



FL GROUP

REGISTRATION DOCUMENT

JUNE 2007



(incorporated in Iceland as a public limited company)

Table of contents

1.	RISK FACTORS	4
a.	Risk relating to the Issuer's operations	4
	Credit risk	4
	Operational risk	4
	Key employees.....	4
	Internal controls.....	5
	Managing growth.....	5
	Liquidity risk.....	5
	Covenants - contractual risk.....	5
	Applicable law.....	5
	Legal risk.....	5
	Tax issues	5
b.	Risk related to the Issuer's investments	6
	Market risk.....	6
	Exchange rate and interest rate	6
	Inflation risk	6
	Securities regulation	6
	The banking and financial services industry	6
2.	PERSONS RESPONSIBLE	7
3.	MANAGER.....	7
4.	STATUTORY AUDITOR	8
5.	REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS	8
6.	DOCUMENTS INCORPORATED BY REFERENCE AND FOR DISPLAY	8
7.	NOTICE TO INVESTORS	9
8.	DESCRIPTION OF THE ISSUER	10
A.	History and Development	10
	Key milestones	10
B.	Corporate structure	11

C.	Business description	12
	Private Equity and Strategic Investments	12
	Capital Markets	12
	Finance and Administration	13
	Operations Management	13
D.	Investment approach	13
E.	Current investments	13
F.	Administrative, management, supervisory bodies and senior management.....	14
	Corporate governance	14
	Statutory bodies.....	15
	Board of Directors.....	15
	Rules of Procedures	15
	Board Sub-committees	15
	Members of the Board of Directors.....	16
	Senior Management	19
	Auditors.....	22
	Compliance officer	22
	Rules on the handling of insider information and insider trading	22
	Compliance with corporate governance guidelines.....	22
G.	Employees	22
H.	Major Shareholders	22
	List of major shareholders	22
I.	Related Party Transactions.	24
J.	No material adverse change.	25
9.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	25
	Operations	25

1. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfill its obligations. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in its debt instruments, but the inability of the Issuer to pay the principal or other amounts on or in connection with any such instruments may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prior to making any investment decision, prospective investors and their financial and legal advisers should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below should be considered carefully. The matters described below, among other factors, should be carefully considered by any prospective investor.

This document contains forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

a. Risk relating to the Issuer's operations

Below is a brief description of the main risks relating to the Issuer:

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Issuer or otherwise fail to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer or borrower. The Issuer will be exposed to a credit risk that arises any time the Company's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Operational risk

The risk related to the Issuer's operations is primarily linked to the performance of domestic and foreign securities in which the Issuer invests. In addition there are a considerable number of other factors which can also affect its operations and performance, such as employee negligence, violations of rules, problems with information systems and loss of key personnel.

Investors are reminded of the risk related to the fact that FL Group has recently changed its focus of operation and undergone fundamental organisational changes, which reduces the usefulness of reference to its historical success.

Key employees

The Issuer is dependent on its key employees and their willingness to continue working for it. There is, however, no guarantee that it will be able to retain all of them in the future. If the Issuer loses any of its key employees, it could be affected. The Issuer offers competitive remuneration to its key employees to reduce this risk. Should members of key personnel decide to join competitors or start competing independently with the Issuer, this may have consequences for the Issuer's business.

Internal controls

The Issuer is dependent on having sufficient internal controls in place on various dimensions. The Issuer has focused on strengthening such controls. Should such controls prove, however, to be insufficient, this may have a negative impact on the Issuer. As the Issuer's balance sheet and its scope of operations grow, the need for sound internal controls will grow.

Managing growth

FL Group intends to continue to grow its investment portfolio both in listed and private companies, bonds, currencies, derivatives and other instruments, both domestically as well as internationally. This growth requires significant investment, increased operating costs, greater allocation of management resources away from daily operations, continued development and integration of information systems, continued training of management and other personnel among other things. The failure of the Issuer to effectively manage these issues and its growth, whilst at the same time maintain an adequate focus on its current operations, could have a materially adverse effect on its business, financial condition, and results of operations.

Liquidity risk

The Issuer faces the risk of having insufficient funds to meet current liabilities and finance future projects, e.g. due to inability or difficulties in liquidating its assets. This risk is mitigated to some extent by maintaining liquid assets.

Covenants - contractual risk

The Issuer is contractually bound to honour various contracts in financing agreements. Should the Issuer become unable to fulfil the relevant covenants, or for some reason discontinue to do so, the lessors and financiers may become entitled to rescind the agreements which might have financial consequences for the Issuer.

Applicable law

The Issuer and its subsidiaries are subject to various laws and regulations. Changes to the Group's applicable laws, or its becoming subject to different laws, might have an impact on how it continues to conduct its business.

Legal risk

FL Group operates within a complex regulatory framework and a variety of specific regulations apply to its operations. Financial markets develop rapidly, which leads to Acts and regulations being reviewed regularly. Amendments to legislation can have an impact on FL Group's operations, financial situation, and performance. In addition, ministerial regulations and rules, or guidelines issued by the Financial Supervisory Authority or other public authority can have a substantial effect on the Company's operating environment. Close watch is kept on pending changes to legislation and rules applicable to FL Group, and an assessment is made of the most suitable response in each case. FL Group furthermore studies, when faced with new ventures, how they will affect the company from a regulatory standpoint.

Given the Issuer's size and the scope of its operations, it tends to be involved in some form of litigation at any given time. The Issuer is not involved in litigation that could have material effect on the Issuer's operations.

Tax issues

The Issuer could be affected by changes in tax legislation in any country that affect its financial results. FL Group is not aware of any current tax inspection concerning the Group's subsidiaries which may have a material impact on its shares and has no reason to believe that any such inspection is imminent. Investigation of the Issuer's tax filings, as for any other company, may be

initiated at a later stage in accordance with relevant regulations and affect the prospects of the Issuer.

The Issuer and the tax authorities may potentially have different opinions on how various financial arrangements within the Issuer should be treated from a tax perspective.

b. Risk related to the Issuer's investments

Market risk

Currently, the majority of the Issuer's assets consist of listed securities issued by other companies. One of the principal risks facing the Issuer is market risk on domestic and foreign securities markets. Should the market value of the securities drop, this could have a significant impact on the Issuer's profitability. In the event of the bankruptcy of the issuers of the relevant securities, their value might be eliminated altogether.

Furthermore, attention is drawn to the fact that some of the individual assets form quite a substantial portion of the Issuer's total assets.

Regarding the market risk, the Issuer endeavours to invest in securities in markets that are most likely to develop favourably. Decisions regarding significant investments are always presented to the Issuer's Board of Directors for approval. The Issuer's Board also sets out a framework for daily transactions.

Exchange rate and interest rate

The Issuer is exposed to the effect of foreign exchange rate and interest-rate fluctuations. The Issuer is actively managing its currency balance and interest rate risk

Inflation risk

Inflation could have an influence on the Company's asset portfolio. Should inflation increase it could result in an increase in the company's debt and it will also have the effect that interest rate will be higher and therefore lead to an increase in the Company's costs.

Securities regulation

Since the Issuer's shares are traded on the Iceland Stock Exchange, the Issuer is subject to the provisions of Icelandic regulations on securities, contained, i.a. in the Icelandic Securities Act, governmental regulations and rules adopted by the Iceland Stock Exchange. The Issuer endeavours to comply with the said provisions, and any violation of these provisions may have a financial impact on it. Serious breaches may result in the Iceland Stock Exchange's ceasing to list the Issuer's securities. Should the Issuer violate the relevant rules, this may furthermore impact its reputation and consequently result in the price of its shares dropping.

The banking and financial services industry

A large part of the Issuer's investments are in banking and financial services. Additional risk factors facing these industries are credit risk, solvency risk and refinancing risk. Credit risk refers to the danger that a client of the bank may fail to fulfil its obligations, resulting in a partial or total loss of the bank's claim against it. Banks must always have sufficient liquidity to meet both foreseeable as well as unexpected payment obligations. Financial undertakings may be subject to heavy fines, or liability for compensation, and lose their operating licences if they are found guilty of negligence or a violation of the laws under which they operate, or other types of punishable offence. Risk management is used to strike a balance between risk of loss and binding of equity, on the one hand, and maximisation of income on the other. Currency exchange rates, market interest rates and share prices are highly dependent upon the current economic situation and can have a major impact on the performance of financial undertakings. Banks are

subject to risks of changes in market interest rates and interest spread in addition to changes in the market value of trading bonds.

2. PERSONS RESPONSIBLE

FL Group hf., in its capacity as the Issuer, Icelandic ID-No.601273-0129, registered office at Suðurlandsbraut 12, 108 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 28 June 2007

On behalf of the Issuer



Jón Ásgeir Jóhannesson

Chairman of the Board



Hannes Þór Smárason

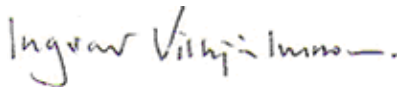
CEO

3. MANAGER

The Manager, Kaupthing Bank hf - Capital Markets, Icelandic ID-No. 560882-0419 registered office at Borgartún 19, 105 Reykjavík, Iceland has been the advisor to the Issuer in the preparation of this Registration Document. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained or incorporated in this document or any other information provided by the Issuer in connection with the Bonds. The Manager does not accept any liability in relation to the information contained or incorporated by reference in this document or any other information provided by the Issuer in connection with the Bonds.

Reykjavík, 28 June 2007

On behalf of the Manager



Ingvar Vilhjálmsson

Managing Director



Stefán Ákason

Head of Fixed Income Sales

4. STATUTORY AUDITOR

The Company's accounts for the years ending 31 December 2005 and 31 December 2006, respectively, have been audited and the annual accounts for these years have been endorsed without remarks by KPMG Endurskoðun hf., the Company's independent auditors. The Q1 2007 accounts have been reviewed and endorsed without remarks by the same independent auditors.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "FL Group" and "the Company" in this Registration Document shall be construed as referring to FL GROUP hf., Icelandic ID-No. 601273-0129, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. FL GROUP hf. is the legal Icelandic name of the Issuer.

All references to "we", "us" and "our" under "Factors that may affect the Issuer's ability to fulfill its obligations under the Notes issued" are references to the Issuer.

References to "ICEX" in this Registration Document shall be construed as referring to the Iceland Stock Exchange, i.e. to Kauphöll Íslands hf., Icelandic ID-No. 681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Registration Document shall be construed as referring to the admission to trading on the bond market of the Iceland Stock Exchange, unless otherwise clear from the context.

References to "ISD" in this Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verðbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavík, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Registration Document shall be construed as referring to Kaupthing Bank hf. – Capital Markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

6. DOCUMENTS INCORPORATED BY REFERENCE AND FOR DISPLAY

The following documents are incorporated herein by reference to, and form part of, this Registration Document:

- a. The Articles of Association for FL Group
- b. The interim account of FL Group for Q1 2007
- c. The annual account of FL Group for the operating year 2006.
- d. The annual account of FL Group for the operating year 2005.

Copies of documents incorporated by reference in this Registration Document and this Registration Document can be obtained from the Issuer's office and websites (www.flgroup.is)

and on the ICEX's news web (<http://www.omxgroup.com/nordicexchange/Markadsfrettir/Fyrirtaekjatilkyningar/>).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Registration Document which is capable of affecting the assessment of any Debt Securities, prepare a supplement to this Registration Document or publish a new Registration Document for use in connection with any subsequent issue of such Debt Securities. If a supplement is prepared, statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Registration Document or in a document which is incorporated by reference in this Registration Document. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this document

7. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in any Debt Security and carefully review the terms and conditions of the Debt Securities described in the relevant Securities Note. This Registration Document is to be read in conjunction with the documents which are deemed to be incorporated herein by reference (see "Documents incorporated by reference"). This Registration Document shall be read and construed on the basis that such documents are incorporated and form part of this Registration Document.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

This Registration Document is not (a) intended to provide the basis of any credit or other evaluation; or (b) a recommendation by the Issuer or the Manager that any recipient of this Registration Document should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Debt Securities.

Neither the delivery of this Registration Document nor the sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should review, inter alia, the most recently published documents incorporated by reference into this Registration Document when deciding whether or not to purchase any Debt Securities.

ICEX has scrutinized and approved this Registration Document which is only published in English.

8. DESCRIPTION OF THE ISSUER

c. History and Development

The history of FL Group's predecessors dates back to 1937, almost as long as the history of commercial aviation in Iceland. FL Group, which at that time was called Flugleiðir, was established in Reykjavík in 1973 by a merger between Flugfélag Íslands hf. and Loftleiðir hf. Flugleiðir's main operations until 2005 were in aviation and tourism.

The transformation into an investment company began in 2004 when the aviation operations founded a new subsidiary which used the excess cash of the company for investment purposes. At the Issuer's annual general meeting 2005, its name was changed to FL Group hf. Around the middle of 2005, a decision was made to complete the process and make investment activities FL Group's main field of operation. This decision was reinforced in November 2005 when new key investors bought into the Issuer and solidly supported the transformation process.

Today FL Group is one of the largest investment companies in Iceland and focuses on two areas of investments, with Private Equity and Strategic Investments on one hand and Capital Market activities on the other hand as two main functions in the operation.

Key milestones

- 1937** Flugfélag Akureyrar founded in Akureyri, on the north coast of Iceland.
- 1943** Name is changed to Flugfélag Íslands (Icelandair) and headquarters moved to Reykjavík.
- 1944** Loftleiðir founded, later also known as Icelandic Airlines.
- 1945** Flugfélag Íslands makes its first international flights; Loftleiðir follows in 1947.
- 1953** Loftleiðir pioneers low-fare services across the North Atlantic.
- 1973** Loftleidir and Flugfélag Íslands merge to form Flugleiðir.
- 1979** Flugleiðir assumes operating responsibilities of its two parents, Icelandair becomes its international name.
- 1992** Flugleiðir is listed on the ICEX Main List.
- 1993** Total renewal of older fleet, begun in 1989, reaches a conclusion.
- 1997** Flugfélag Norðurlands and Flugleiðir's domestic flight operation merge to form Flugfélag Íslands, a wholly-owned subsidiary of Flugleiðir.
- 1998** Flugleiðahótel founded: the hotels that had been part of Flugleiðir become a distinct subsidiary.
- 2000** Flugleiðir Frakt founded: the cargo business of Flugleiðir become a distinct subsidiary.
- 2001** Flugbjónustan Keflavíkurflugvelli founded: Flugleiðir ground services become a distinct subsidiary.
- 2002** Loftleiðir Icelandic founded: the wet lease and charter arm of Icelandair become a distinct subsidiary.
- 2003** Flugleiðir becomes a holding company with 11 subsidiaries in the travel and tourist industry in Iceland, Flugleiðir's operations are divided into Icelandair, Icelandair Technical Services and Fjárvakur Financial Services. Icelandair is the largest subsidiary.
- 2004** Flugleiðir acquires an 8.4% holding in easyJet (current ownership is 0%).
- 2005** Flugleiðir becomes FL Group. The holding company announces its emphasis on investment. This is followed by increased investment activities and the acquisitions of Bluebird and Sterling Airlines A/S.
- 2005** Fundamental changes take place in October whereby investments become the focus of FL Group and its airline and tourist service operations are divided between two subsidiaries: Icelandair Group and FL Travel Group.
- 2006** Acquisition of Sterling Airlines A/S is finalized in January. FL Group's holding in easyJet, which amounted to 16.9% at its highest level, is sold in April, realising c. EUR 140 million profit from time of initial investment. In April FL Group acquires 49% stake in Refresco, a unlisted company operating in the beverage industry. In April and May, FL Group opens offices in Copenhagen and London. In June FL Group issues new share capital for 1.803.956.507 nominal value. In October FL Group sells all its shares in Icelandair Group which was a subsidiary, realising c. EUR 305 million profit. In December FL Group sells all its shares in Sterling Airlines A/S to Northern Travel Holding, and at the same time acquires 34% stake in Northern Travel Holding. Following the sale of Sterling Airlines FL Group does not have any operating subsidiaries, except from Reykjavík Excursions, a small bus company which was sold in March 2007 with a net profit of ISK 486 million.
- 2007** In the first quarter of 2007 FL Group increased its share in Glitnir bank to 31,97% and in AMR Corporate to 8,53%, in addition to acquiring 2,99% share in Commerzbank. FL Group also sold Reykjavík Excursions, a small bus company and following the sale FL Group owns non operating subsidiary. In the second quarter of 2007 FL Group invested 50m USD in four active US-based real estate development projects alongside Bayrock Group LLC and sold all its shares in Bang & Olufsen.

d. Corporate structure

The legal name of the Issuer is FL GROUP hf. and its commercial name is FL Group. The Issuer is registered with the Registry of Enterprises in Iceland, registration number 601273-0129. FL Group's domicile and headquarters are at Suðurlandsbraut 12, IS-108 Reykjavík, Iceland, telephone number +354 591 4400. FL Group is a public limited company incorporated in Iceland and operates pursuant to the Icelandic Companies Act No 2/1995 (Lög um hlutafélög). The date of incorporation is 20 July 1973.

According to the Company's articles of association the Company's object is to earn interest on money that shareholders have tied to activities in the operation of the company, investments, including those in subsidiaries and associated companies working especially in the field of flight operations, the tourism industry, transport and any kind of investment activities.

FL Group hf. has the following legal entities as its fully owned subsidiaries:

Name	Operation
FL Holding ehf.	Holding company for various investments made by FL Group hf.
FL Group Denmark ApS	FL Group's offices in Denmark.
FL Group UK Limited	FL Group's offices in England.
FL Trading AS	Trading platform for listed Scandinavian and European shares.
FL GLB Netherlands B.V.	SPV for a part of FL Group's stake in Glitnir Bank.
FL Group Holding Netherlands B.V.	Holding company for various investments made by FL Group hf.
FL Group Holding B.V.	Holding company for various investments made by FL Group hf.
FL Scandinavian Holding B.V.	Holding company for various investments made by FL Group hf. in the Scandinavian countries.
Minx Netherlands B.V.	Holding company for various investments made by FL Group hf.
FLG Property I, LLC	Holding company for various investments made by FL Group hf.
FL Group USA Ltd.	Holding company for various investments made by FL Group hf.

The Issuer believes that it is not dependent on its subsidiaries or its affiliates in performing its business.

e. Business description

FL Group is an investment company, focusing its investment activities on private equity investments, strategic investments in listed companies and general capital market activities. The company invests by using its balance sheet and the Directors and the management is of the opinion that the company's structure offers great flexibility regarding its investments.

The Company operates a very simple organizational structure where the two main functions, Private Equity and Strategic Investments on one hand and Capital Markets on the other are supported by Finance and Administration and Operations Management. FL Group has set up offices both in Denmark and UK, bringing the company's focus closer to its primary markets.

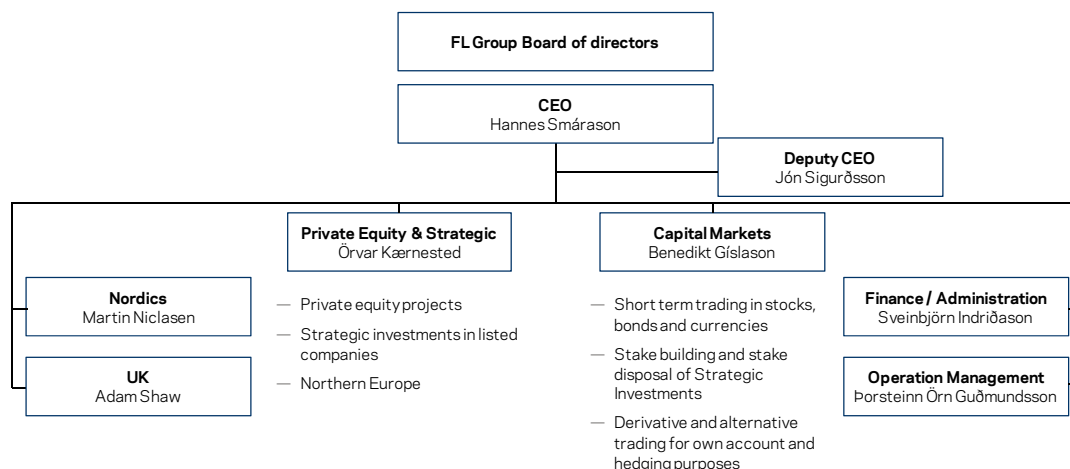


Figure 1. The organizational structure of FL Group.

Private Equity and Strategic Investments

FL Group seeks to channel 50-80% of total assets into private equity and strategic investments. Its investment focus is on Europe with primary focus on the Nordic and UK markets. The investment criteria for these investments include:

- FL Group's target is to invest, for the most part, in companies outside of Iceland and the Company has focused on Northern Europe, with main emphasis on the Nordic countries and UK as well as USA.
- Flexibility with time horizons, sectors and geography
- Few but large investments with the enterprise value of individual investments being at least EUR 200 million. Generally holding around 30-49% of the equity but not ruling out owning more.
- Return requirement takes account the risk of individual projects but IRR is normally around 20%.

Capital Markets

FL Group's aims to have 20-50% of total assets in short-term investments in stocks, bonds and currencies. The Company's Capital Markets function oversees this type of investment as well as derivative and other alternative trading for hedging or investment purposes. In addition to this

Capital Markets handles stakebuilding and stakedisposal on behalf of FL Group's Private Equity and Strategic Investments

The intention is to invest the company's funds in profitable investment options, with consideration given to returns and risk. The portfolio is very actively managed within a strategy approved by the board of directors.

Finance and Administration

FL Group's Finance and Administration Department is a support division handling corporate financing, book keeping, back office and other related functions.

Operations Management

FL Group's Operations Management team works closely with companies already invested in on specific tasks.

f. Investment approach

FL Group's approach to investment can be summarised in a few key words:

Relationship: FL Group uses the group's international relationship network in its investments. Future deal flow and access to new investment opportunities comes through the relationship of the shareholders and management. New investments have also opened up further opportunities and potential deals.

Flexibility: FL Group's goal is to show a high degree of flexibility in its investments with respect to sectors, geography, size and time. By investing using the company's balance sheet, it is able to retain this flexibility. FL Group does not manage funds like traditional private equity firms do and therefore has fewer restrictions in its investment approach.

Influence: When FL Group has invested in companies it aims to use influence to achieve the changes needed to add value to the investment. Influence can be used in different ways with board representation and outside influence a common way of doing this.

Experience and knowledge: Both the company's management and its largest shareholders have extensive experience and knowledge in a number of sectors. The company taps into these attributes when investing. Sectors where the company has industry knowledge or access to industry knowledge include: banking and financial services, aviation and tourism, beverages, retail and energy. In addition FL Group looks for experience and strong management teams in the companies in which it invests.

g. Current investments

Today FL Group has holdings in companies in various sectors in Iceland, the UK, the Netherlands, the Nordic countries and USA. The vast majority of investments are in listed companies in the banking and financing services, beverages, aviation and consumer and retail.

Significant changes were made to FL Group's portfolio of investments in private companies in 2006. At the end of the year FL Group's investment in private companies amounted to ISK 15 billion and the portfolio was streamlined significantly with the sale of almost all of its operating subsidiaries and investment in Refresco and House of Fraser.

At the end of March 2007, FL Group's investment in securities amounted to around ISK 357 billion. At that time the largest holdings were in the following companies. These holdings have not changed significantly since then, except for the holding in Commerzbank which is 2.99% and FL Group has sold all its shares in Bang & Olufsen, at the date of the issue of this Registration Document. In May 2007 FL Group invested 50m USD in four active US-based real estate development projects alongside Bayrock Group LLC.

31 / 03 / 2007

Investments	Market value	% holding
Significant holdings		
Glitnir	128.456	32,0%
Commerzbank	46.510	2,4%
AMR Corporation	41.183	8,5%
Finnair Oyj	23.663	23,3%
Royal Unibrew A/S	12.013	24,4%
Bang & Olufsen A/S	10.607	10,4% ¹
Aktiv Kapital ASA	5.765	13,3%
	268.195	
Trading portfolio and other holdings	74.116	
Total investment in listed securities	342.311	
Total investment in unlisted securities	14.228	
Total investments	356.539	
Financed with forward contracts	138.938	
Investments recognised on balance sheet	217.602	

h. Administrative, management, supervisory bodies and senior management

As an Icelandic limited liability company, the organisational structure of FL Group hf. is governed by Act no. 2/1995 on Private Limited Companies.

Corporate governance

Corporate governance at FL Group hf. is defined as the framework by which the Company is directed and controlled and the means by which relationships among the Company's management, its board, its shareholders and other stakeholders are conducted. This framework is largely set out in its Articles of Association and is supplemented by the relevant provisions of Act no. 2/1995 on Private Limited Companies. Furthermore, the Company has implemented and follows the corporate governance programme developed by the Icelandic Chamber of Commerce, the ICEX and the Confederation of Icelandic Employers in 2004, and which is inter alia outlined in the internal rules of the Company. The Company believes it is fully compliant with these guidelines, and intends to follow them with respect to its future structure and management.

The aim of the corporate governance programme at FL Group hf. is to ensure disclosure and transparency, define the responsibilities of the board of directors and the management, define the rights and obligations of shareholders and stakeholders, ensure the equal treatment of shareholders, and avoid conflicts of interests between the parties. The board is ultimately responsible for the group's system of internal controls and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

¹ Please note that Bang & Olufsen A/S is not part of FL Groups significant holdings at the date of this Registration document.

Statutory bodies

The supreme authority in the affairs of FL Group hf., within the limits established by its Articles of Association and statutory provisions, is in the hands of the Company's shareholders' meetings. Shareholders' meetings may be attended by shareholders, their representatives and advisors. Shareholders' meetings are also open to representatives of OMX Nordic Exchange Iceland. Its annual general meeting shall be held before the end of May every year. At shareholders' meetings each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the Articles of Association or prescribed by law.

Board of Directors

The Company's Board of Directors consists of seven members and two alternate members. It has supreme authority in the Company's general affairs between shareholders' meetings and endeavours to keep its organisation and operations on course. The Board of Directors directs Company affairs and sets its objectives and future vision, deals with the annual budgets and Company's goals presented by the CEO and the strategy to be taken to reach them. The Board of Directors is expected to ensure that the Company's strategy is in accordance with its vision and overall goals. The Company's Board of Directors ensures the sufficient supervision of the accounting and handling of the Issuer's funds.

The Board of Directors resolves on all matters related to the Company that are deemed extraordinary or significant but can also grant the CEO the authority to resolve such issues. Only the Company's Board of Directors can grant power of procuration.

Members on the Board of Directors are elected at Annual General Meetings or at a shareholders' meeting where an election of Board members is conducted. Those planning to be candidates for a seat on the Board shall give written notice to the Company's Board of Directors at least five days before the start of such meetings.

Rules of Procedures

The Board of Directors agreed upon a new version of its Rules of Procedures in the year 2006. These rules deal *inter alia* with the Board's tasks and duties, including the duty of secrecy and confidentiality, provision of information to the Board, quorum and rules for voting, the role of the Chairman, etc. Emphasis is on good practices and facilitating management's and directors' fulfilment of their duties.

The rules state that board members should familiarise themselves with the provisions of law, the Company's Articles of Association, general securities regulations and regulations on the handling of inside information and insider trading.

Board Sub-committees

The Board of Directors operate three subcommittees: a Compliance Committee, a Compensation Committee and an Investment Committee. Each subcommittee consists of three members of the Board of Directors.

The role of the Compliance Committee is to advise the Board of Directors on the monitoring of the financial status of the Company, selecting auditors and evaluating accounting and regulatory compliance issues. In order to fulfil its duties the Compliance Committee stays in regular contact with external auditors and FL Group's staff in order to make independent judgments regarding accounting principles and to make sure that observations from external auditors are honoured.

The Compensation Committee's role is to form a policy and advise the Board of Directors in relations to the terms of executive compensations and incentives. Furthermore the Compensation Committee sets the policy regarding the employee stock option plan.

The role of FL Group's Investment Committee is to advise FL Group's Board of Directors on the Company's investment policy as well as on investment opportunities. The Investment Committee is therefore responsible for developing the Company's investment strategy, evaluating major individual investments and exit opportunities and setting a frame of reference for the Company's investment portfolio.

Members of the Board of Directors

Jón Ásgeir Jóhannesson, (Born 1968) - Chairman of the Board

Business address: Baugur Group, Túngötu 6, 101 Reykjavík, Iceland.

Jón Ásgeir Jóhannesson is the Executive Chairman of the Board of Baugur Group and an investor and entrepreneur. He was born in 1968, graduated from the Commercial College of Iceland and has been involved in various investment projects in Iceland and abroad. Among other things he founded the Bónus supermarket chain in 1989 with his father Jóhannes Jónsson and has led Baugur Group's expansion in recent years. Jón Ásgeir has been at the forefront in Icelandic business for more than a decade and is a major player in the UK and Denmark retail sector through Baugur Group and other companies. In June 2007 Jón Ásgeir became Executive Chairman of the Board of Baugur Group, but in recent years he has been the CEO of the company.

Holdings of financially related parties: CEO of Baugur Group hf., which holds 1,553.281,023 shares in FL Group partly through forward contracts.

Own holding of shares: 0

Þorsteinn M. Jónsson, (Born 1963) - Vice-Chairman of The Board

Business Address: Laufásvegi 73, 101 Reykjavík, Iceland.

Þorsteinn M. Jónsson is the acting chairman of beverage producer Vífilfell. He was born in 1963, graduated from the University of Iceland with a Cand. Oecon degree in Business Administration and then received an MA in Economics from Northwestern University in Illinois. He worked as a specialist in the Economics Department and later the International Department of the Central Bank of Iceland 1988-1994. Þorsteinn then went on to work as an economist at the Federation of Icelandic Industries 1994-1996. In 1996 he became President of Vífilfell hf. and later the acting chairman of the board.

Holdings of financially related parties: One-third owner, procurator and member of the Board of Directors of Materia Invest ehf., which holds 404,411,765 shares in FL Group. Procurator, one-third owner and member of the Board of Directors of Icon ehf., which holds 448,487,889 shares in FL Group.

Own holding of shares: 24,771,499 through forward contracts.

Skarphéðinn Berg Steinarsson (Born 1963) - Director

Business address: Baugur Group hf., Túngötu 6, 101 Reykjavík, Iceland.

Skarphéðinn Berg Steinarsson is the Chief Executive Officer of Stoðir Group. He was born in 1963, graduated with a Cand. Oecon. in Business Administration from the University of Iceland and completed an MBA at the University of Minnesota in 1990. He then attended Oklahoma State University 1990-1991. Skarphéðinn was Office Director in the Office of the Prime Minister 1998-2002, a department manager in the Ministry of Finance 1991-1998 and the secretary of the Privatisation Committee 1992-2002. Before he became Chief Executive Officer of Stoðir Group he was the Managing Director of Property & Investments at Baugur Group.

Holdings of financially related parties: Managing Director of Nordic Investments at Baugur Group hf., which holds 1,553,281,023 shares in FL Group partly through forward contracts.

Own holding of shares: 680,000.

Jón Kristjánsson, (Born 1965) - Director

Business Address: Sund ehf., Kringlunni 4-6, 103 Reykjavík, Iceland.

Jón Kristjánsson was born in 1965. He is, and has been since 1995, the Acting Chairman of the Board of Sund ehf. which is an investment company that Jón holds a part in. Jón Kristjánsson has been a member of the board of a number of companies.

Holdings of financially related parties: CEO of Sund ehf., which holds 398,964,457 shares in FL Group.

Own holding of shares: None.

Magnús Ármann, (Born 1974) - Director

Address: Laufásvegur 69, 101 Reykjavík, Iceland.

Magnús Ármann is a private investor. He was born in 1974 and has been involved in various investment and transformation projects in both Iceland and the UK, amongst them the acquisition of Karen Millen in 2000, Shoe Studio Group in 2003 and Rubicon Retail a year later. Magnús Ármann is a member of the board of a number of companies within both the finance and the media sector.

Holdings of financially related parties: One-third owner, procurator and chairman of the Board of Directors of Materia Invest ehf., which holds 404,411,765 shares in FL Group. One-third owner, procurator and chairman of the Board of Directors of Icon ehf., which holds 448,487,889 shares in FL Group.

Own holding of shares: None

Paul Richmond Davidson, (Born 1965) - Director

Business address: West Coast Capital, Marathon House, Olympic Business Park, Drybridge Road, Dundonald, Ayrshire, Scotland KA2 9AE.

Paul Richmond Davidson is a partner at West Coast Capital. He was born in 1965 and educated at Glasgow University where he got a LLB Hons 1st. He joined McGrigors as a trainee solicitor and remained as a solicitor at the company until 1994 when he was seconded to the oil and gas company JKX. Shortly after that, he became Legal Director of JKX on a full-time basis, becoming the company's Country Manager in the Ukraine in 1997. In 1999 Davidson returned to Scotland and rejoined McGrigors where he headed the corporate team of UK lawyers, Davidson joined West Coast Capital as the third partner in February 2006.

Holdings of financially related parties: Partner in West Coast Capital, which holds 138,462,601 shares in FL Group.

Own holding of shares: None.

Smári Sigurðsson, (Born 1947) - Director

Address: Sporðagrunnur 1, 104 Reykjavík, Iceland.

Smári Sigurðsson was born in 1947. He graduated with an M.Sc. in Entrepreneurial Studies from the University of Stirling, Scotland, and a B.Sc. in Business Management from the Technical University in Odense, Denmark. His professional experience has included being a part-time teacher and lecturer at the University of Akureyri and project manager and quality manager at the Technological Institute of Iceland. He previously worked as the Director of the Finance and Business Department of the Technological Institute of Iceland. Has been a part-time teacher of Entrepreneurial Studies at Reykjavík University.

Holdings of financially related parties: None. Smári Sigurðsson is the father of FL Group's CEO, Hannes Smáráson.

Own holding of shares: None.

Peter Mollerup, (Born 1973) - Alternative Director

Business address: Johan Schlüter law firm, Sundkrogsgade 9, DK-2100 Copenhagen, Denmark.

Peter Mollerup was born 1973. Peter is partner at the law firm Johan Schlüter and holds a Master's degree in Law from the University of Copenhagen and King's College London. In 1999 he received permission to practice law in Denmark, passing the Danish Bar examination in 2002. Peter has been a teacher at the University of Copenhagen and the University of Iceland. Since 1999 Peter has been an attorney at the law firms Gorrissen Federspiel Kierkegaard, Logos Legal Services and Johan Schlüter.

Holdings of financially related parties: None.

Own holding of shares: None.

Pórður Bogason, (Born 1963) - Alternative Director

Address: Ægissíðu 113, 107 Reykjavík.

Pórður Bogason is born 1963. Pórður graduated with a Cand. Jur. from the University of Iceland in 1989. He worked at the Secretariat of Althingi 1989-1992, The EFTA Secretariat in Brussels 1992-1995, Head of Committee department of the Secretariat of Althingi 1995-2000 and since then he has been acting as independent attorney at law and operates the Company Lögmenn Höfðabakki ehf. with Hreinn Loftsson, attorney at law.

Conflict of interest

It is the opinion of the Directors and key management that there are no conflicts of interest between individual members of the board of directors of FL Group, its managers, auditors and compliance personnel, on one hand, and the Company, on the other.

The business address of the board of directors, as well as senior management is FL Group hf., for the attention of the relevant person, Suðurlandsbraut 12, 108 Reykjavík, Iceland.

None of the members of the board of directors of FL Group hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or enforced liquidation in the previous five years.

In August 2002, an investigation started on the certain affairs of Baugur Group hf., Jón Ásgeir Jóhannesson is the Executive Chairman of Baugur Group hf. The investigation conducted by the National Commissioner of the Icelandic Police lead to the issue of an indictment of Jón Ásgeir

Jóhannesson in July 2005. In October 2005, the Supreme Court of Iceland dismissed the majority of the indictment and with a final judgement of the Supreme Court in January 2007, Jón Ásgeir was acquitted of all remaining charges. In April 2006 a new indictment was issued, based on the charges in the first indictment. With a judgement on 3 May 2007, nearly five years after the investigation began, 10 charges were dismissed, because they lacked the necessary legal substance and the indictment lacked clarity, Jón Ásgeir was acquitted for 7 charges but convicted for one for violation of Article 158 of the General Penal Code (Incorrect statement in a legally required document) and was sentenced for 3 months suspended sentence. Overall, of two indictments, containing a total of 59 charges, 43 have been dismissed, 12 have resulted in acquittal, and one has resulted in conviction. After a Supreme Court ruling on 1 June 2007, the dismissed charges were heard again before the District Court 13 June 2007. On 28 June 2007, Jón Ásgeir was acquitted of all the dismissed charges.

None of the other members of the board of FL Group hf. has in the last five years been convicted for any criminal act or been subjected to sanctions by statutory or regulatory authorities.

Furthermore, none of the directors of FL Group hf. has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Senior Management

The CEO is in charge of the day operations of the Company and represents the Company in all matters concerning normal operations. The CEO manages the accounts of the Company and hires its employees. The CEO provides the board of directors and auditors with all necessary information on the operations of the Company which they might request and should be granted according to statutory law. The Senior Management team, under the leadership of the CEO, Hannes Smárason, comprises five managing directors and two managers of offices in the UK and Denmark. All have significant management experience in their field of operations.

Hannes Smárason, Chief Executive Officer (CEO)

Business Address: FL Group hf., Suðurlandsbraut 12, 108 Reykjavík.

Hannes Smárason was born 1967. He joined FL Group as Chief Executive Officer on 19 October 2005. Previously, he was the chairman of the Board of Directors of FL Group from 11 March 2004 to 19 October 2005. Prior to joining FL Group, Hannes was Executive Vice President and Senior Business Officer of deCode Genetics Inc. Hannes worked with McKinsey & Co. in Boston from 1992 until December 1996 as a consultant. He received his B.Sc. in Mechanical Engineering and Management from the Massachusetts Institute of Technology and his MBA from the Massachusetts Institute of Technology Sloan School of Management.

Holdings of financially related parties: Hannes Smárason is the beneficial owner of Oddaflug eignarhaldsfélag ehf. which subsequently holds all shares in Oddaflug B.V. and, on the basis of this, is the largest shareholder in FL Group with 1,570,358,566 (19.77% of the Issuer's share capital).

Own holding of shares: None

Jón Sigurðsson, Deputy CEO

Business Address: FL Group, Suðurlandsbraut 12, 108 Reykjavík.

Jón Sigurdsson was born 1978. He joined FL Group as managing director on 20 September 2005. He has relevant investment and private equity experience from his earlier work at Landsbanki Íslands hf. – Corporate Finance department and Búnaðarbanki Íslands hf. (now Kaupthing Bank hf.) – Corporate Finance department. He received his B.Sc. in Business Administration from Reykjavík University.

Holdings of financially related parties: None.

Own holding of shares: None.

Adam Shaw, Managing Director of UK Operations

Business Address: FL Group UK Ltd., 42 Berkeley Square, London W1J 5AW.

Adam Shaw is born 1969. Adam was the UK head of M&A for Kaupthing Bank prior to joining FL Group and prior to that a director of M&A at Enskilda Securities. His experience in the Nordic Region therefore complements our current activities, whilst his UK knowledge will allow FL Group to capitalise on the significant number of opportunities that exist in that market.

Holdings of financially related parties: None

Own holding of shares: None.

Benedikt Gíslason, Managing Director of Capital Markets

Business Address: FL Group, Suðurlandsbraut 12, 108 Reykjavík.

Benedikt Gíslason was born 1974. Benedikt will join FL Group later in 2007. Prior to joining FL Group he was Managing Director of Proprietary Trading at Straumur-Burðarás Investment Bank. Other previous occupations include working in capital markets for the Icelandic Investment Bank (FBA) and Islandsbanki. Benedikt holds a CSc in engineering from the University of Iceland and is a certified stock broker.

Holdings of financially related parties: None.

Own holding of shares: None.

Martin Niclasen, Managing Director of Nordic Operations

Business Address: FL Group Denmark, Dampfærgevej 8, 1. th, 2100 København Ø.

Martin Niclasen is born 1970. Martin has extensive experience in corporate finance and M&A activity in the Nordic region. Previously he headed the investment banking activities of FIH Erhvervsbank and Kaupping in Denmark. Educated at Copenhagen Business School, he worked with KPMG Corporate Finance and Carnegie before joining Kaupthing and later FIH.

Holdings of financially related parties: None

Own holding of shares: None.

Sveinbjörn Indriðason, Chief Financial Officer (CFO)

Business Address: FL Group hf., Suðurlandsbraut 12, 108 Reykjavík.

Sveinbjörn Indriðason was born 1972. He has been responsible for finance and administration since 3 May 2005. He joined FL Group in 1999 in the Risk Management Department and served as a director from 2000. Before that he worked for Fjárfestingabanki Atvinnulífsins – FBA hf. (now Glitnir Banki hf.).

Holdings of financially related parties: None.

Own holding of shares: 15,500.

Þorsteinn Örn Guðmundsson, Managing Director of Operation Management

Business Address: FL Group, Suðurlandsbraut 12, 108 Reykjavík.

Þorsteinn Örn Guðmundsson was born 1966. He was appointed managing director in February 2006. Þorsteinn Örn became President and CEO of FL Travel Group after FL Group fundamental organisational changes on 19 October 2005. He joined FL Group in September 2004 as Director of Corporate Strategy and was appointed Senior Vice President of Corporate Strategy & Business Development at FL Group on 10 August 2005. Previously he worked as a management consultant at McKinsey & Co. in Scandinavia and Singapore between 1999 and 2004. He received his M.Sc. degree in Civil Engineering from the Technical University of Denmark in 1999.

Holdings of financially related parties: None.

Own holding of shares: 5,000.

Örvar Kærnedsted, Managing Director of Private Equity and Strategic Investments

Business Address: FL Group UK Ltd., 42 Berkeley Square, London W1J 5AW.

Örvar Kærnedsted was born 1976. Örvar was appointed a managing director in December 2006. Previously he worked as the deputy head of Investment Banking for Kaupthing bank hf. He received his BSc in Business Administration from the University of Iceland in 1999.

Holdings of financially related parties: 5,000 shares.

Own holding of shares: None.

Conflict of interest

There are no family relationships between any of the Directors, or between any of the members of the Senior Management. The only family relationship between members of the Board of Directors and the members of the Senior Management is between Smári Sigurðsson and his son Hannes Smáráson.

Hannes Smáráson has not, in the last five years, nor anyone in the management team, been the subject to any official incrimination and/or sanctions by statutory or regulatory authorities and has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

Auditors

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of FL Group hf. for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation, and has access to all the Company's books and documents for this purpose. Auditors are not elected from among the members of the board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

The chartered accountant and registered auditor of FL Group hf. is Sæmundur Valdimarsson, national ID no. 070263-4409 and Jón Sigurður Helgason, national ID no.050269-3619, of KPMG Endurskodun hf., national ID no. 590975-0449 Borgartúni 27, Reykjavík, Iceland.

Compliance officer

The compliance officer of FL Group and his deputy are appointed by the Company's Board of Directors. The compliance officer's function is to monitor adherence to the Company's internal rules. He also sees to it that the duty of information vis-à-vis the OMX Nordic Exchange Iceland and rules on the handling of insider information and insider transactions are followed up. The current compliance officer is Gretar Hannesson, Senior Counsel, and his alternate is Bernhard Bogason, Legal Director.

Rules on the handling of insider information and insider trading

FL Group has set internal rules on the handling of insider information and insider trading to supplement the rules of the Icelandic Financial Supervisory Authority (FME). The purpose of the internal rules is to ensure that handling of insider information and insider trading conforms to applicable legislation and regulatory provisions at all times.

Compliance with corporate governance guidelines

FL Group complies with the Corporate Governance guidelines implemented by the OMX Nordic Exchange Reykjavík, the Icelandic Chamber of Commerce and the Confederation of Icelandic Employers.

i. Employees

As of the date of this Registration Document the total number of employees at FL Group hf. and its subsidiaries was 36. At the end of December 2006 the total number of employees at FL Group hf. and its subsidiaries was 27. The majority of the employees of FL Group hf. are based at its headquarters in Iceland, Suðurlandsbraut 12, Reykjavík. At the end of December 2005 the total number of employees at FL Group and its subsidiaries was around 3,600, thereof 8 employees coming from the parent company and the rest from the operating subsidiaries.

j. Major Shareholders

As of the date of this Registration Document there were 4,667 shareholders in FL Group hf. The fifteen largest shareholders owned a total of 87.1% of the Company's total issued share capital.

List of major shareholders

Gnúpur fjárfestingafélag was the largest shareholder in FL Group at the date of issue of this Registration Document with stake of 20.2%. Oddaflug BV, a company owned by FL Group's CEO Hannes Smárason, was the second largest shareholder in FL Group at the date of issue of this Registration Document with a stake of 19.8%. Other large shareholders include Baugur Group, Icon and Materia. The table below lists the largest beneficial shareholders in FL Group as of the date of this Registration Document. The list has been adjusted for known forward

contracts by some of the largest shareholders to give a clearer picture of the shareholder base. The major shareholders and their holdings are listed in the Table below.

Shareholder	%
Gnúpur fjárfestingafélag	20.2%
Oddaflug BV	19.8%
Baugur Group	19.4%
Icon ehf	5.6%
Materia Invest ehf	5.1%
Sund ehf	5.0%
FL Group	2.2%
LI-Hedge	2.1%
Glitnir banki hf.	1.9%
Fasteignafélagið Stoðir hf.	1.4%
Gildi - lífeyrissjóður	1.2%
Lífeyrissjóður Bankastræti 7	1.2%
Lífeyrissjóður verslunarmanna	1.1%
Hagar hf.	0.9%
GLB Hedge	0.8%

Gnúpur fjárfestingafélag is an investment company beneficially held by Kristinn Björnsson, former Director in the Board of Directors of FL Group and Magnús Kristinsson, former Deputy Director in the Board of Directors of FL Group.

Oddaflug B.V. is an investment company beneficially owned by FL Group's CEO, Hannes Smáráson.

Baugur Group hf. is an international investment company which focuses on investments in the services, retail and real estate sectors. The majority of its investments are located in the UK, Denmark and Iceland. Baugur Group hf. is headed by Jón Ásgeir Jóhannesson, Chairman of the board of FL Group, which is also a large shareholder in Baugur Group hf.

Icon ehf. and Materia Invest ehf. are holding companies owned by Þorsteinn M. Jónsson, Vice-Chairman of the Board of Directors of FL Group, Magnús Ármann, Director in the Board of Directors of FL Group and Kevin Stanford.

Sund ehf. is an investment and holding company partly owned by Jón Kristjánsson Director in the Board of Directors of FL Group which is also the Chairman of the Board of Directors in Sund ehf.

Minority interests are safeguarded by the provisions of Act No. 2/1995, on limited liability companies and the Company's Articles of Association.

k. Related Party Transactions.

The Directors and management of FL Group hf. declare that the company has not entered into any transactions with its subsidiaries, shareholders, employees or related parties by other means than on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

Overview of transactions that involve shareholders that hold more than 10% of the shares in FL Group hf.

1. Transactions with Oddaflug B.V. / Oddaflug ehf./ Fjárfestingafélagið Primus ehf. (Owned by Hannes Smáráson)

On March 27, 2007, FL Group hf., Baugur Group hf., Saxbygg ehf. and Fjárfestingafélagið Primus ehf., purchased all the shares in Eikarhald ehf. from a third party. FL Group holds 49% of the shares of Eikarhald ehf. and Fjárfestingafélagið Primus ehf. holds 10.15%. Eikarhald ehf. is a holding company for shares in Eik Fasteignafélag hf. No other transactions have taken place between the parties.

2. Transactions with Baugur Group hf.

On March 27, 2007, FL Group, Baugur Group hf., Saxbygg ehf. and Fjárfestingafélagið Primus ehf., purchased all the shares in Eikarhald ehf. from a third party. Eikarhald ehf. is a holding company for shares in Eik Fasteignafélag hf. Baugur Group hf. holds 22.7% of the shares in Eikarhald ehf. and FL Group hf. 49% of the shares.

FL Group hf. and Jötunn Holding ehf., which Baugur Group hf. holds 30% of, have entered into a shareholders agreement in relation to shares in Glitnir Banki hf. which FL Group holds 19.97% of but Jötunn Holding ehf. 6.85%. It has been announced that the parties will apply for approval from The Financial Supervisory Authority to hold jointly 39.9% of the shares in Glitnir banki hf.

FL Group hf. holds 13.9% in Highland Acquisitions Ltd. a parent of House of Fraser, Baugur Group hf. is also a shareholder of Highland Acquisitions Ltd.

3. Gnúpur fjárfestingafélag hf.

No transactions have taken place between FL Group hf. and Gnúpur fjárfestingafélag hf.

4. Materia Invest ehf. and Icon ehf.

No transactions have taken place between FL Group hf. on one hand and Materia Invest ehf. and Icon ehf. on the other.

Certain transactions have been concluded between FL Group hf. and its subsidiaries and holding companies which all have taken place on arm's length terms.

As described in the Company's annual account for year 2006, dated 1 February 2007, it is still bound to certain guarantees provided in favour of Sterling's creditors. FL Group hf. is also still bound to certain guarantees in favour of Icelandair Group hf. while transfer of obligation take place and in relation to certain aircraft financing, pre-delivery payments and lease payments.

I. No material adverse change.

The Issuer submits that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial information, i.e. the annual account of FL Group hf. for the operating years 2005 and 2006,

The Issuer also submits that there has not been any significant change in the financial and trading position of its group since the date of 1st quarter of 2007 reviewed without remarks by KPMG Endurskodun hf.

9. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Operations

The financial statements contain the consolidated accounts of FL Group hf. and its subsidiaries. The Company's primary activity is investment activity in listed and unlisted shares

Operating profits for the year 2005 amounted to ISK 17,251 million. Total assets of FL Group and its subsidiaries in the end of 2005 amounted to ISK 132,618 million the equity at year end 2005 was ISK 74,443 million. In October 2005 FL Group announced organizational changes where investment activity was made the prime focus and the airline and tourist service operations were separated from the investment activity. At the same time Sterling Airlines A/S, a Danish low cost carrier was acquired and became a subsidiary of FL Group. Sterling then discontinued to be a subsidiary in December 2006.

Operating profits for the year 2006 amounted to ISK 44,559 million. Total assets of FL Group hf. and its subsidiaries in the end of 2006 amounted to ISK 262,871 million and increased by ISK 130,253 million from previous year. Equity at year end 2006 was ISK 142,676 million compared to 74,443 million at year end 2005. In the year 2006 FL Group increased its investment activity substantially, mainly in listed shares, but also by investing minority stakes in unlisted shares. In October FL Group sold all its shares in Icelandair Group and in December it sold all its shares in Sterling Airlines A/S so these companies discontinued being a part of the FL Group consolidated accounts.

Operating profits for the first three months of the year 2007 amounted to ISK. 15,084 million after tax. Total assets of FL Group hf. and its subsidiaries in the end of March 2007 amounted to ISK 302,758 million and increased by ISK 39,887 million from the end of 2006. Equity at the end of March 2007 was ISK141,802 million compared to 142,676 million at year end 2006. At the annual general meeting in February the shareholders decided that FL Group would pay equal to 193% of issued share capital in dividend for the year 2006 or ISK 15 billion, which then ceased to be a part of the equity and was transferred to liabilities in the quarter. In the first quarter of 2007 FL Group sold all its shares in Kynniserðir for a net profit of ISK 486 million, and after the sale FL Group does not own any operational subsidiaries.

Key Figures - Group			
(All amounts in ISK millions)			
Profit & Loss Account	Q1 2007	2006	2005
Investment Income	15,579	43,168	22,195
Operating expenses	-883	-2,770	-1,652
Pre-tax profit	14,696	40,398	20,543
Income tax	388	2,631	-3,292
Profit from discontinued operation	0	1,531	0
Total profit for the period	15,084	44,559	17,251
Balance sheet			
Cash and cash equivalents	30,994	47,022	10,350
Securities	217,602	181,161	69,138
Derivatives	20,833	4,309	6,342
Restricted cash	12,575	9,572	0
Loans, trade and other receivables	20,290	19,478	7,222
Other assets	464	1,329	
Total assets	302,758	262,871	132,618
Share capital	7,763	7,763	5,802
Other equity	134,039	134,903	68,630
Total Equity	141,802	142,666	74,432
Borrowings	129,423	104,955	39,668
Derivatives	11,147	7,021	277
Trade and other payables	4,111	5,908	10,895
Other	16,275	2,311	7,335
Total liabilities	160,956	120,195	58,175
Equity ratio	47%	54%	56%
ROE	42%	43%	55%
EPS	1.90	6.65	5.90

In the year 2006 79% of the operating income came from Iceland and 21% from abroad. It should however be noted that large part of the operating income originated in Iceland came from investments in Icelandic companies with more than half of its revenues originated out of Iceland.