 - » ISK 10 bn with a possible extension in the event of oversubscription up to ISK 15 bn at ISK 14.7 per share
- » Rights issue
 - » Up to ISK 3 bn to be offered to shareholders in Q1 2008
 - » ISK 14.7 per share
 - » Baugur Group has waived its right to participate in the offering
 - » Details on the offering will be disclosed at a later stage

Private placement

Issuer:	FL Group hf.
Manager:	Kaupthing Bank hf.
Offered to:	A limited group of investors
Price:	ISK 14.7 per share
No. of shares offered:	680,272,109 shares
Offering amount:	ISK 10 billion
Expandable to*:	ISK 15 billion
Minimum subscription:	ISK 5 million
Subscription period:	14 December 2007
Allocation and notification:	17 December 2007
Listing of shares:	27 December 2007
Payment:	4 January 2008
Market making:	Kaupthing & Landsbanki

* Including FL Group's own shares



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APPENDICIES



PRIVATE EQUITY INVESTMENTS



- » Refresco is the largest manufacturer of private label fruit juices and soft drinks in Europe
- » FL Group led an investor consortium that acquired Refresco from 3i in 2006
- » A successful buy and build strategy led by FL Group has been implemented since the acquisition
- » Strategic acquisitions have enlarged the company significantly, with four acquisitions completed in 2007
- » Sales of c. EUR 1.2 billion with EBITDA margin of 9-10% expected for 2007
- » A twofold strategy for Refresco is being executed:
 - » Organic growth
 - » Further add on acquisitions
- » The goal is to more than double the business again within two to three years and become a clear leader in the private label beverage sector





- » Co-founded by FL Group at the start of the year, Geysir Green Energy has emerged as a leading participant in the geothermal industry
- » The company has received great international attention
- » Company's investments include:
 - » A 32% stake in Hitaveita Sudurnejsa, a power producer and utility in Iceland
 - » All of shares in Iceland Drilling, the world's leader in geothermal drilling
 - » A leading stake in geothermal developers Enex (71%), Enex China (33%) and Exorka (65%) .
 - » A 20% stake in Western Geopower, a listed Canadian company



HOUSE OF FRASER

- » House of Fraser is a leading retailer of designer brands
- » Sells through 60 department stores throughout the UK and Ireland
- » Currently operates under the brands House of Fraser, Rackhams, Army & Navy, Beatties, Jenners and Binns
- » Acquired in November 2006, teamed up with experienced retail investors, including Baugur and Don McCarthy
- » Acquired 15% stake in the transaction
- » The new management team has successfully restructured the business
- » On budget in a very depressed retail market

BAYROCK GROUP, LLC

- » In May, FL Group invested USD 50 million in four active US-based real estate development projects alongside Bayrock Group.
- » **Trump Soho:** The development of a 46 storey 5 star hotel condominium in Soho, Manhattan, in partnership with Donald Trump and the Sapir organization. Construction is now up to the top floors. Sales for the lower 3/4 of the property have started at an average sale price of c. \$3,000 sq/ft. Completion expected Q4 2008
- » **Trump Lauderdale:** The development of a 5 star hotel condominium in partnership with Donald Trump situated on Fort Lauderdale beach. Construction is now up to the top floor. Sales are to re-start in the winter with a new sales campaign led by a recently hired top 10 broker. The project is currently over 70% sold. Completion expected q4 2008
- » **Whitestone New York:** The development of 13 acres of land located along the east river in Whitestone, Queens. Bayrock Group plans to build a number of luxury homes and town homes on this land
- » **Camelback:** The development of a 5 star hotel and residential condominium in Phoenix. The property was recently re-financed providing working capital of \$8m
- » **Midtown Miami:** In July, FL Group and Bayrock Group announced their first joint venture investment taking a 40% stake in 500,000 square meters site in Midtown Miami



- » A leading company in aviation and tourism in the Nordics
- » Operation of main assets is going well
- » Integration of the companies is going well and cost savings are expected to continue to drive profitability

100%



Scandinavian low cost carrier, main focus on scheduled services with head office in Denmark

- »Largest Scandinavian low cost player with bases in the Scandinavian capitals
- »Operates a fleet of 24 Boeing 737 aircraft

100%



Icelandic based low cost carrier, main focus on scheduled services

Operates a fleet of 3 MD-90 aircraft

51%



UK based low cost carrier, main focus on charter services

Operates a fleet of 7 Boeing 737 and 757 aircraft

100%



Danish based travel agent

Focus on trips to Iceland

30%



Swedish based travel agent

Largest independent player in the Nordic region with 90 outlets in Sweden and Norway
Listed on OMX in Stockholm



- » The second largest brewery in the Nordic region
- » Royal Unibrew enjoys strong organic growth rates due to mix of attractive products and geographies
- » The company comprises three breweries in Denmark, one in Lithuania, one brewery and one soft drinks business in Latvia as well as three breweries in Poland
- » The company has over 2,200 employees
- » The company has an EV of c. EUR 720m and forecast FY07 sales of c.EUR 517m
- » Share price has decreased significantly recently following a profit warning, according to management mainly due to one-off items
- » Has a strong position in selected niches/markets, and business model remains highly cash generative





- » IGG is the leading worldwide player in Open Server Based Gaming (Open SBGTM) and is also the leading provider of analogue and Open SBGTM machines in the UK for the leisure and gaming markets
- » IGG manages over 107,000 machines across the UK
- » IGG has contracts with a number of big UK clients including Gala Bingo and William Hill
- » IGG is looking to consolidate further its foot print of machines whilst developing the software presence to third parties
- » Aim is to consolidate further the machines business to establish a leading footprint of networked machines
- » FL Group approached the company with an offer to take private at 385p per share on 23 Aug and it was announced that we had made an approach on 7 Sept. The EV including costs is £417m

