



# 3Q<sup>'07</sup>

THIRD QUARTER FINANCIAL RESULTS

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ANALYST PRESENTATION  
2 NOVEMBER, 2007

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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 Company'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.*



Hannes Smarason  
Chief Executive Officer

- » Financial and business highlights
- » Strategic update
- » Key listed investments
- » Private equity portfolio
- » Management outlook
- » Q&A



# **FINANCIAL AND BUSINESS HIGHLIGHTS**



- » Exceptional market turbulence where many of our investments were challenged
- » 84% stake in TM acquired, paid with new issued capital - consolidated in 4Q
- » Conservative revaluation of unlisted portfolio by net ISK 3.0 billion
- » Funding and liquidity remains strong
- » Business model re-formed into three reporting units driving increased focus on revenue generation: FIG, Private Equity and Capital Markets.
- » Holdings in AMR and Commerzbank increased to 9.1% and 4.3% respectively
  - » Board of AMR urged to consider spinning of its frequent flyer unit AAdvantage
- » Approach made to Inspired Gaming Group, regarding a possible offer
- » Geysir Green Energy secures leading role in the geothermal sector



- » Financial statements are prepared in accordance with IFRS and reviewed by KPMG
- » All listed holdings are reported mark to market
- » Conservative revaluation on unlisted investments
- » The Icelandic insurance company, Tryggingamidstodin, acquired in 3Q, expected to be consolidated as of 1 October 2007
- » At the end of 3Q 2007, no operating companies were consolidated into the Group's accounts





Investment Income (ISK billion)	9M 2007	9M 2006	3Q 2007	3Q 2006
Net income (loss) from securities and derivatives	-3.5	12.8	-23.7	4.4
Interest income	2.9	0.5	1.0	0.2
Interest expenses	-11.3	-3.3	-5.0	-1.7
Net foreign exchange gain	5.7	0.3	-3.1	-1.8
	<b>-6.1</b>	<b>10.3</b>	<b>-30.8</b>	<b>1.2</b>
Other operating expenses	3.1	1.7	1.2	0.7
<b>Profit (loss) before income tax</b>	<b>-9.2</b>	<b>8.6</b>	<b>-32.0</b>	<b>0.5</b>
Income tax (expenses)	5.2	0.0	4.8	1.1
Profit (loss) from discontinued operations	0.0	2.4	0.0	3.6
<b>Profit (loss) for the period</b>	<b>-4.0</b>	<b>11.0</b>	<b>-27.1</b>	<b>5.3</b>

- » Decreased profitability due to market turmoil
- » Increase of operating expenses driven by one time events and growth of the company
- » One time events of ISK 510 million along with non-cash of 485 million

# Quarterly income statement



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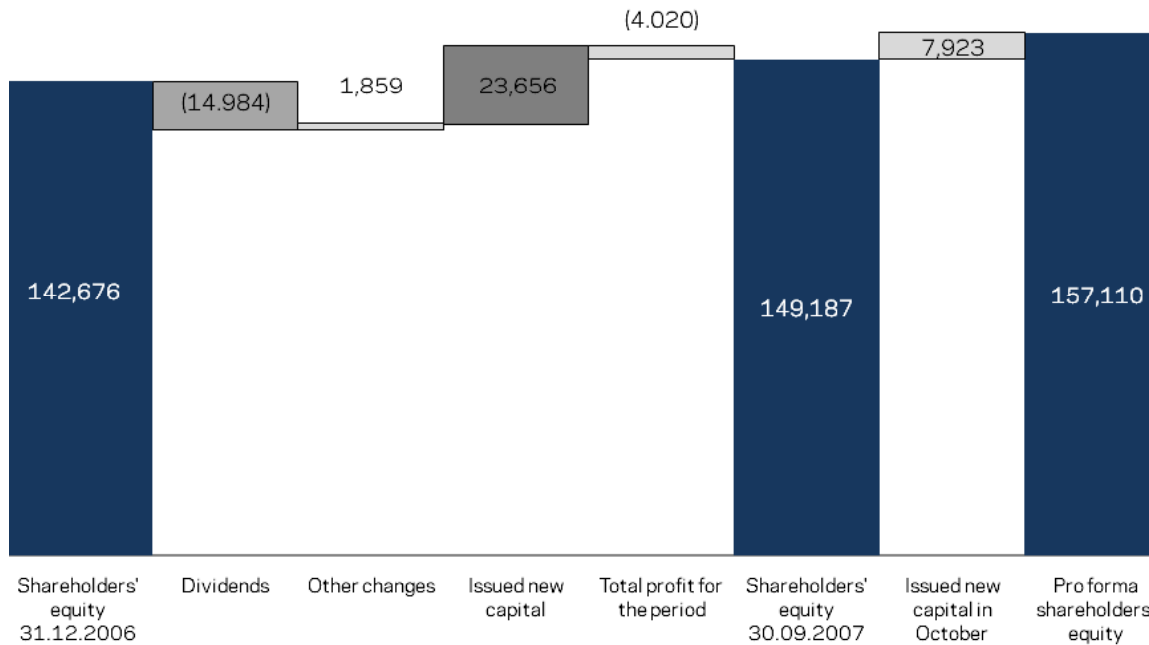
## Highlights

Investment Income (ISK million)	Last 12 months	3Q 07	2Q 07	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06
Net income (loss) from securities and derivatives	7,626	-23,651	7,658	12,472	11,147	4,409	-2,137	10,537
Interest income	3,272	973	473	1,498	328	211	143	172
Interest expenses	-12,909	-4,972	-3,263	-3,017	-1,657	-1,655	-1,310	-326
Net foreign exchange gain	3,064	-3,121	4,208	4,627	-2,650	-1,754	1,958	75
Other operating expenses	4,167	1,193	1,022	884	1,068	695	-523	-485
<b>Profit (loss) before income tax</b>	<b>-3,114</b>	<b>-31,964</b>	<b>8,054</b>	<b>14,696</b>	<b>6,100</b>	<b>516</b>	<b>-1,869</b>	<b>9,973</b>
Income tax (expenses)	7,873	4,817	-12	388	2,680	1,101	534	-1,684
Profit (loss) from discount operations	24,801	0	0	0	24,801	3,640	1,217	-2,450
<b>Profit (loss) for the period</b>	<b>29,560</b>	<b>-27,147</b>	<b>8,042</b>	<b>15,084</b>	<b>33,581</b>	<b>5,257</b>	<b>-118</b>	<b>5,839</b>



Balance sheet (ISK billion)	30/09/2007	31/12/2006	Change
<b>Assets</b>			
Cash and cash equivalents	29.5	47.0	-37.2%
Listed securities	234.4	167.0	40.4%
Unlisted securities	31.8	14.2	123.8%
Derivatives	19.2	4.3	344.7%
Restricted cash	27.0	9.6	181.8%
Loans in relation to investments	16.6	12.5	33.1%
Loan, trade and other receivables	5.7	7.0	-18.1%
Other	5.2	1.3	
<b>Total assets</b>	<b>369.4</b>	<b>262.9</b>	<b>40.5%</b>

- » Strong cash position
- » Holdings in listed securities increase mainly due to investments in Glitnir, TM, Commerzbank and AMR
- » Holdings in unlisted securities increase, mainly due to new investments and re-valuation of the portfolio
- » Increase in loans due to Bayrock investment



- » Share capital increases due to acquisition of shares in TM of 32 billion
- » Pro forma equity ISK 157 billion, following the October increase

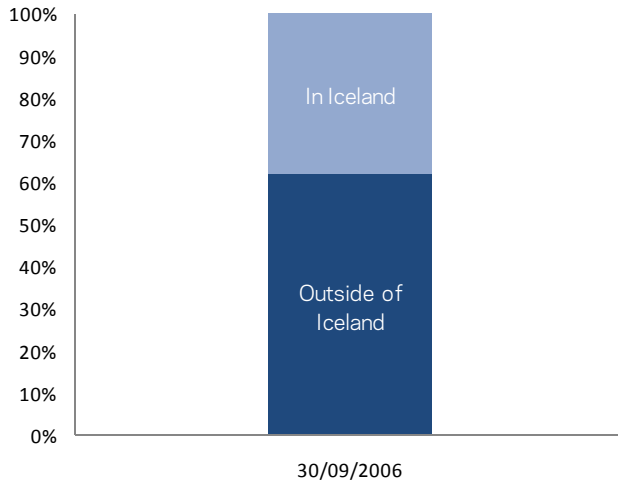
Liabilities (ISK billion)	30/09/2007	31/12/2006	Change
Derivatives	9.4	7.0	34.5%
Trade and other payables	9.7	5.9	64.6%
Interest - bearing loans and borrowings	200.3	105.0	90.8%
Other	0.8	2.3	
<b>Total liabilities</b>	<b>220.3</b>	<b>120.2</b>	<b>83.2%</b>

- » Interest bearing loans and borrowings increases due to increased investments
- » Trade and other payables increase from various operating reasons

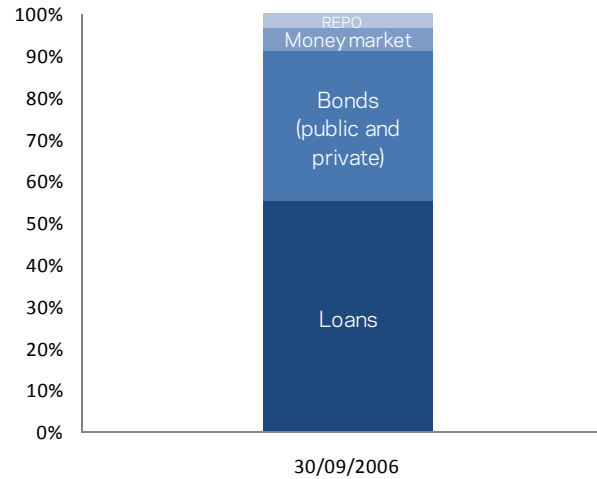




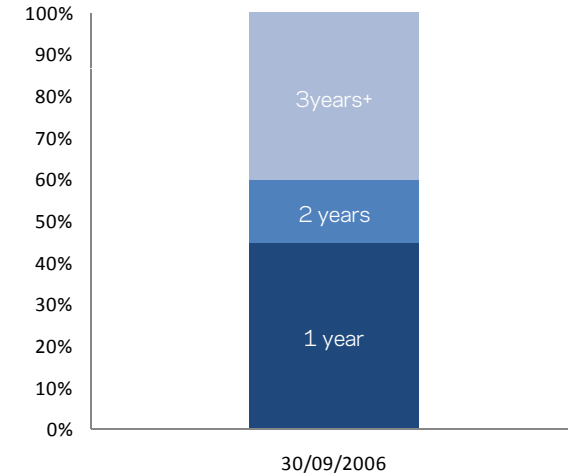
### Geographical split



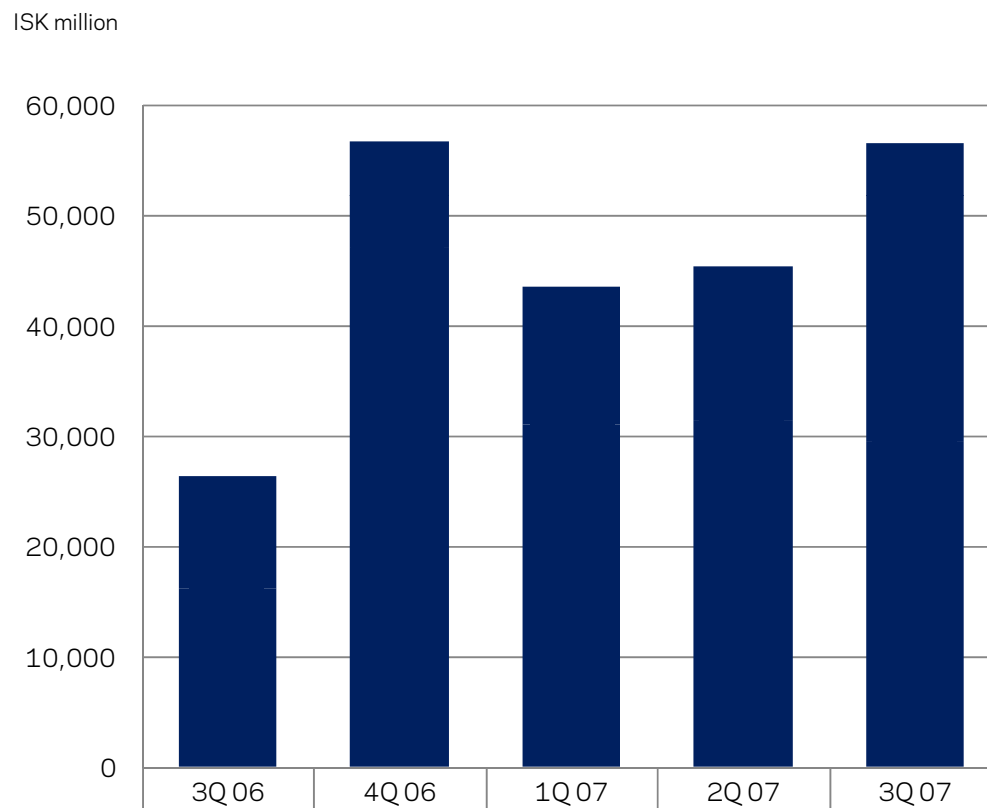
### Type of borrowings



### Maturity



# Total cash position





# STRATEGIC UPDATE



## **Clear vision**

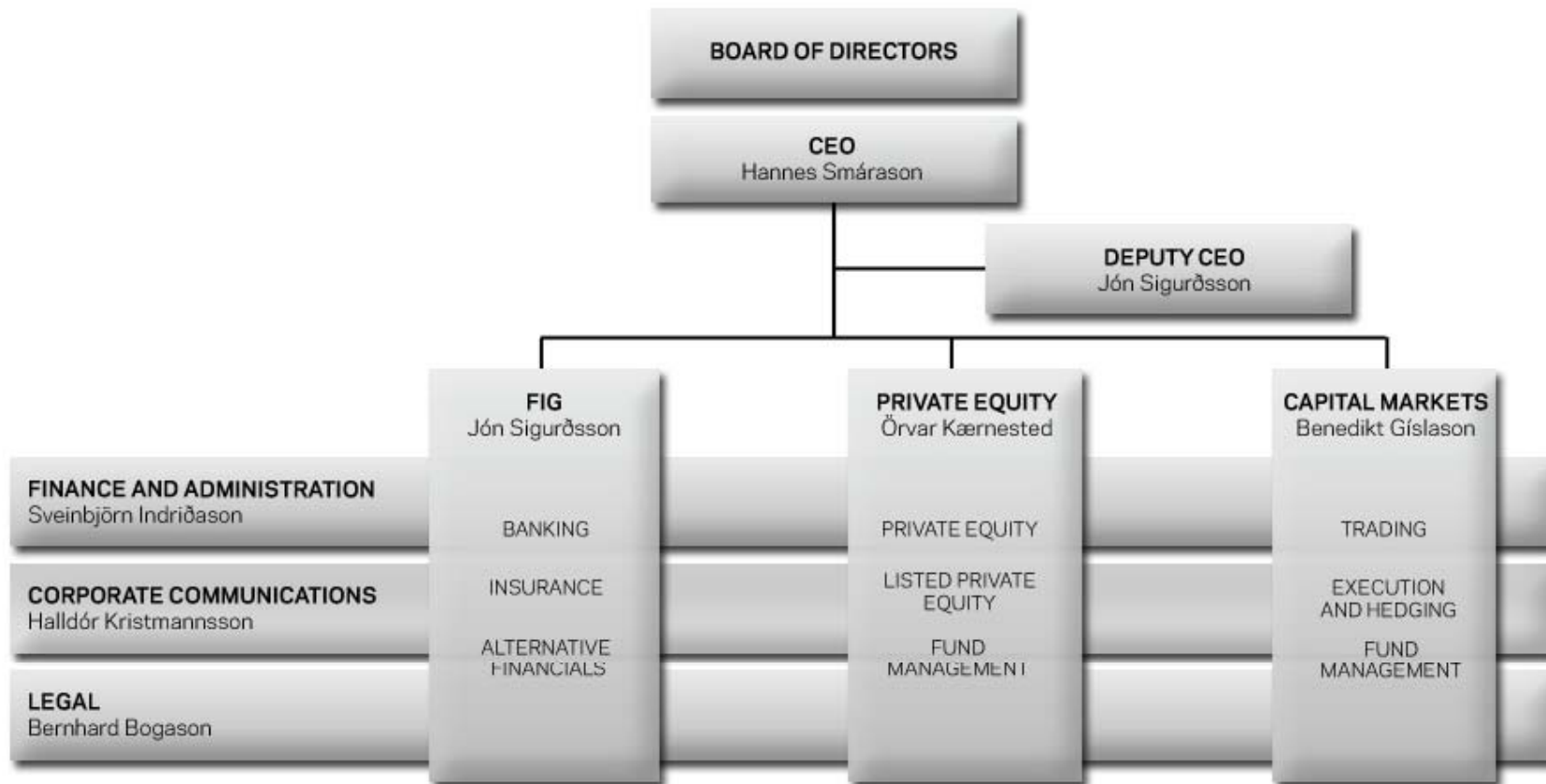
- » Leading investment company, with core investments in financials and insurance, along with a flexible and opportunistic approach to value creating investments in private equity coupled with capital markets activity

## **We are quick, opportunistic and flexible in our approach**

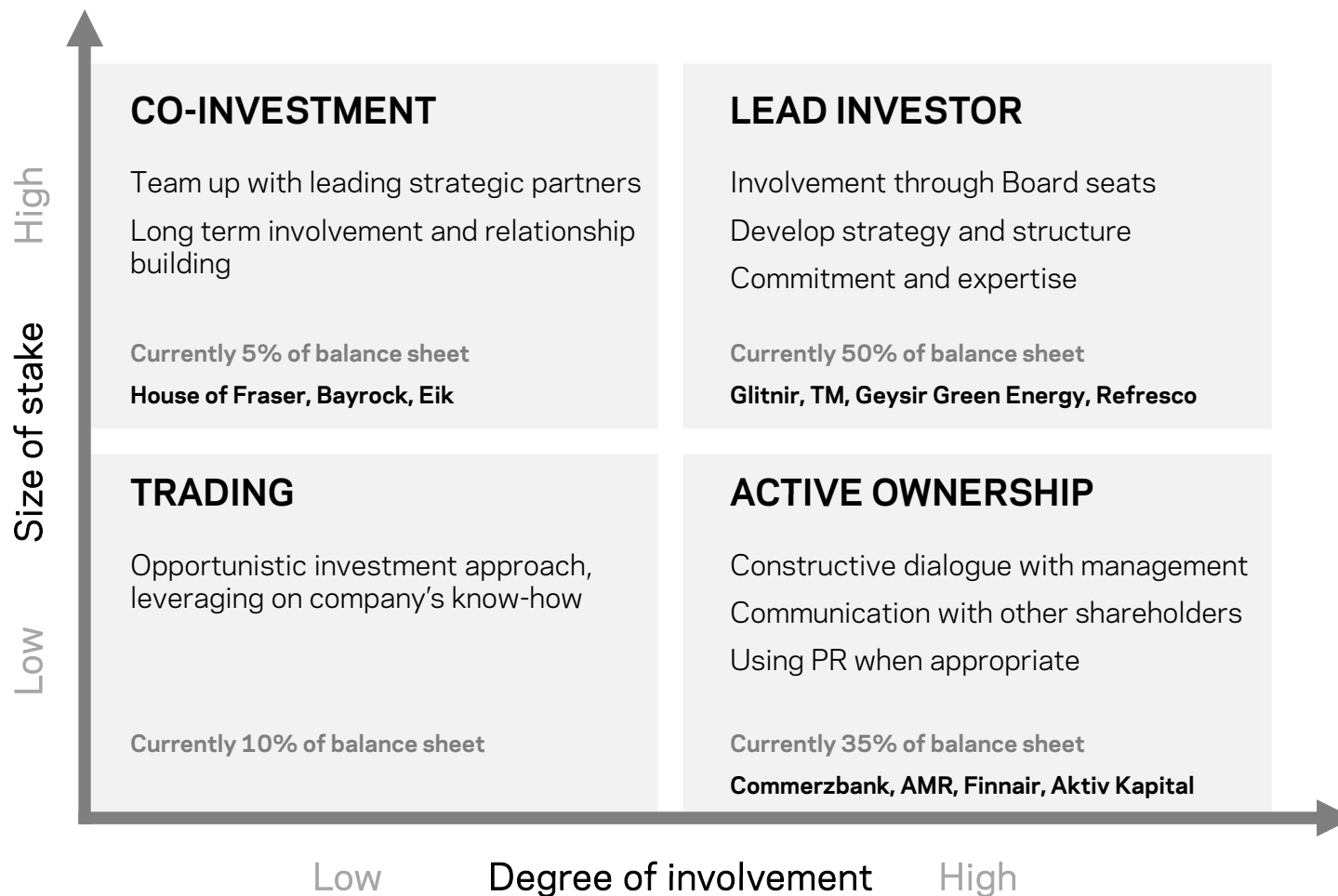
- » Lean organisation ensures quick decision making
- » Hands-on active involvement with clear advantages to other investment styles
- » Investing our own balance sheet in both public and private businesses, bringing flexibility in asset allocation and horizons
- » We are opportunistic, with flexible time horizon

## **Strong team**

- » Outstanding track record of value creation







# KEY LISTED INVESTMENTS



## Quick facts

- » Listed on OMX - Nordic Exchange
- » Stock: 3-year growth of 170% (Sept-07)
- » Strong foothold in the Nordic region
- » Strong position globally in three niche sectors: Sustainable energy, Offshore Service Vessels and Seafood

## Opportunities for growth

- » Strengthen foothold in existing core markets
- » Growth driven by Corporate & Investment Banking, Capital Markets and Investment Management
- » Continue geographical expansion

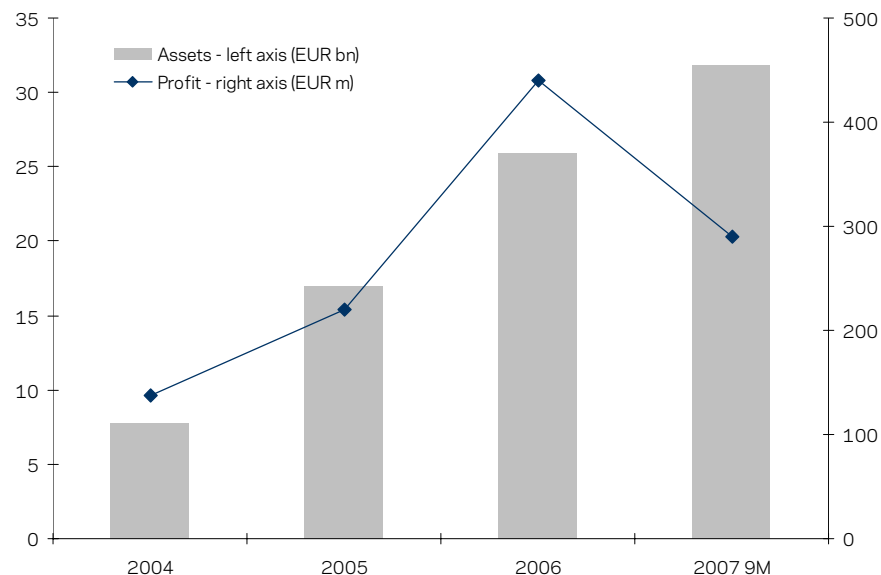
## Glitnir's Key Figures - 3Q 2007

- » EUR 31.5 billion total assets
- » EUR 4.8 billion market capitalization (as of 30 Oct-07).
- » 24.1% ROE in 9M 2007
- » 32.8% avg. ROE past 5 years

## Portfolio snapshot

- » 32% holding
- » Share price declined 1.7% in Q3, 20% increase in 2007
- » Value of shareholding is ISK 135.4 billion at end of Q3

## Growth 2004 - 3Q 2007





## Quick facts

- » Listed on OMX - Nordic Exchange, expected to be delisted
- » 24% market share in the Icelandic market
- » TM acquired the Norwegian insurance company Nemi Forsikring in 2006, its first international acquisition

## Value potential

- » Good potential in the Icelandic operation
- » Nemi an interesting platform for further Nordic growth
- » Operating business which brings cash flow and stability

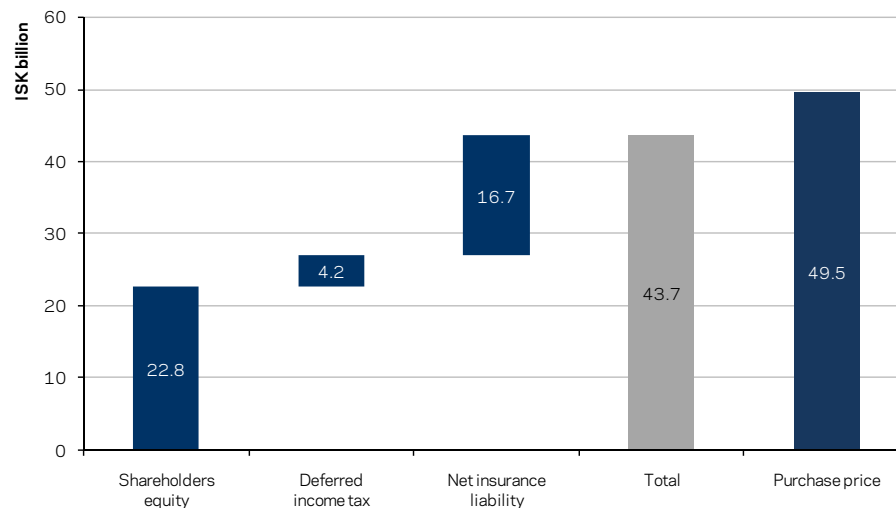
## TM's Key Figures - 3Q 2007

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

## Portfolio snapshot

- » 97.9% ownership (31 Oct-07)
- » Voluntary takeover bid made in October to remaining shareholders
- » Deal subject to confirmation from the Icelandic Financial Supervisory Authority
- » Expected to be consolidated from 1 October 2007, operated as a separate subsidiary
- » Value of shareholding is ISK 42.9 billion at end of Q3

## Attractive valuation





## Quick facts

- » Listed on Xetra in Germany
- » Second largest bank in Germany with 8,900 branches and 5 million retail customers
- » Best Mittelstandbank
- » Fast growing CEE operations: Polish bank BRE, Forum in Ukraine and 15% stake in Promsvyazbank in Russia

## Value potential

- » Undervalued compared to European peers
- » Large potential to return excess funds to shareholders
- » Well positioned to capitalise on the recovery of the German economy
- » Continued consolidation within the financial sector

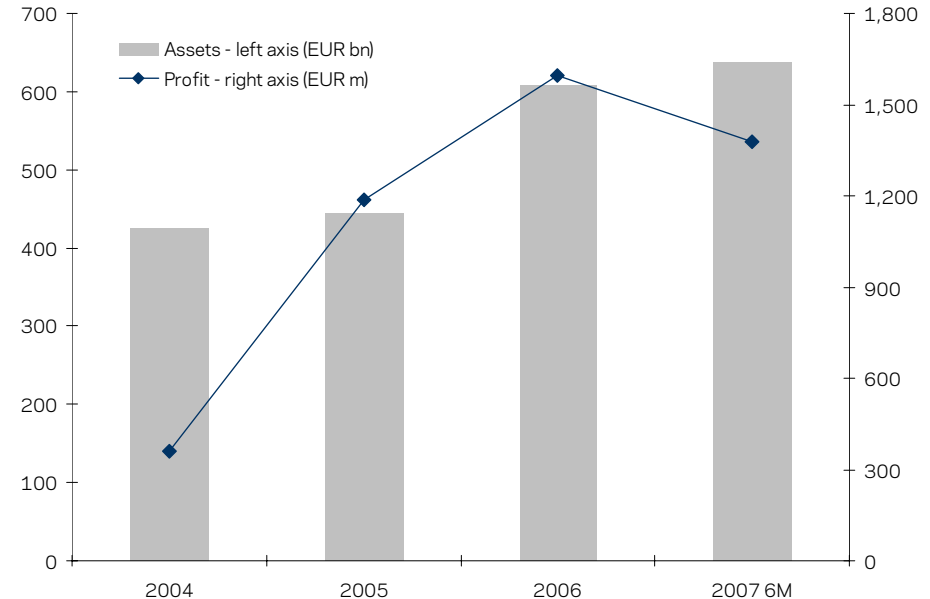
## Commerzbank's Key Figures - 2Q 2007

- » EUR 638 bn total assets
- » EUR 18.9 billion market capitalisation (as of 30 Oct-07).
- » 22.1% ROE in H1 2007
- » 13.3% avg. ROE past 4 years

## Portfolio snapshot

- » 4.3% holding
- » Share price declined 19.8% in Q3, 0.3% decline in 2007
- » Value of shareholding ISK 69.7 million at end of Q3

## Growth 2004 - H1 2007





## Quick facts

- » Listed on NYSE, AMR is the parent company of American Airlines and American Eagle Airlines.
- » American Airlines is the world's largest airline.
- » American, American Eagle and the AmericanConnection regional airlines serve more than 250 cities in more than 40 countries and territories with approximately 3,900 daily flights.

## Value potential

- » AMR holds a market-leading position in the U.S. airline industry
- » Gross value of AAdvantage is estimated at US\$6 billion; US\$4 billion net - according to FL Group 's analysis.

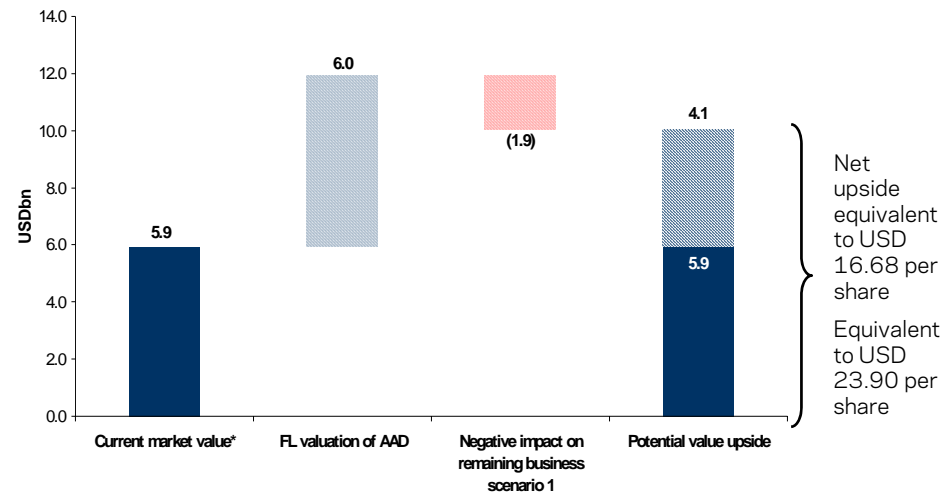
## AMR's Key Figures - 3Q 2007

- » Net profit of \$175 million or \$0.61 per diluted share
- » Consolidated revenues of approximately \$5.9 billion, an increase of 1.7 percent year over year
- » Passenger unit revenue (PRASM) rose 5.0% to 10.98

## Portfolio snapshot

- » 9.1% holding
- » Share price down 15.4% in 3Q, down 26.3% in 9M 2007
- » FL Group is the third largest announced shareholder
- » After an industry rebound in 2006, most carriers have shown a period of solid operational performance
- » Value of shareholding is ISK 31.1 billion at end of Q3

## Net value of AAdvantage



Overall market value of AMR of USD 10bn including estimated value of AAD indicating an upside of approx. 70% to current share price

# PRIVATE EQUITY PORTFOLIO

LISTED AND UNLISTED ASSETS



## Listed and unlisted investments

- » Increased diversification in private equity portfolio by making substantial investments in the property and energy sectors
- » Private equity portfolio currently comprises six sectors
  - » Aviation and travel, Retail, Beverage, Leisure, Energy, Property
- » Conservative revaluation in 3Q of ISK 3.0 billion
  - » Geysir Green Energy, Refresco, House of Fraser, Unity





## Exciting company in a rapidly growing sector

- » Co-founded by FL Group at the start of the year, FL Group 's total ownership is 43.1%
- » Investments cover the whole spectrum of the geothermal industry from development to operation
  - » Iceland Drilling (100%)  
One of the world's foremost companies in the utilization of earth resources
  - » Hitaveita Sudurnesja ( 32%)  
A world class geothermal operator producing 175 MW of electricity
  - » Enex (71%)  
An experienced developer in geothermal energy both in Europe and America
- » Competitive advantage due to Icelandic know-how in the field



## A leading beverage producer in Europe

- » A successful buy and build strategy has been implemented since the acquisition led by FL Group
- » Strategic acquisitions have enlarged the company significantly, with four acquisitions completed in 2007 and one in final stages of due diligence
- » 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 acquisitions

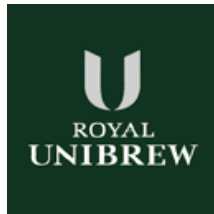


# Main unlisted assets

27



**Bayrock Group**  
JV





# MANAGEMENT OUTLOOK



- » FL Group's investment portfolio is expected to produce further growth opportunities
  - » Investment in broader range of businesses
  - » Attractive long term opportunities in energy sector
- » Fundamentals of the business remain strong
- » Number of deals in the pipeline
- » Continue active dialogue with management and shareholders at AMR
- » Market conditions volatile and FL Group's performance is highly dependent on global capital markets
- » FL Group is well placed to take advantage of opportunities across sectors and geographies going forward

# Q&A





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