



**FL Group presents record first half profit of ISK 23.1 billion after tax
An increase of 304% compared to 6m 2006**

Key financial highlights

- First half year profit after tax increases to ISK 23.1 billion (EUR 274 million) second quarter profit amounts to ISK 8.0 billion (EUR 95 million)
- Profit up by 304% compared to first half of 2006
- Total assets rise by ISK 56.7 billion during the first half of 2007 and amount to ISK 319.6 billion (EUR 3.79 billion) at the end of Q2
- Shareholders equity increases by ISK 6.8 billion (EUR 80 million) during first half of 2007 to ISK 149 billion (EUR 1.8 billion)
- Return on equity is 22% in the second quarter and 32% for the first half of 2007 on an annual basis
- Financial position remains strong with equity ratio of 47%

Key investment and operating highlights

- Refresco closed its fourth acquisition this year during the second quarter and achieved its goal of becoming the largest company in Europe in its field
- FL Group finalized long term funding of EUR 330 million for its shareholding in Glitnir bank.
- Geysir Green Energy acquired a 32% stake in geothermal power plant Hitaveita Suðurnesja and a 100% stake in Jarðboranir hf. (Iceland Drilling Company Ltd)
- FL Group's Capital Markets desk began operations in the second quarter, dealing with short term trading as well as derivative and hedging
- FL Group invested USD 50 million in four real estate development projects in the US with real estate company Bayrock Group, this was followed by the first joint venture with Bayrock Group in the "Midtown Miami" project

Commenting on the results, Hannes Smárason, CEO of FL Group, said:

"We are pleased to announce a continued strong growth in the second quarter of 2007. In comparison to the first half of 2006 profits increased three-fold, total assets have risen by 24% from year end 2006 and the financial position remains strong. FL Group has added considerably to its investment power and the company will continue to search for exciting opportunities across sectors and geographical boundaries.

Besides strengthening our position in already familiar sectors, FL Group has expanded its operations into the energy sector with Geysir Green Energy, the first privately owned company to acquire a considerable stake in a public utility in Iceland. This will be a key sector for FL Group going forward with significant deal flow.

Following excellent results for the first half of 2007, FL Group will strive to perform even better. That is an ambitious goal but we believe that the company is very well positioned to capitalise on future opportunities."

Commenting on the role of FL Group in Glitnir Bank, Mr. Smáráson said: „FL Group is fully dedicated to Glitnir bank and has reconfirmed its commitment to the bank yet again in the first half of 2007. FL Group is the largest shareholder in Glitnir and as such it plays an important role in the banks development."

Mr. Smáráson added on the issue of Refresco: „The Refresco story is an excellent case study of FL Group's abilities. In the 14 months since FL Group along with other investors, including the management team, acquired Refresco, we have been pursuing a successful buy and build strategy. Refresco is now the largest company in Europe in its field and has doubled its revenue in less than a year. It has gained a foothold in vital markets and the aim is to continue to increase and enlarge the operation even further."

Enquiries:

FL Group
Hannes Smáráson
CEO
Tel: +354 591 4400

Kristján Kristjánsson
Director Corporate Communications
Tel: +354 591 4427 / +354 899 9352

Sveinbjörn Indriðason
CFO
Tel: +354 591 4400

UK / Brunswick Group LLP
Anita Scott, Hanna Gustafsson
Tel: +44 (0) 20 7404 5959

Denmark / Jöp, Ove & Myrthu A/S
Lars Jörgensen
Tel: +45 29 78 49 32 / +45 39 27 50 50

Key figures from operations

million ISK	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Income statement					
Investment income	9,076	15,579	7,168	1,211	-1,346
Operating expenses	-1,022	-883	-1,068	-695	-523
Profit before income tax	8,054	14,696	6,100	516	-1,869
Income tax	-12	388	2,680	1,101	534
Profit from discontinued oper.	0	0	24,801	3,640	1,217
Profit for the quarter	8,042	15,084	33,581	5,257	-118
Balance sheet					
Total assets	319,597	302,758	262,871	239,465	202,551
Total liabilities	170,145	160,958	120,195	127,314	119,186
Equity	149,452	141,802	142,676	112,151	83,365
Equity ratio	47%	47%	54%	47%	41%
ROE (on annual basis)	22%	42%	105%	22%	-1%
EPS (for each quarter)	1.09	1.94	5.03	0.68	-0.02

Overview of the first half of 2007

Following significant changes in the investment portfolio during 2006 - mainly through the sale of operating subsidiaries and investments in new sectors - FL Group turned its focus towards increasing value from its current investments. FL Group also added new strategic investments, notably in the banking and financial sector and the aviation industry.

In the first quarter of 2007 FL Group sold Kynnisferdir (Reykjavik Excursions) its last remaining operating subsidiary. Thereby completing its transformation to a pure investment company with the focus on private equity and strategic investments in addition to its capital markets activity.

FL Group also entered into new exciting sectors, notably real estate and energy. FL Group now invests in companies worldwide with special focus on Europe.

FL Group restructured its trading operations and formed a Capital Markets unit in the second quarter and in doing so the company will increase its business in proprietary trading in stocks, bonds and currencies.

In general the listed strategic and trading investments performed well which shows FL Group's dynamic and flexible approach to investments across sectors and the company's capability to use the current market situation at any given time to its advantage

Largest listed investments

Glitnir

Glitnir is FL Group's largest and most valuable strategic investment, FL Group therefore believes it to be its duty to support the bank's operations. At the end of April, Lárus Welding was appointed as CEO of Glitnir, replacing Bjarni Ármannsson, who had served as the bank's CEO for the past 10 years. Welding takes on responsibility of Glitnir's 2,150 employee strong organisation with offices in 11 countries. At the end of the second quarter of 2007, Glitnir had a market capitalisation of ISK 431 billion (EUR 5.12 billion) and total assets amounted to ISK 2.335 billion (EUR 27.7 billion).

Commerzbank

At the end of June the shareholding in Commerzbank was 3.24%, held through a swap arrangement, and the holding increased steadily in the first half of 2007. The European financial sector is one of FL Group's prime focus sectors and Commerzbank has become FL Group's second largest investment. Commerzbank published its Q1 results on May 9 with net profits amounting to EUR 609 million compared to a consensus estimate of around EUR 450 million. The bank therefore performed far better than expected.

AMR

The shareholding in AMR at the end of Q2 is 8.25%. Concerns about domestic demand and higher fuel prices have had a negative effect on the share price. However the company has been able to maintain high load factors and its recently published Q2 figures show a 9% increase in profits from Q2 in 2006.

Unlisted investments

FL Group's unlisted investments are in general performing well, illustrating the company's ability to pursue a successful strategy. In the second quarter FL Group made three additional investments in unlisted companies, in Eikarhald (49%)¹, Kjarrhólma (45%)² and a 50:50 joint venture agreement with Bayrock Group, formed for investments in real estate development projects.

Refresco

Refresco, the Dutch private label beverage producer, where FL Group is the leading shareholder with a 49% stake, made one acquisition in the second quarter bringing the total number of acquisitions in the first half of 2007 to four. Refresco first bought Kentpol, a Polish soft drinks and mineral water company. The second acquisition was Histogram, a UK based soft drinks business, manufacturing juice and juice drinks. Thirdly, Refresco acquired Sun Beverages Company N.V, a major soft drinks producer based in France, the Netherlands and Belgium. Fourthly, the company acquired Nuits Saint-Georges Production SAS, a French fruit drinks company based in the Dijon region, France.

The buy and build strategy led by FL Group alongside the management team has resulted in Refresco's revenues doubling in less than 12 months. Refresco is now the largest private label beverage producer in Europe. This is in accordance with the goals set out by the owners and management when Refresco was first acquired. FL Group and Refresco's management will continue to follow a buy and build strategy and are

¹ Eikarhald is a real estate investment company, previously owned by Kaupthing Bank.

² Kjarrhólmi is a holding company which currently has 37.6% stake in TM hf.

currently evaluating a number of acquisition targets. Pro-forma sales for 2007 are estimated at EUR 1,200 million with an expected EBITDA of around 10% of sales.

Geysir Green Energy

Geysir Green Energy is an investment company in the energy sector in which FL Group had a 43.1% stake at the end of July. The company, which was founded in January 2007, has made several investments in some geothermal assets during its first months of operation. Recently, Geysir acquired large stakes in two major companies. Firstly, a 32% stake in Hitaveita Suðurnesja, a world leading geothermal operator for 30 years and secondly a 100% stake in Jarðboranir hf.(Iceland Drilling Company Ltd), one of the world's foremost companies in the utilization of earth resources, processing of earth material , land reclamation and construction. Jarðboranir hf. have grown significantly over the last few years and is now the largest drilling company in the world, specializing in geothermal energy. The company has also acquired a 47% stake in Exorka International and a 43% stake in Enex hf.,

Bayrock Group

In the second quarter FL Group entered into a partnership with Bayrock Group, a US-based real estate development and investment company. In May the two companies signed an agreement to invest in four development projects in the US including the development of five star hotel condominiums in Soho in New York, Fort Lauderdale and Phoenix as well as the development of 13 acres of land in Whitestone, Queens.

In June, the two companies announced that they had jointly acquired a 30% stake in the Midtown Miami project, a development project including the construction of 8 high-rise condominium towers, an office tower and, a mixed use facility in the heart of Miami. The stake has now been increased to 40%.

Structural change

In May FL Group decided to change its corporate structure whereby the operations of the Proprietary Trading department were expanded and its name changed to Capital Markets. FL Group's Capital Markets has three main functions: it oversees the company's short term trading positions in listed securities and currencies; it takes care of stakebuilding/disposal on behalf of FL Group's Private Equity and Strategic Investments and advises on and executes derivative and security trading related to the company's asset portfolio, for hedging or investment purposes.

With this restructuring FL Group has established a strong foundation for cumulating expertise in a Capital Markets unit and aims to further strengthen this operation in the future

Outlook

At the end of the first half of the year FL Group has ISK 31 billion of cash available for further investments in addition to other unpledged assets.

The investment skills of FL Group's employees, its flexible approach to investing, the quality of the investment portfolio and cash available for investments gives every confidence that FL Group's operations will remain successful in the second half of 2007 despite market turbulence.

In order to strengthen FL Group's position even further for times ahead, the company will continue to hire qualified employees and seek to create an environment of continuous improvement in performance and conditions.

Despite entering new areas of investment, FL Group remains dedicated to its investments in more familiar sectors, like finance and aviation and others.

Financial performance

FL Group's after-tax profit in the second quarter was ISK 8 billion and ISK 23.1 billion in the first half of 2007

The group's total assets were ISK 319.6 billion at the end of June 2007, increasing by ISK 16.8 billion in the quarter. The largest portion of the increase can be attributed to investments in listed and unlisted securities in addition to increases in share prices. At the end of the second quarter of 2007, FL Group's investments in listed and unlisted securities were ISK 352.7 billion where the largest investments were Glitnir Bank; market value ISK 137.7 billion, Commerzbank; valued at ISK 63.8 billion, AMR Corporation; valued at ISK 33.7 billion and Finnair which was valued at ISK 23.0 billion. Total book value of investments in unlisted securities amounts to ISK 16.8 billion. However, the book value of the company's securities assets in the financial statements is only ISK 224.4 billion since part of the company's shares are financed with forward agreements where only the net value is entered into the Annual Financial Statement.

FL Group's equity capital at the end of June 2007 was ISK 149.5 billion, an increase of ISK 7.7 billion in the quarter and an increase of ISK 6.8 billion from the end of 2006. The company's financial condition continues to be strong with an equity ratio of 46.8%. Accordingly, the company is more than well placed to deal with upcoming projects. The return on equity on an annual basis was 22.1% for the second quarter and 31.7% for the first six months of the year.

30/06/2007

Investments (ISK million)	Market value	% holding
Significant holdings		
Glitnir	137,733	31.97%
Commerzbank	63,818	3.24%
AMR Corporation	33,660	8.25%
Finnair Oyj	23,009	23.37%
Royal Unibrew A/S	13,133	24.38%
Aktiv Kapital ASA	6,357	13.27%
	277,710	
Trading portfolio and other holdings	58,102	
Total investment in listed securities	335,812	
Total investment in unlisted securities	16,844	
Total securities	352,656	
Holdings in derivatives	128,287	
Investments recognised on balance sheet	224,369	

Notes to Editors:

About FL Group

FL Group is an international investment company focusing on two areas of investment. The majority of its operations are run through the Private Equity and Strategic Investment division which can take stakes in listed and private companies as well as lead private equity buy-outs. The Capital Markets division is a proprietary trading desk focused on taking short-term positions for profits in primarily equities, bonds and currencies.

With head office in Reykjavik and offices in London and Copenhagen, FL Group invests in companies worldwide, with a special focus on Europe. FL Group is listed on the OMX Nordic Exchange in Reykjavik (OMX: FL). At the end of the second quarter 2007, FL Group's total assets amounted to ISK 319.6 billion (EUR 3.8 billion). Its market capitalisation at the end of June 2007 was ISK 234.4 billion (EUR 2.8 billion).

The largest shareholders of FL Group are Gnúpur fjárfestingafélag hf. (20.3%), Oddaflug BV (19.8%), owned by Hannes Smárason, CEO; Baugur Group (19.6%) , Icon and Materia Invest (10.7%). The shareholding can in some cases be in the name of Icelandic financial institutions because of forward contracts. More information on www.flgroup.is

About FL Group's largest investments:

Listed investments

Glitnir Bank (31.97%)

www.glitnirbank.com

Glitnir banki is a Nordic bank offering comprehensive banking services. The bank's main activities are in Iceland but it also has offices in Denmark, Canada and China, a branch in the UK, and subsidiaries in Finland, Sweden, Norway, USA and Luxembourg.

The bank's business extends throughout the world, focusing mainly on three niche sectors: seafood, offshore service vessels and sustainable energy. Glitnir has defined Iceland and Norway as its home markets. The bank's comprehensive banking services include retail banking, investment banking, brokerage and asset management. With the experience and expertise of its employees, as well as links to international financial markets, Glitnir banki is able to offer value-added solutions tailored to the needs of its clients. Glitnir is traded on the Iceland Stock Exchange and its ticker is GLB. At the end of the second quarter in 2007, Glitnir had a market capitalisation of ISK 431 million (EUR 5.12 billion) and total assets amounted to ISK 2.335 billion (EUR 27.7 billion).

Commerzbank (3.24%)

www.commerzbank.com

Commerzbank is the second largest bank in Germany³ and a leading bank in Europe. The bank maintains a nationwide network of some 800 branches in Germany and also has offices in more than 40 countries outside of Germany.

The bank is an efficient provider of financial services for private customers in Germany as well as for major corporations, institutions and multinationals from all over the world. The bank's operating business is organized into three divisions, which achieve mutual synergy effects: retail banking and asset management, corporate and investment banking, and commercial real estate, public finance and treasury. Commerzbank is listed on stock exchanges in Germany, London, Switzerland and North-America. In the first quarter of 2007, Commerzbank recorded EUR 609 million profit and a market cap of EUR 21.8 billion. FL Group holds 3.24% stake in the bank.

AMR Corporation (8.25%)

www.aa.com

AMR is the parent company of American Airlines and American Eagle Airlines. American Airlines is the world's largest airline. American, American Eagle and the AmericanConnection regional airlines serve more than 250 cities in more than 40 countries and territories with approximately 3,900 daily flights. The combined network fleet numbers more than 1,000 aircraft. The company is listed for on the New York Stock Exchange (NYSE). On July 18th AMR Corp announced a second quarter profit of USD 317 million.

Finnair (23.37%)

www.finnair.com

Finnair is a Finnish airline, established on 1st November 1923. Finnair's major shareholder is the Finnish government with a 56.3% holding. The company is increasingly engaged in traffic between Europe and Asia and nearly half of scheduled passenger traffic revenue is linked to Asian traffic. From summer 2007, Finnair will have a total of 59 direct flight connections per week to ten Asian destinations. To China

³ Source: <https://www.commerzbank.de/en/hauptnavigation/konzern/konzerninfo/konzerninfo.html>

alone, the company will fly more than 100 flights per month. Finnair announced its first quarter results on May 4th, reporting an improvement in results, a 10% increase in turnover to EUR 528.5 million and operational profit of 13,7 million compared to a loss of 5,2 million on Q1 2006.

Royal Unibrew (24.38%)

www.royalunibrew.com

Royal Unibrew is the second largest brewery group in Scandinavia. Its head office is located in Faxe, Denmark. The group consists of four Danish breweries, two Lithuanian breweries, two Polish breweries, one Latvian brewery and one Latvian soft drinks producer. Royal Unibrew has approximately 2,300 employees worldwide and exports to approximately 65 countries throughout the world. Royal Unibrew recently reported their first quarter results which included an increase in net revenue by 9% to DKK 705 million and an expected consolidated profit for the full year of DKK 330 - 370 million.

Aktiv Kapital (13.27%)

www.aktivkapital.com

Aktiv Kapital is a supplier of comprehensive financial services designed to free resources bound up in clients' outstanding receivables. The group has three core business areas - acquisition of defaulted credit portfolios, debt collection and invoice administration and associated financing. Today, Aktiv Kapital has around 1,010 employees in Norway, Sweden, Finland, Denmark, United Kingdom, Germany, Switzerland, Austria, France, Spain and Canada. The company is traded on the Oslo Børs, and its ticker is AIK. On May 4th Aktiv Kapital announced its first quarter results which included an increase in operating revenue of 8.5% to NOK 415.2 and a 208% increase in profit before taxes to NOK 174,3 million

Unlisted investments

Refresco (49%)

www.refresco.nl

Refresco is a European manufacturer of private label fruit juice and soft drinks. The company employs 1,200 people across five countries and is recognized as the largest manufacturer of private label fruit juices and soft drinks in Europe. Refresco's product portfolio comprises of juices, still drinks, carbonated soft drinks, ice tea and sport drinks. About 65% of total sales are private label products. Refresco's has completed four acquisitions during the first half of 2007, resulting in the company almost doubling in size and achieving revenues exceeding EUR 1 billion.

Geysir Green Energy (43.1%)

www.geysirgreenenergy.is

Geysir Green Energy is an investment company with the objective of investing in sustainable energy. Geysir Green Energy intends to seek leading market opportunities in the harnessing of geothermal energy, invest in the development and construction of geothermal plants, acquire geothermal plants currently owned by power utilities and participate in the privatisation of energy companies all over the world.

Northern Travel Holding (34.8%)

Northern Travel Holding (NTH) is a leisure company that was established in 2006 by FL Group along with Icelandic investment companies Fons and Sund. The company acquired certain assets in the travel industry within Northern Europe and is aiming to take a leading role in further consolidating the industry. One of NTH's assets is Sterling Airlines which FL Group sold to the company for a consideration of ISK 20 billion late in 2006. NTH also holds all of the shares in Iceland Express, 51% of the UK based charter

airline Astraeus, 29.26% of the listed Swedish travel agent Ticket and all of the shares in Danish travel agent Hekla Travel.

House of Fraser (13.9%)

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. House of Fraser's offering encompasses womenswear, menswear, childrenswear, fashion accessories, beauty and home products, restaurants and food halls and includes many well-known brands. In addition, the House of Fraser Group has a number of own-label brands including Linea and Therapy.

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.