
















About FL Group



FL Group is a unique international investment company, focusing its activities on two areas of investment:

- Private Equity and Strategic Investments
 - Stakes in listed and private companies as well as leading private equity buyouts
- Capital Markets
 - A proprietary trading desk focused on taking short-term positions for profits in primarily equities, bonds and currencies as well as derivatives and hedging

With head office in Reykjavik and offices in London and Copenhagen, FL Group invests in companies worldwide with a special focus on Europe

Banking and financial services	Energy	Beverages	Aviation and tourism	Other
   	    Exorka International	 	  <hr/> Northern Travel Holding	 HOUSE OF FRASER  Unity Investments 

Financial highlights



- Profit after tax increased by 304% to ISK 23 billion compared to first half of 2006
- ISK 8 billion profit after tax in second quarter
- Total assets increased by ISK 57 billion in the during the first half of 2007
- Return on equity was 32% on an annual basis for the first half of 2007
- Liquidity remains strong

Key figures in first half 2007

ISK million

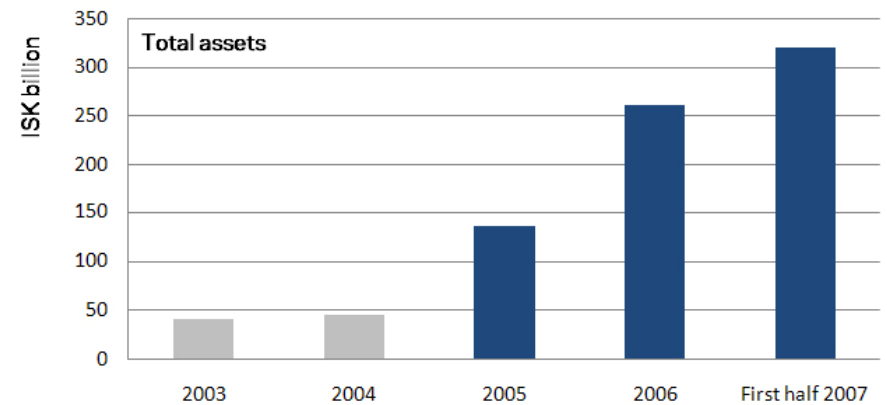
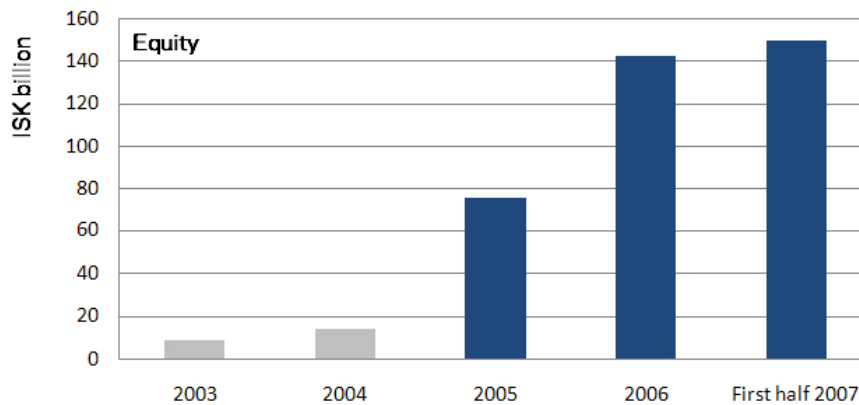
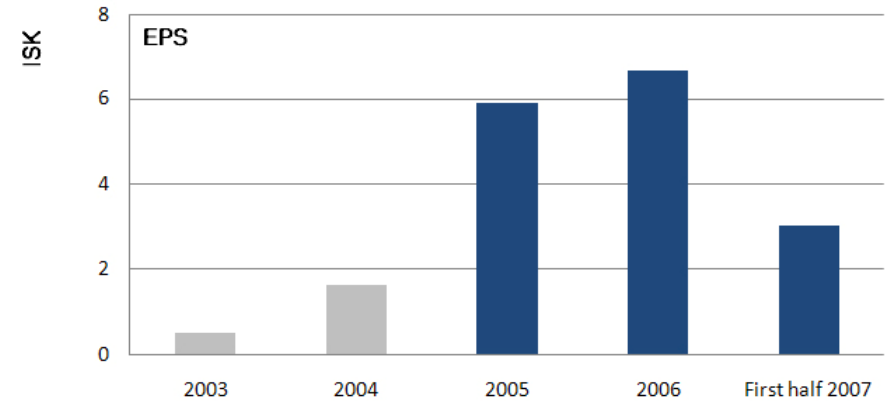
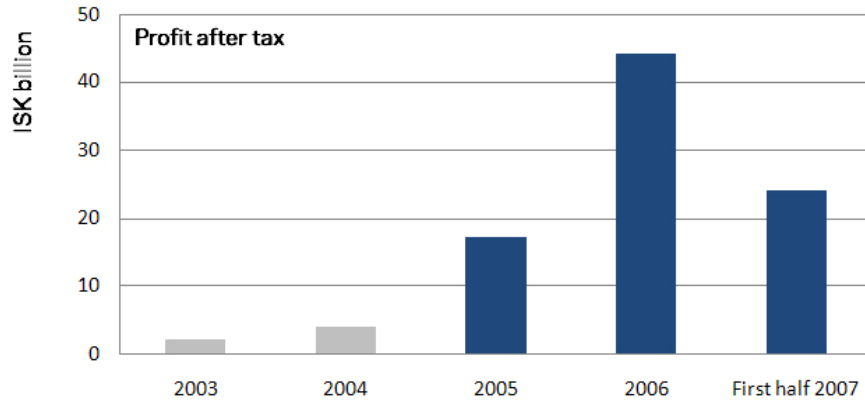
Net profit	23,126
Total assets	319,597
Total equity	149,452
Equity ratio	47%
Return on equity annualised	32%

Operational highlights



- Capital markets desk began operations in the second quarter
 - With focus on proprietary trading, derivatives and hedging
- Forming of a joint venture with Bayrock Group in the real estate sector
- FL Group secured long term funding on Glitnir stake
- Significant progress by Geysir Green Energy and Refresco

Key performance numbers - Strong growth



Best ever first half for FL Group



Income statement first half		
ISK million	2007	2006
Investment income	24,655	9,112
Operating expenses	-1,905	-1,008
Profit before income tax	22,750	8,104
Income tax	376	-1,150
Profit from continuing operations	23,126	6,954
Loss from discontinued operations (net)	0	-1,233
Profit for the period	23,126	5,721

Best ever second quarter for FL Group



Income statement Q2		
ISK million	2007	2006
Investment income	9,076	-1,346
Operating expenses	-1,022	-523
Profit before income tax	8,054	-1,869
Income tax	-12	534
Profit from continuing operations	8,042	-1,335
Loss from discontinued operations (net)	0	1,217
Profit for the period	8,042	-118

Growth in assets reflects increased activity



Balance sheet, assets

ISK million	30.06.2007	31.12.2006
Assets:		
Cash and cash equivalents	31,273	47,022
Securities	224,369	181,161
Derivatives	24,723	4,309
Restricted cash	14,117	9,572
Assets classified as held for sale	0	904
Loan, trade and other receivables	24,600	19,478
Operating assets	515	425
Total assets	319,597	262,871

Growth in equity



Balance sheet, equity and liabilities

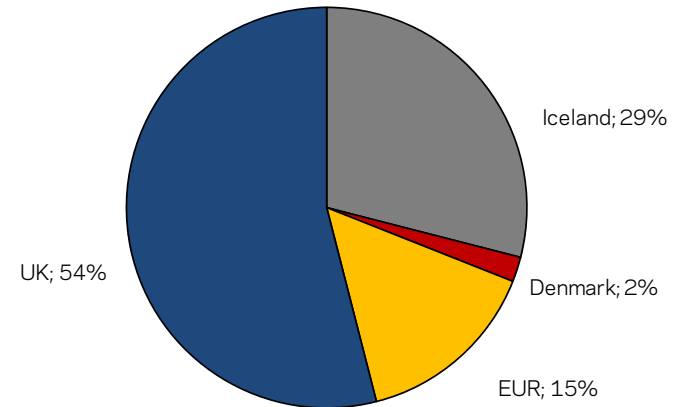
ISK million	30.06.2007	31.12.2006
Total equity	149,452	142,676
Liabilities		
Derivatives	8,698	7,021
Trade and other payables	8,368	5,908
Current tax liability	782	782
Borrowings	151,903	104,955
Deferred income tax liability	394	895
Liabilities classified as held for sale	0	634
Total Liabilities	170,145	120,195
Total equity and liabilities	319,597	262,871

Funding - significant milestones achieved



- In first half of 2007 the company completed several large funding transactions of ISK 115 billion (EUR 1,4 billion)
- Interest bearing loans amounted to ISK 152 billion at the end of June 2007
- Available cash at the end of June 2007 of ISK 31 billion
 - In addition undrawn equity funding lines of more than ISK 40 billion
- Funding goals for the remaining of 2007 include
 - Increase the duration of current loan portfolio
 - Increase focus on structured funding
















Borrowings split by geography*



* Excluding forward contracts

Investments | Overview



Banking and financial services	Energy	Beverages	Aviation and tourism	Other
   	    <p>Exorka International</p>	 	  <hr/> <p>Northern Travel Holding</p>	 <p>HOUSE OF FRASER</p>  <p>Unity Investments</p> 

Financial services – strategic sector



Investment size (June 07)

Comment



Holding: 31.97%
Investment value: ISK m 137,773
Share value development:
First half: + 22.67%
Q2: + 7.62%

- Stake in Glitnir increased to 31.97% during the first half
- Three FL Group representatives were elected to the company's Board of Directors at the Annual General Meeting
- FL Group has been supportive of the company's strategy and will continue to support the company going forward
- Profit before taxes in Q2 amounted to ISK 11.3 billion; a 34% increase from Q1



Holding: 3.24%
Investment value: ISK m 63,818
Share value development:
First half: + 20.26%
Q2: + 7.19%

- Stake in Commerzbank has been built up in recent months
- Very attractive valuation where FL Group believes the market does not reflect the turnaround and the bank's potential
- Consolidation in the banking sector in Europe has begun and is set to continue
- Expecting good Q2 results on August 9th



Investment size (June 07)

Comment



Holding: 13.3%
Investment value: ISK m 6,357
Share value development:
First half: + 0.52%
Q2: + 16.01%

- Share price has picked up somewhat recently
- Company is continuing to build market share in markets with low or no presence
- Continued focus on long-term collection efficiency and collections
- A representative of FL Group, Mr. Martin Niclasen, was elected to the board at the AGM



Holding: 37.6%
Investment value: ISK m 1,418
Share value development:
First half: + 5.9%
Q2: + 3.4%

- FL Group became a shareholder of Tryggingamiðstöðin hf. in the beginning of April 2007 through a 45% stakeholding in Kjarrhólmi

Energy – new strategic sector



The energy sector has been identified as a strategic sector for FL Group

Geysir Green Energy established in January 2007 as our first investment in sector

- As of August 1, FL Group's stake is 43.1%



Objective for Geysir is to become the leading global investor in its sector

Seeking opportunities in the harnessing of renewable energy

- Development and construction of geothermal plants
- Acquiring public utilities
- Participating in the privatisation of energy companies all over the world

Geysir Green Energy

- Total assets approx. ISK 40 billion
- Total equity approx. ISK 20 billion



A unique collection of assets creating a strong platform for growth

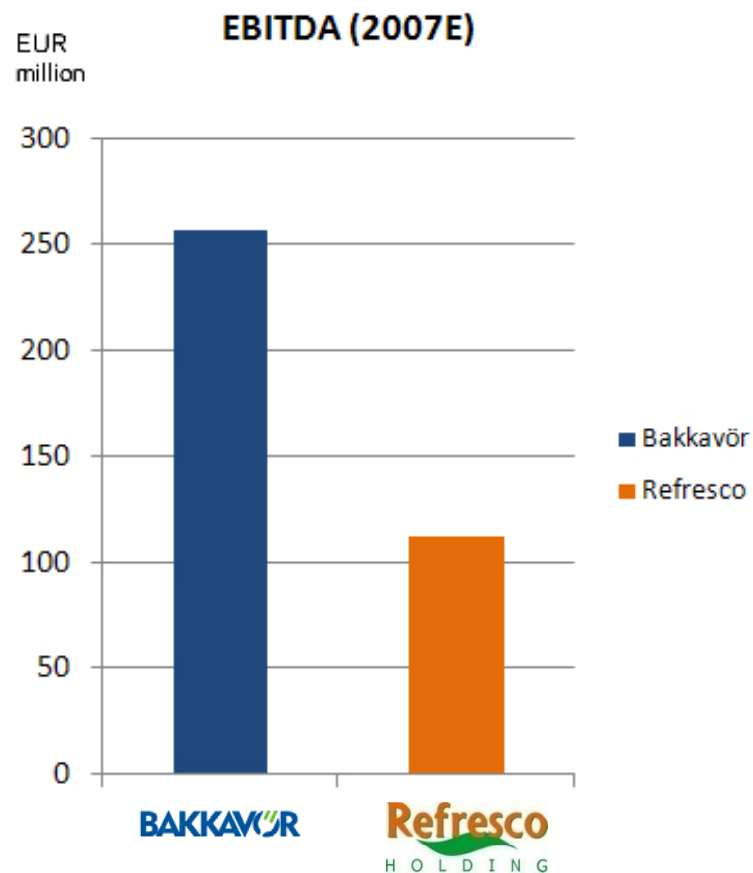
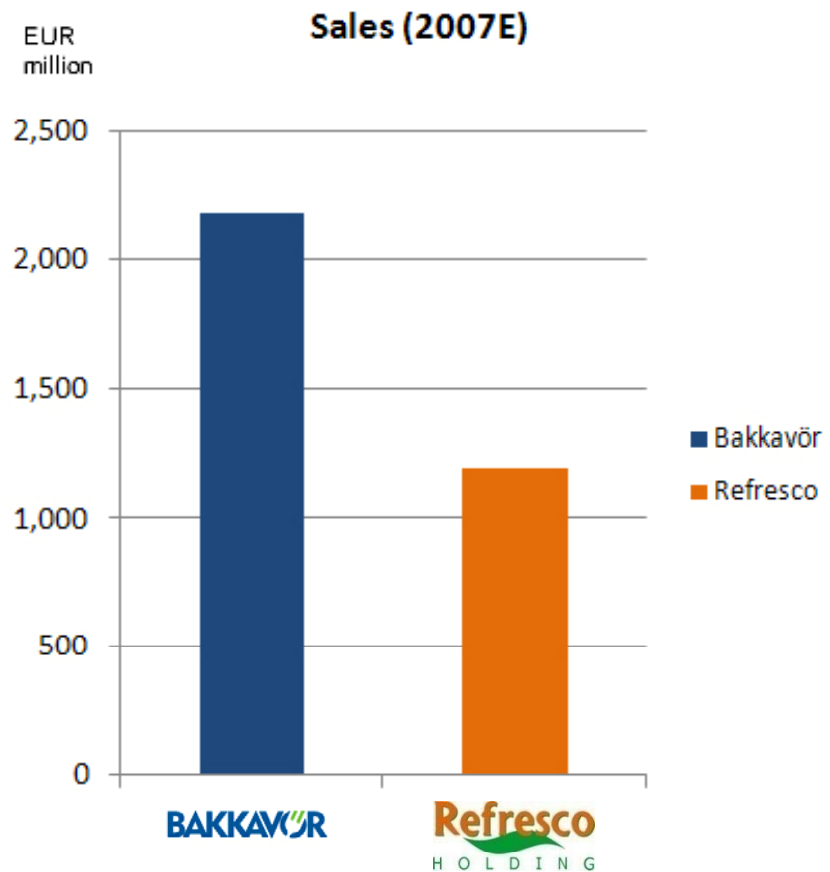
- Hitaveita Suðurnesja (32%)
 - World leading geothermal operator for 30 years
 - Total investment amounts to ISK 16.67 billion
- Jarðboranir hf. (100%)
 - Geysir has finalized an agreement with Renewable Energy Resources, a subsidiary of Atorka Group, for the entire equity stake
 - One of the world's foremost companies in the utilization of earth resources
 - Total investment amounts to ISK 14.3 billion, of which ISK 7.2 billion will be paid as an equity stake in Geysir
- Western GeoPower Corporation (20%)
 - A Canadian renewable energy company dedicated to development of geothermal energy projects
 - Geysir has finalized an agreement for the purchase of 20% equity stake at ISK 600 million and gets one boardmember
- Exorka International (47%)
 - A consulting company which is transforming into a development and generating company and has the rights to the utilization of Kalina technology which allows electricity to be produced from a low-temperature geothermal resource.
- Enex (43%)
 - Founded in 1969 by Iceland's largest energy and engineering companies - an active participant in geothermal projects
- Enex - China (33.3%)
 - recently completed first phase of what may become the largest geothermal district heating system in the world, with the potential to provide heating for 500,000 people (450 MW).



Holding: 49%

- The FL Group-led consortium acquired Refresco in 2006.
- FL Group has 49% stake in the company
- Buy and build strategy implemented – four strategic acquisitions in first half of 2007
 - Kentpol, a Polish soft drinks and mineral water company
 - Histogram, a Durham-based soft drinks business, manufacturing juice and juice drinks
 - Sun Beverages Company N.V., a major soft drinks producer based in France, the Netherlands and Belgium
 - Nuits Saint-Georges Production SAS, a French fruit drinks company based in the Dijon region, France
- Results:
 - Refresco is Europe's largest private label and value brand firm in the beverage sector
 - 2007 pro-forma sales of EUR 1.2 billion with an EBITDA margin of 9-10%
 - Net debt of approximately EUR 660 million
- Goal:
 - Double to triple the business within two to three years and become a clear leader in the private label beverage sector

Beverages - Comparing Refresco





Holding: 24.4%

Investment value: ISK m 13,133

Share value development:



First half: + 1.85%

Q2: +13.09%

- Royal Unibrew has expanded its bottling-cooperation with Heineken and will now also brew Heineken under licence in DK
- The company strengthened its position in Poland through acquisition of Browar Lomza Sp., a significant regional brewery business with more than 600,000 hectolitres of beer sold in 2006
- The company recently acquired a controlling interest in St. Vincent Brewery Ltd., strengthening its position in the Caribbean and African malt drinks market.

Aviation and tourism



	Investment size (June 07)	Comment
	Holding: 8.25% Investment value: ISK m 33,660 Share value development: First half: - 19.81% Q2: - 13.12%	<ul style="list-style-type: none"> • Stake increased in Q1, currently the largest shareholder • Profitable Q1 for the first time since 2000 • Market has been difficult in first half of the year • FL Group believes that long term fundamentals of the business and strong position of the company will be reflected in the market
	Holding: 23.4% Investment value: ISK m 23,009 Share value development: First half: + 4.8% Q2: + 0.31%	<ul style="list-style-type: none"> • Company continues to expand profitably into Asia • Sale of FlyNordic good for the company • Good results from the company and franchises
<hr/> Northern Travel Holding <hr/>	Holding: 34.8%	<ul style="list-style-type: none"> • Sterling will further enhance its vision of becoming a leading low cost carrier in Scandinavia by closely linking the group companies together • Following the bankruptcy of FlyMe in Sweden, Sterling has successfully entered the domestic Swedish market taking over many of the former FlyMe routes • Positive Q2 release from ticket showing year to date sales up 57% compared to year over year and profit before taxes of SEK 28.5m, up 18% compared to year over year • Iceland Express: Performance in line with budget

Other investments



Comment

BAYROCK GROUP, LLC

Holding: 50%

- In May, FL Group invested USD 50 million in four active US-based real estate development projects alongside Bayrock Group.
- In July, FL Group and Bayrock Group announced their first joint venture investment - acquisition of a 40% stake in the Midtown Miami project
- An exciting sector with great potential
- FL Group will continue to explore exciting investment opportunities, in the US as well as in other countries in partnership with Bayrock Group

HOUSE OF FRASER

Holding: 13.9%

- Trading well ahead of peers
- Takeover debt already down by 50%
- Cash position remains strong
- Significant value creation
- Internet platform should be running by the important Christmas period
- The company's flagship store on Oxford street is being refurbished.
 - New floor on ground level
 - Re-launch in September



Holding: 37.5%

- Unity Investments ehf. is an investment company with the objective of investing in companies in the retail sector in the UK.
- Unity Investments holds the following stakes:
 - 20% stake in French Connection
 - 29% in Moss Bros
 - 10% in Woolworths
 - 3% in Debenhams.

Summary and prospects



- Exceptional financial performance – best ever Q1 and Q2
 - Both quarters prove that the change in the business model continues to be successful
- Continued successful activity in financial markets
 - Large stakebuilding
 - Smaller investments
- Enhanced focus on private equity investments
 - Shows that the implemented strategy is going according to plan
 - New exciting markets – energy and real estate
 - The company will be active in recruiting key personnel
- FL Group's access to funding and liquidity remains strong
- 2007 outlook remains strong

