



## FL Group reports net loss of ISK 4 billion in the first nine months

- Short term impact on performance due to market turmoil -  
- Financial position and fundamentals remain strong -

**Reykjavik, Iceland 2 November 2007** - FL Group (OMX: FL), the international investment company, today announces its results for the third quarter ending 30 September 2007.

### Financial highlights

- Net loss after tax of ISK 4.0 billion (EUR 45.6 million) in nine months and ISK 27.1 billion (EUR -307.9 million) in 3Q reflecting mark to market adjustments due to global market turmoil.
- Total assets increased to ISK 369.4 billion at the end of 3Q from ISK 262.9 billion at the end of 2006, representing 40.5% increase during the first nine months.
- Total shareholders' equity was ISK 149.2 billion at the end of the quarter, an increase of ISK 6.5 billion from end of 2006. In October FL Group issued additional equity of ISK 7.9 billion in relation to its acquisition of shares in TM, bringing pro forma shareholders' equity to ISK 157.1 billion.
- Financial position and liquidity remains strong, equity ratio of 40.4% and cash position of ISK 29.5 billion.
- Conservative revaluation of unlisted assets contributing, ISK 3.0 billion.
- Increase in operating expenses driven by expanded operations and close to ISK 1 billion in non-recurring expenses (e.g. employee terminations) and non-cash charges (e.g. intrinsic value of stock options).

### Operational highlights

- Business model re-formed into three reporting units driving increased focus on revenue generation: FIG, Private Equity and Capital Markets.
- Board of AMR (parent company of American Airlines) urged to consider spinning off its frequent flyer unit.
- Acquisition of 83.7% stake in TM, an Icelandic insurance company, in 3Q, additional shares bought in October brings the current holding to 97.9%. The Company will be consolidated into Group's accounts in 4Q 2007.
- Geysir Green Energy announced its intention to merge with Reykjavik Energy Invest.
- Preliminary approach was made to Inspired Gaming in the UK, to acquire the company.

### Key figures

| ISK billion              | 9M 2007 | 9M 2006 | 3Q 2007 | 3Q 2006 |
|--------------------------|---------|---------|---------|---------|
| Investment income        | -6,1    | 10,3    | -30,8   | 1,2     |
| Operating expenses       | -3,1    | -1,7    | -1,2    | -0,7    |
| Profit before taxes      | -9,2    | 8,6     | -32,0   | 0,5     |
| Net profit               | -4,0    | 11,0    | -27,1   | 5,3     |
| Earnings per share (ISK) | -0,5    | 1,7     | -3,6    | 0,7     |
| Total assets             | 369,4   | 262,9   | 369,4   | 262,9   |

### FL Group's Chief Executive Officer, Hannes Smarason, commented:

"The third quarter of 2007 was a period of exceptional turbulence in financial markets and many of our key investments were challenged. As we mark all assets to market, fluctuations are directly reflected in our income statement. However, the fundamentals of our business remains strong and we have seen good earnings from our portfolio companies, both listed and unlisted, in recent quarters. We continue to diversify our portfolio and the strategic acquisition an Icelandic insurance company in the quarter underpins our strategy.

We are well positioned to exercise quick decision-making, strategic flexibility and hands-on investment approach to drive long term value creation."

## Financial developments - 3Q and 9M 2007

FL Group revenues are generated from three business units: Financial Institutional Group ("FIG"), Private Equity and Capital Markets. FIG is a special investment function responsible for strategic investments in banking, insurance and other financials. Private Equity oversees FL Group's private equity holdings in addition to some listed positions that fit specific investment criteria. The Company's Capital Markets function oversees investments in listed securities as well as derivatives and other alternative trading for hedging or investment purposes. The division also handles stake building and stake disposal on behalf of FL Group's FIG and Private Equity divisions.

### Earnings

After tax net loss in the quarter was ISK -27.1 billion (3Q 2006: ISK 5.3 billion profit) and ISK 4.0 billion loss in the first nine months (9M 2006: ISK 11.0 billion profit). This performance is driven by mark to market adjustments of the underlying assets of the Group.

### Investment income

Net income from securities and derivatives in third quarter amounts to a loss of ISK 23.7 billion (Q3 2006: 4.4 billion profit). That derives from gains on the sale of shares of ISK -3.1 billion, change in the fair value of securities of ISK -1.6 billion and change in fair value of derivatives of ISK -18.9 billion. For the first nine months the net income from securities and derivatives amounts to loss of ISK 3.5 billion (9M 2006: 12.8 billion profit).

Interest income in 3Q accounts for ISK 973 million revenue and for first 9M ISK 2.944 million (3Q 2006: ISK 211 million and 9M 2006: ISK 526 million).

Interest expenses increased from ISK 3.3 billion in 9M 2006 to ISK 11.3 billion in 9M 2007 (3Q 2007: ISK 5.0 billion and 3Q 2006: ISK 1.7 billion). The increase in interest expenses can be contributed to the fast growing investment portfolio and related funding.

### Operating expenses

Operating expenses in the third quarter were ISK 1,193 million (3Q 2006: ISK 695 million from investment operation) and ISK 3,098 million for the first nine months (9M 2006: ISK 1,703 million). During 2007, the Group continued to expand its headcount, re-located offices, and increased project activity significantly. This has inevitably increased the Group's salary expenses and administration costs. A significant part of the increase in operating costs is also driven by one time events (employee terminations, pension agreements etc.) to the tune of ISK 510 million and non-cash charges of ISK 485 million (primarily due to intrinsic value of stock options).

### Investment income

| ISK million  | 3Q 07          | 2Q 07        | 1Q 07         | 4Q 06         | 3Q 06        |
|--|----------------|--------------|---------------|---------------|--------------|
| Net income (loss) from securities and derivatives              | -23,651        | 7,658        | 12,472        | 11,047        | 4,409        |
| Interest income  | 973            | 473          | 1,498         | -85           | 211          |
| Interest expenses  | -4,972         | -3,263       | -3,017        | -503          | -1,655       |
| Net foreign exchange gain                                      | -3,121         | 4,208        | 4,627         | -3,121        | -1,754       |
|  | -30,771        | 9,076        | 15,580        | 7,338         | 1,211        |
| Operating expenses   | 1,193          | 1,022        | 884           | 1,067         | 695          |
| <b>Profit (loss) before income tax</b>                         | <b>-31,964</b> | <b>8,054</b> | <b>14,696</b> | <b>6,271</b>  | <b>516</b>   |
| Income tax (expenses)  | 4,817          | -12          | 388           | 2,970         | 1,101        |
| Profit (loss) from discontinued operations (net of income tax) | 0              | 0            | 0             | 24,353        | 3,640        |
| <b>Profit (loss) for the period</b>                            | <b>-27,147</b> | <b>8,042</b> | <b>15,084</b> | <b>33,581</b> | <b>5,257</b> |

### Assets

The Group's total assets on 30 September 2007 amounted to ISK 369.4 billion, increasing by 40.5% from the beginning of the year. The solid cash position of ISK 29.5 billion at the end of the quarter demonstrates the Group's ability to maintain liquidity in market turmoil. In addition there is restricted cash position of ISK 27.0 billion, which represents collateral positions against funding of listed shares.

Investments are now divided into three categories, which are listed securities (ISK 380.9 billion), unlisted securities (ISK 31.8 billion) and related loans to these investments (ISK 16.6 billion). Holdings in listed shares amount to ISK 373.2 billion, which represent 86.9% of the total investment portfolio. The five largest listed investments are Glitnir Bank, Commerzbank, Tryggingamidstodin ("TM"), AMR and Finnair. The value of the five largest holdings is ISK 301.2 billion at the end of September, which represents 70.2% of the total investment portfolio.

TM will be consolidated into the Group's accounts as of 1 October 2007.

### Listed portfolio

| ISK billions       | Sector                | Value   | Holding | Value   | Holding | Δ in share price 3Q |
|--------------------|-----------------------|---------|---------|---------|---------|---------------------|
|                    |                       | 9M 2007 | 9M 2007 | 1H 2007 | 1H 2007 |                     |
| Glitnir bank       | Financial Institution | 135.4   | 32.0%   | 137.7   | 32.0%   | -1.7%               |
| Commerzbank        | Financial Institution | 69.7    | 4.3%    | 63.8    | 3.2%    | -20.0%              |
| Tryggingamidstodin | Insurance             | 42.9    | 83.7%   | 0*      | 0.0%    | 19.6%               |
| AMR Corporation    | Aviation              | 31.2    | 9.1%    | 33.7    | 8.3%    | -15.4%              |
| Finnair Oyj        | Aviation              | 22.1    | 24.2%   | 23.0    | 23.4%   | -11.0%              |

\* FL Group owned 45% in Kjarrhólmi which held a 37.6% stake in TM in 1H

The portfolio of unlisted companies consists of 10 different companies operating in various locations in Europe. The portfolio was valued at the end of 30 September 2007 at ISK 31.8 billion, in addition to ISK 16.6 billion loans, representing approximately 11.3% of the Group's share portfolio. FL Group undertook a conservative re-valuation test on its portfolio of unlisted assets, which resulted in net positive re-valuation of the unlisted portfolio of ISK 3.0 billion. The value of the company's investment in Geysir Green Energy was valued in accordance with recent trades in shares in the company and the investment in Unity was decreased in value in accordance with the performance of Unity's share portfolio. Finally, the valuation of the investments in House of Fraiser and Refresco was increased due to positive operating developments. However the management of FL Group took a conservative approach in its valuation in the light of global market pressure, with a net impact of ISK 3.0 billion from all of the above adjustments.

Derivatives on the asset side of ISK 19.2 billion represent profitable derivatives contracts as of 30 September 2007. However, derivatives under liabilities in the amount of ISK 9.4 billion account for derivative contracts with negative value at the same date. Net fair value on the derivative portfolio is therefore positive in the amount of ISK 9.8 billion.

Overview of FL Group's investment portfolio can be seen in the Notes to editors in the end of this press release.

### Liabilities and equity

Liabilities totalled ISK 220.3 billion as of 30 September 2007 and increased by ISK 100.1 billion or 83.2% from the beginning of the year. The growth in liabilities follows the Group's rapidly expanding investment portfolio. From year end 2006, the Group has engaged in new investments for net ISK 143.3 billion, which explains the increase from the beginning of the year.

Shareholders' equity was ISK 149.2 billion as of 30 September, an increase of ISK 6.5 billion compared to the end of last year. In the first nine months FL Group increased its share capital by ISK 23.7 billion (973.7 million common shares, sold at ISK 24.3 per share) in relation to the acquisition of shares in the insurance company Tryggingamidstodin in September 2007. In the end of the period, the Group's equity ratio was 40.4%, exceeding the company's target of a minimum 35% equity ratio. In October the shareholders' equity was increased by additional ISK 7.9 billion (326.1 million common shares, sold at ISK 24.3 per share) in relation to the TM acquisition which results in pro forma shareholders' equity of ISK 157.1 billion.

With a net loss for the first nine months of 2007, the return on equity was a negative 3.7% on annualized basis, compared to positive return on equity of 16.9% in the first nine months 2006.

### Financing and liquidity

In the first nine months the Group completed several financing transactions amounting to ISK 170 billion and the geographical diversification shows that 6.1% of the funding is now outside of Iceland. In 3Q, the Group issued a two year bond for ISK 17.0 billion and the focus has gradually been shifting from margin type of debt to unsecured bond issuance and borrowing on a corporate level.

The maturity profile of the debt portfolio is currently reflecting the liquidity of the investment portfolio and if the maturity profile is put into context with the cash positions and liquid listed assets excluding Glitnir, they cover all debt maturities for the next 23 months.

### Reporting notes and auditing

Financial statements are reported in Icelandic currency ("ISK"). All of the company's listed holdings are reported at market value, which results in market fluctuations having direct effect on the Group's income statement. Alternative reporting method for some of our strategic holdings is the equity method, where investment income equals a share of net profit proportional to the size of the equity investment. Going forward, management will

evaluate if some of its assets will be reported using the equity method. The portfolio of the company's unlisted assets is on a regular basis re-valued to fair market value in accordance with IFRS.

As of 1 October 2007, the insurance company TM is expected to be consolidated into FL Group's accounts. This follows FL Group's acquisition of 83.7% of TM's share capital at end of September 2007 and its intentions to acquire the remaining shares. On 30 October, the Company had 97.9% ownership in TM and is waiting for an approval from the Icelandic Financial Supervisory Authority, before the acquisition can be completed.

The Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounts have been reviewed by the Group's auditors, KPMG.

## **New deals and business development**

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The first nine months of 2007 were characterised by continued private equity activity, active portfolio management and stake-building in our existing investments. FL Group's distinct investment approach is flexible and opportunistic, characterised by quick decision-making and seamless execution. The fact that FL Group invests funds from its own balance sheet gives the Company significant freedom in its investment selection.

FL Group remains an active investor as it seeks to work constructively with the management of portfolio companies and help them realise their vision. However, when the management fails to engage in a dialogue, FL Group approaches the Board and other stakeholders if it believes this is in the best interests of the company.

In the first nine months of 2007, the Group has diversified further its private equity investment portfolio, making substantial investments in the property and energy sectors. FL Group's private equity portfolio currently comprises of six sectors: airlines, retail, beverage, travel and leisure, energy and property. Through its FIG division, FL Group holds significant strategic stakes in the banking and insurance sectors. By continuously diversifying its investment portfolio, FL Group is reducing the risk and cyclicity of its business, making it less vulnerable to market downturns.

The first nine months of 2007 were characterised by the following key developments:

- Acquisition of 83.7% stake (97.9% as of 30 October 2007) in TM, an Icelandic insurance company. Offer to purchase the remaining shares and consolidate the Company into the Group and issue new share capital in the amount of ISK 31.6 billion to pay for the acquisition, of which ISK 7.9 billion was issued in October 2007.
- Stakes in AMR (parent company of American Airlines) and Commerzbank increased to 9.1% and 4.3% respectively, as FL Group's management believes they are undervalued and strong value potential is to be unlocked.
- Board of AMR, parent company of American Airlines was urged to consider spinning off the frequent flyer unit AAdvantage, a move likely to release USD 4 billion in shareholder value.
- Geysir Green Energy founded in January. In October it announced its intention to merge with Reykjavik Energy Invest to create a ISK 65 billion (EUR 737 million) leading company in geothermal energy.
- Successful execution of "buy and build" strategy at Refresco. As a result, Refresco doubled in size in twelve months following FL Group's acquisition of a 49% stake.
- An approach made to Inspired Gaming Group, the leading provider of analogue and open server-based gaming machines in the UK, regarding a possible offer
- Strategic partnership with the property developer Bayrock Group resulted in several successful development projects in the US.

## **Management outlook**

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We are confident that our investment portfolio continues to offer excellent opportunities for future growth. The progress that we have made in investing in a broader range of businesses, both in terms of sector and geography, has helped to reduce our risk profile. Our strategy to seek investment opportunities where we believe there is significant value to be unlocked is demonstrated through our increased stake in AMR and Commerzbank. We are also encouraged by the strong financial results from our portfolio companies this year, which underline the value potential of these assets. Other areas of our portfolio, including the retail, energy and real estate, have already generated good returns and we are confident that this upward trend will continue.

While markets have continued to be volatile, we are seeing some positive signs of recovery and some stability returning to areas that have seen significant decline in recent months. We are confident that the high quality and increased diversification of our portfolio, combined with our financial strength, will ensure further growth in the next quarters enabling us to meet our targets.

We also have a number of deals in the pipeline which we expect to be completed in the near future. These will present an excellent strategic fit with the Group and provide a strong platform for further growth and value creation.

## **Presentation of financial results**

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An open meeting for investors, analysts and shareholders will be held at the Idusalur, Reykjavik, Iceland, at 08:30 GMT on 2 November 2007. Hannes Smáráson, CEO of FL Group will present the company's financial results and answer questions.

The presentation will be webcast in real time. A link to the webcast stream, press release and the analyst presentation will be posted on the Company's website, [www.flgroup.is](http://www.flgroup.is), prior to the meeting.

### **Investor and media enquires**

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### **Financial calendar**

Fourth quarter 2007 results 28 January - 1 February 2008

### **About FL Group**

FL Group is an international investment company focusing on three areas of investment, FIG, Private Equity and Capital Markets. FIG is a special investment function responsible for strategic investments in banking, insurance and other financials. Private Equity oversees FL Group's private equity holdings in addition to some listed positions that fit specific investment criteria. The company's Capital Markets function oversees investments in listed securities as well as derivatives and other alternative trading for hedging or investment purposes.

With head office in Reykjavik and offices in London and Copenhagen, FL Group invests in companies worldwide. The Company is listed on the OMX Nordic Exchange in Reykjavik, Iceland (OMX: FL), with over 4,000 shareholders.

More information on [www.flgroup.is](http://www.flgroup.is)

**CONSOLIDATED INCOME STATEMENT**

| <b>Investment Income (ISK billion)</b>                         | <b>2007</b>       | <b>2006</b>      | <b>Change</b>  |
|--|-------------------|------------------|----------------|
|  | <b>Jan - Sept</b> | <b>Jan- Sept</b> |                |
| Net income (loss) from securities and derivatives              | -3.5              | 12.8             | -127.5%        |
| Interest income  | 2.9               | 0.5              | 459.7%         |
| Interest expenses  | -11.3             | -3.3             | 241.9%         |
| Net foreign exchange gain                                      | 5.7               | 0.3              | 1947.7%        |
| Other operating expenses                                       | 3.1               | 1.7              | 81.9%          |
| <b>Profit (loss) before income tax</b>                         | <b>-9.2</b>       | <b>8.6</b>       | <b>-206.9%</b> |
| Income tax (expenses)  | 5.2               | 0.0              |                |
| Profit (loss) from discontinued operations (net of income tax) | 0.0               | 2.4              |                |
| <b>Profit (loss) for the period</b>                            | <b>-4.0</b>       | <b>11.0</b>      | <b>-136.6%</b> |

| <b>Balance sheet (ISK billion)</b> | <b>30/09/2007</b> | <b>31/12/2006</b> | <b>Change</b> |
|------------------------------------|-------------------|-------------------|---------------|
| <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%        |
| Assets classified as held for sale | 0.0               | 0.9               |               |
| Loans in relation to investments   | 16.6              | 12.5              | 33.2%         |
| Loan, trade and other receivables  | 5.7               | 7.0               | -18.1%        |
| Operating assets                   | 0.8               | 0.4               | 95.3%         |
| Tax assets                         | 4.4               |                   |               |
| <b>Total assets</b>                | <b>369.4</b>      | <b>262.9</b>      | <b>40.5%</b>  |

| <b>Equity (ISK billion)</b> | <b>30/09/2007</b> | <b>31/12/2006</b> | <b>Change</b> |
|-----------------------------|-------------------|-------------------|---------------|
| Share capital               | 8.8               | 7.8               | 13.7%         |
| Share premium               | 94.6              | 70.5              | 34.1%         |
| Other reserves              | 1.4               | 0.9               | 45.9%         |
| Retained earnings           | 44.4              | 63.4              | -30.0%        |
| <b>Total equity</b>         | <b>149.2</b>      | <b>142.7</b>      | <b>4.6%</b>   |

| <b>Liabilities (ISK billion)</b>        | <b>30/09/2007</b> | <b>31/12/2006</b> | <b>Change</b> |
|---|-------------------|-------------------|---------------|
| Derivatives                             | 9.4               | 7.0               | 34.5%         |
| Trade and other payables                | 9.7               | 5.9               | 64.6%         |
| Current income tax liability            | 0.8               | 0.8               | 0.0%          |
| Interest - bearing loans and borrowings | 200.3             | 105.0             | 90.8%         |
| Deferred income tax liability           | 0.0               | 0.9               | -99.4%        |
| Liabilities classified as held for sale | 0.0               | 0.6               |               |
| <b>Total liabilities</b>                | <b>220.3</b>      | <b>120.2</b>      | <b>83.2%</b>  |

## Notes to editors - FL Group's key investments (As of 31 October 2007)

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### **Glitnir Bank (31.97% holding)**

[www.glitnirbank.com](http://www.glitnirbank.com)

Glitnir Bank is a leading Nordic bank offering comprehensive banking services, including retail banking, investment banking, brokerage and asset management. Glitnir is traded on OMX Iceland and its ticker is GLB. Its total assets amounted to ISK 2,766 billion (EUR 26.6 billion) at the end of third quarter 2007. Glitnir had a market capitalisation of ISK 423 billion (EUR 4.8 billion) at the end of third quarter 2007.

FL Group started investing in Glitnir in 2005 and has been continuously adding to its stake. Glitnir's share price rose by 86% during this period. FL Group has three representatives on Glitnir's seven-member Board.

### **Commerzbank (4.3% holding)**

[www.commerzbank.com](http://www.commerzbank.com)

Commerzbank is the second largest bank in Germany<sup>1</sup> with a network of some 800 branches and 5 million retail customers. Commerzbank has strong operations in Germany, as well as direct presence in more than 40 countries worldwide. Commerzbank recorded a profit of EUR 1,377 million during the first six months of 2007, which equals ROE of 22.1%. Commerzbank had a market capitalisation of EUR 18.7 billion at end of third quarter 2007.

After successful restructuring over the last few years, Commerzbank's financial performance is solid. Commerzbank is in fact one of the few in the global banking sector who has maintained its initial FY 07 ROE guidance of 12%.

### **AMR Corporation (9.1% holding)**

[www.aa.com](http://www.aa.com)

AMR is the parent company of American Airlines, the world's largest airline, and American Eagle Airlines. The company is listed on the New York Stock Exchange (NYSE) with a market cap of USD 6.1bn. On October 17<sup>th</sup> AMR announced a third quarter profit of USD 175m.

FL Group is the second largest shareholder in AMR. In September FL Group urged the Board of AMR to consider a number of strategic alternatives to enhance shareholder value in an open letter. Specific focus was drawn to the possibility of unbundling AMR's assets. FL Group's analysis suggests a value upside of USD 4 billion from unbundling AAdvantage, the frequent flyer unit.

At the third quarter earnings conference call, October 17<sup>th</sup>, AMR's management stated an interest in exploring opportunities to unlock shareholder value, hereunder unbundling business units. The company is now evaluating potential divestments of business units and FL Group will continue the dialog with management to get more clarity on these intentions and timing.

### **Finnair (24.2% holding)**

[www.finnairgroup.com](http://www.finnairgroup.com)

Finnair, the Finnish national airline, pursues a strong growth strategy based on expanding the long-haul traffic to/from Asia. Finnair has one of the youngest fleets in Europe and is in the process of a major upgrade of the long-haul fleet. Finnair is in the process of a successful restructuring process. Turnover for the year is expected to exceed EUR 2bn with operating profit of EUR 70m.

Finnair is listed on OMX in Helsinki with a market cap of EUR 1,041m. Finnair's largest shareholder is the Finnish State with a 56.3% holding, FL Group is the second largest shareholder with 23.4% holding.

Following a public dispute with Finnair's board of directors and the Finnish State, FL Group secured a board seat for Mr. Sigurdur Helgason, a former CEO of Icelandair, at the last AGM (22 March, 2007).

### **Royal Unibrew (25.5% holding)**

[www.royalunibrew.com](http://www.royalunibrew.com)

Royal Unibrew is the second largest brewery in the Nordic region. Royal Unibrew has a strong market position in a number of sectors and markets and its business model is highly cash-generative. The company has strong growth, both organically and through aggressive but well-targeted acquisitions. During the last five years Royal Unibrew has completed over ten acquisitions outside Scandinavia.

According to broker consensus, Royal Unibrew's FY07 sales are forecast at EUR 524m, with an EBIT of EUR 48m. The company is listed on OMX in Copenhagen with a market cap of EUR 524m.

FL Group has criticised Royal Unibrew's outdated corporate governance methods, especially a voting right restriction, that effectively shields the sitting board of directors from shareholder control.

### **Aktiv Kapital (13.3% holding)**

[www.aktivkapital.com](http://www.aktivkapital.com)

Aktiv Kapital is a leading international financial provider of credit administrative services, including acquisition of non-performing credit portfolios, debt collection, invoice administration and factoring. The Group operates in 11 countries (primarily in the Nordic area, Western Europe and Canada) and has more than 1,000 employees. The company has consistently demonstrated strong performance. Portfolio investments have grown by a CAGR of 36.7% and cash collections have grown by a CAGR of 35.4% in the period of 1997 to 2006.

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<sup>1</sup> Source: <https://www.commerzbank.de/en/hauptnavigation/konzern/konzerninfo/konzerninfo.html>

The company is listed on the Oslo Stock Exchange with a market cap of EUR 625m. According to broker consensus, Aktiv Kapital's FY07 sales are forecasted at EUR 210m with profit before tax at EUR 74m. Since the last AGM (May 21, 2007), Martin Niclasen from FL Group has actively served on the board of Aktiv Kapital.

**Inspired Gaming Group (approx. 19% holding)**

[www.inspiredgaminggroup.com](http://www.inspiredgaminggroup.com)

Inspired Gaming Group is the leading provider of analogue and digital gaming and leisure machines in the UK. Inspired Gaming operates some 100,000 machines worldwide, 22,000 of them form its open server-based platform. Some of Inspired Gaming's largest clients include Gala Bingo, William Hill and Coca Cola Company.

Inspired Gaming is listed on the London Stock Exchange. Its FY07 sales and EBITDA are forecasted at £170 and £80 million respectively. On 7 October FL Group announced a preliminary approach to acquire all issued and to be issued shares of Inspired Gaming at 385p per share. A further announcement will be made in due course.

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**Non-listed portfolio**

**Refresco (49% holding)**

[www.refresco.nl](http://www.refresco.nl)

Refresco is Europe's largest manufacturer of private label fruit juice and soft drinks. Since acquiring Refresco in May 2006, FL Group has implemented a successful "buy and build" strategy, as a result of which the company has almost doubled in size by revenues. In 2007 Refresco is expected to report sales of c. EUR 1.2 billion on an annualised basis with EBITDA margin of 9-10%. FL Group's strategic goal for Refresco is to more than double the business again within two to three years to become a clear global leader in the private label and co-packing for A-brand beverage sector.

**Geysir Green Energy (43.1% holding)**

[www.geysirgreenenergy.is](http://www.geysirgreenenergy.is)

Geysir Green Energy is an exciting new company founded by FL Group at the start of 2007. The company invests in the entire spectrum of geothermal industry, from development to operation.

In October 2007 Geysir Green Energy announced its intention to merge with Reykjavik Energy Invest to create a EUR 745 million global leader in geothermal industry. The combined group will have significant operations in Iceland and abroad in electricity production and district heating. Within the group is a number of combined companies operating across the value chain of geothermal. Following the merger, which is subject to closing, FL Group will have 27% ownership in Reykjavik Energy Invest.

**Northern Travel Holding (34.8% holding)**

Co-established by FL Group in 2006, Northern Travel Holding (NTH) is a leading provider of travel-related services in the Nordic region. Key assets in NTH are the low-cost airlines Sterling Airlines and Iceland Express, as well as controlling ownership stakes in the UK-based charter airline Astraesus, and the listed Swedish travel agent Ticket. In addition, NTH owns the Danish travel agent Hekla Rejser.

**House of Fraser (13.9%)**

[www.hof.co.uk](http://www.hof.co.uk)

House of Fraser is Britain's leading retailer of designer brands. It operates more than 60 department stores across the United Kingdom and Ireland under several trading names, including House of Fraser, Frasers, Howells, Dickins & Jones, Rackhams, Army & Navy, Jenners and Beatties. The strategy for House of Fraser is to invest in the store portfolio to create the best branded retail offering in the UK and Ireland. This is being done through a process of investment in rebranding and updating the stores whilst building relationships with key brands. This has included the setting up of the House of Fraser internet site for internet sales.

**Unity Investment (37.5%)**

Unity is an investment vehicle FL Group formed with Baugur Group and Kevin Stanford. The company's key focus will be to take strategic stakes in listed companies, in particular within the UK retail sector. Unity currently holds shareholdings in a number of UK companies, including French Connection, Moss Bros and Woolworths.

**Bayrock Group (strategic partnership)**

[www.bayrockgroup.com](http://www.bayrockgroup.com)

In 2007 FL Group established a strategic partnership with the US property developer Bayrock Group. Investment in four property development projects with Bayrock: Trump Soho (46 floor, 5-star hotel condominium in Soho, New York. Currently on the 20<sup>th</sup> floor of construction. Completion expected Q4 2008); Trump Lauderdale (5-star hotel condominium on Fort Lauderdale beach. Completion expected Q4 2008); Whitestone New York (development of 13 acres of land located along the East River in Whitestone, Queens. Re-zoning approvals are on track, final approvals expected Q3 2008); Camelback (5-star hotel and residential condominium in Phoenix. Construction anticipated to start in Q2 2008); Entered into first 50:50 joint venture with Bayrock acquiring 40% of Midtown Miami (the development of 500,000 square meters of land in midtown Miami, including high-rise condominium towers, office buildings and retail space. In discussions regarding possible sale retail space to publicly traded REIT).