



# **FL GROUP INCREASES EQUITY AND MAKES SIGNIFICANT INVESTMENTS**

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**5 December 2007**  
**Investor presentation**

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*Any statement contained in this presentation that refers to FL Group's estimated or anticipated future results or future activities are forward-looking statements which reflect the Group's current analysis of existing trends, information and plans. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially depending on factors such as the availability of resources, the timing and effect of regulatory actions and other factors. FL Group does not undertake the obligation to update or alter these forward-looking statements beyond its duties as an issuer of listed securities on the OMX Nordic Exchange in Reykjavik, Iceland*



**Jon Asgeir Johannesson**

Chairman of the Board of Directors



**Jon Sigurdsson**

Chief Executive Officer

- » Key highlights
- » Transaction overview
- » Strategic fit and rationale
- » Asset overview
- » Summary
- » Q&A



# KEY HIGHLIGHTS



- » Increase in equity by ISK 64 billion (EUR 710 million ), reaching ISK 180 billion (EUR 2.0 billion) in total equity
- » ISK 53.8 billion (EUR 599 million) investment in dynamic property companies
  - » Strong cash generation
  - » Leading market positions
- » The acquisition structure significantly strengthens the Group's financial profile
  - » Strengthens balance sheet through equity issuance
  - » Enhances the Group's risk profile and improves liquidity
- » Acquisition further strengthens the Group's Private Equity division
  - » Provides opportunities for significant value creation
  - » Enhances the balance of the Group's portfolio, across sectors and geographies
  - » Increased stability
- » Streamlining of operations by closing down Copenhagen office

# TRANSACTION OVERVIEW



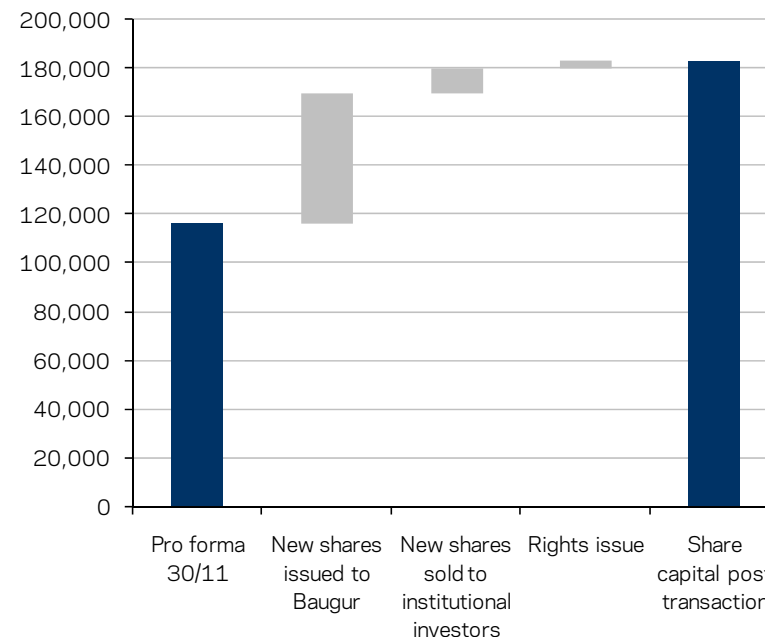
- » FL Group is acquiring all of Baugur Group's holdings in property companies and funds, for a total consideration of ISK 53.8bn (EUR 599m)
- » The transaction is to be financed through share issue in FL Group at a price of ISK 14.7 per share, significantly increasing the Group's equity base
- » Simultaneously FL Group has signed an LOI with Landic Property for the sale of several of the to be acquired property funds and one property company for consideration of ISK 13.7bn (EUR 152m)
- » Further equity is to be raised
  - » Kaupthing Bank will arrange an ISK 10bn offering to institutional investors at a price of ISK 14.7 per share. Baugur Group will potentially at this time dispose of up to ISK 5bn of their shareholding in case of an over-subscription
  - » An additional rights issue raising ISK 3bn is anticipated in Q1 2008

<b>Key figures</b>	<b>ISK m</b>	<b>EUR m</b>
<b>Total transaction value:</b>	53,791	599
Issuance of new shares in FL Group:		
3,659.3 @ ISK 14.7	53,791	599
680.3 @ ISK 14.7	10,000	111
204.1 @ ISK 14.7	3,000	33
<b>4,543.6</b>	<b>66,791</b>	<b>743</b>

- » In total the Group's share capital is to be increased by 4,544 million shares, representing a 49% share capital increase
- » Total equity after the transaction is estimated at around ISK 180 billion (EUR 2.0 billion)
- » Baugur Group's shareholding in FL Group will increase to 35.9% assuming it disposes of its shares during the institutional offering <sup>1</sup>
- » Equity ratio to increase to approximately 41%<sup>2</sup>
- » Significant increase in liquidity, with cash increasing to in excess of ISK 35 billion (EUR 390 million)
- » Refinancing of short term debt with longer term borrowings

Total assets	ISK 440 billion
Equity	ISK 180 billion
Equity ratio	41%
Cash	ISK 35 billion

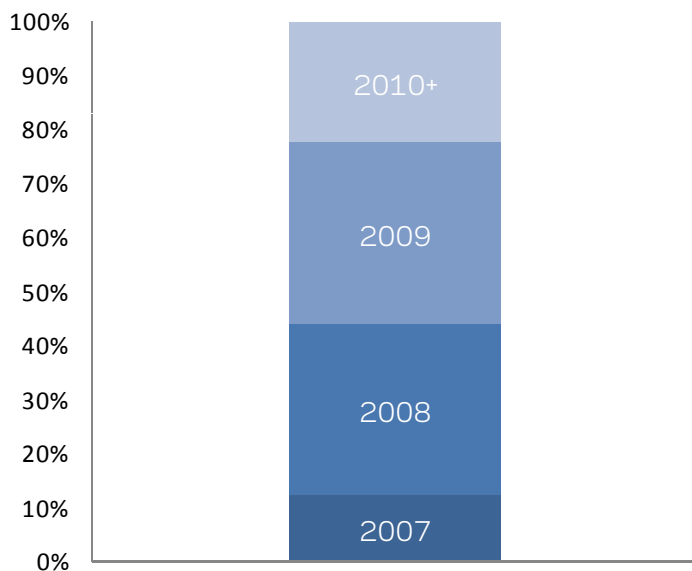
**Development of share capital (ISK m)**



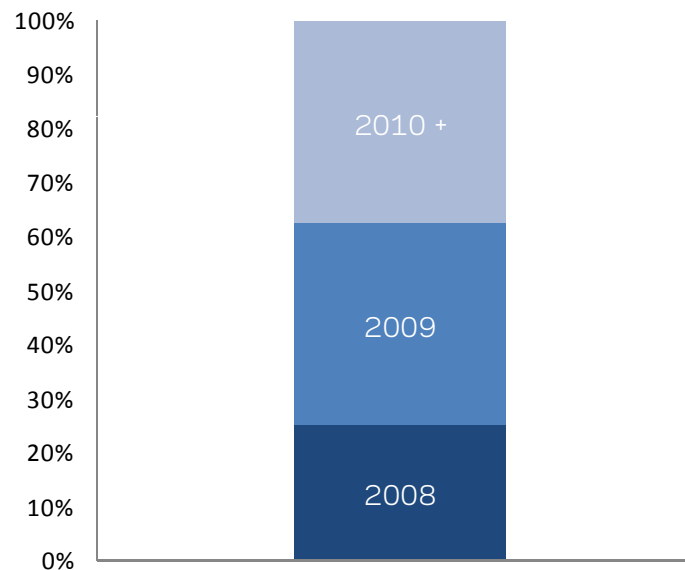
1. Post the rights issue  
 2. Including TM



### Maturity profile 30 Nov 2007



### Maturity profile post transaction





# **STRATEGIC FIT AND RATIONALE**

## **Property acquisition attractions**

- » The transaction is in line with the Group's strategy of increasing its focus on Private Equity and non-listed assets
- » The retained property companies meet FL Group's criteria of investing primarily in assets with strong cash flows and significant growth potential
- » Provides potential for significant value creation, through property development, covenant improvement and yield enhancement
- » Assets sold represent a very attractive opportunity for Landic Property, in which FL Group will be a significant shareholder
- » Retained assets complement existing property investments with Bayrock Group

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## **Funding rationale**

- » Further diversifies the Group's global Private Equity portfolio, which now has total assets of more than ISK 100 billion (EUR 1,100 million), across Europe and the US
- » Strengthens the Group's balance sheet significantly
- » Improves the Group's liquidity and cash position, allowing shorter term investment opportunities to be exploited
- » Improves the Group's maturity and risk profiles

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## **Share price rationale**

- » Considerable equity raisings often done at a discount to market
- » Difficult market conditions

# ASSET OVERVIEW





## Interest to be acquired and held by FL Group

LANDIC  
PROPERTY

 Smáralind

  
PYRPING

CATALYST CAPITAL 

(Indian Samsara fund)

## Interest to be acquired and sold to Landic Property



PRESTBURY

WCC Europe

- » Landic Property is a leading Nordic real estate company with a substantial market share in Iceland, Sweden and Denmark
- » Key figures for the company include:
  - » Around 500 properties with approximately 2.7 million square meters of rental space, split into office space, retail, industrial and hotels
  - » Assets valued at over ISK 400 billion (EUR 4.5 billion)
  - » More than 3,800 lease agreements
  - » Over 270 employees throughout Iceland, Sweden, Denmark and Finland
- » Strong tenant base includes both governmental bodies, leading retail companies, airlines and banks
- » Diversified asset portfolio:
  - » 78% of rental income outside of Iceland
  - » 10 largest properties account for 20% of revenues
- » Key strategic asset for FL Group going forward within the property sector

LANDIC  
PROPERTY



- » Fasteignafélag Íslands is the parent company of Smáralind and some of the prime development plots adjacent to the Smáralind shopping mall:
  - » Around 63,000 sqm in the premium shopping complex of Smáralind
  - » Currently 16,000 sqm are under construction at Norðurturninn
  - » Further development potential implies at least an additional 100,000 sqm



- » Thyrrping is Iceland's leading property development company, specialising in regional planning and construction
- » Current primary 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 the north side of the town of Seltjarnarnes, adjacent to Reykjavik





- » The LXB funds are primarily invested in assets that have development potential. Assets include 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

## PRESTBURY 1





- » 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





# SUMMARY



- » Increase in equity by ISK 64 billion (EUR 710 million), reaching ISK 180 billion (EUR 2.0 billion) in total equity
- » ISK 53.8 billion (EUR 599 million) of investment in dynamic property companies
- » The acquisition structure significantly strengthens the Group's financial profile
- » Acquisition further strengthens the Group's Private Equity division



**Q&A**



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