



FL Group first quarter results **After tax profit of ISK 15.1 billion (EUR 172 million)** **158% increase compared to first quarter 2006**

Key financial highlights

- Profit after tax increases by 158% to ISK 15.1 billion (EUR 172 million) compared to first quarter 2006
- Total assets increases by ISK 40 billion during the first quarter and were ISK 302.8 billion (EUR 3,44 billion) at the end of March 2007
- Minimal change in shareholders equity from year end 2006 despite a ISK 15 billion dividend payment
- Return on equity in the quarter was 42.4% on annual basis
- Financial position strong with equity ratio of 47%

Key investment and operating highlights

- Stake in Glitnir increased to to 31.97%
- Stakebuilding in Commerzbank - current shareholding 2.99%
- Stake in AMR Corporation increased to 8.53%
- Refresco closed three acquisitions in first quarter taking run rate revenue to more than EUR 1 billion
- Sale of all shares in Kynnisferðir - net profit from the sale amounted to ISK 486 million
- Capital Markets Desk created

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

"We are delighted with a successful first quarter and a 158% increase in profit after tax compared with the same period in 2006. This shows continued strong growth with significant liquidity and investment power across our focused investment business, following the sale of Icelandair and Sterling Airlines at the end of 2006."

"We are confident that our robust business model means we are now even better placed to capitalise on opportunities going forward."

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Key figures from operations

million ISK	Q1 07	Q4 06	Q3 06	Q2 06	Q1 06
Income statement					
Investment income	15,579	7,168	1,211	-1,346	10,458
Operating expenses	-883	-1,068	-695	-523	-485
Profit before income tax	14,696	6,100	516	-1,869	9,973
Income tax	388	2,680	1,101	534	-1,684
Profit from discontinued oper.	0	24,801	3,640	1,217	-2,450
Profit for the year	15,084	33,581	5,257	-118	5,839
Balance sheet					
Total assets	302,758	262,871	239,465	202,551	188,098
Total liabilities	160,958	120,195	127,314	119,186	110,715
Equity	141,802	142,676	112,151	83,365	77,383
Equity ratio	47%	54%	47%	41%	41%
ROE (on annual basis)	42%	105%	22%	-1%	31%
EPS (for each quarter)	1.90	4.23	0.66	-0.02	0.96

Overview of the first quarter 2007

In the first quarter of 2007 FL Group sold Kynnisferðir (Reykjavik Excursions) its last remaining operating subsidiary and raised a net profit from the sale of ISK 486 million. Following the sale FL Group finished its transformation to a pure investment company with the focus on private equity and strategic investments in addition to proprietary trading.

Despite a global turndown in February, FL Group managed to maintain a solid profit exceeding market expectations through active portfolio management. The listed strategic and trading investments performed generally 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 the company's advantage. FL Group's private equity investments are in general performing well, illustrating the company's ability to follow through its investments.

FL Group kept diversifying its investment portfolio and continues to actively seek investment opportunities across sectors and geographical areas. It was active in building up various strategic positions e.g. in the European banking sector, notably in Commerzbank where FL Group now holds a 2.99%. Commerzbank is the second largest bank in Germany and one of the leading banks in Europe. Commerzbank recorded EUR 1,597 million profit in 2006 which made last year the best one in its history. Commerzbank has a market cap of EUR 24.2 billion.

In the first quarter FL Group increased its shareholding in Glitnir Bank to 31.97% and Glitnir therefore remains the company's largest and most valuable strategic investment. Currently three out of seven Glitnir board members are represented by FL Group.

FL Group increased its stake in AMR Corporation in the first quarter and now holds 8.53% of the company's shares which makes it the largest announced shareholder in the company.

Refresco, the private label beverage producer, where FL Group hold a 49% share, expanded its operation, with acquisitions and has now successfully almost doubled its turnover in one year. This is according to the ambitious plans set out for the company when it was bought by FL Group and a consortium of other investors. These transactions clearly demonstrate the investment capacity of Refresco and reflects the fact that the policy of expanding through the buy and build strategy is working as planned.

Outlook

At the end of the first quarter FL Group has ISK 31 billion of cash available for further acquisitions 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 the firepower at the company's disposal gives every confidence that FL Group's operations will remain successful for the remainder of 2007.

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. A token of this policy is a recent decision to change the company's corporate structure whereby the operations of the Proprietary Trading department will be expanded and its name changed to Capital Markets. FL Group's Capital Markets will have three main functions: oversee the company's short term trading positions in listed securities and currencies; stakebuilding/disposal on behalf of FL Group's Private Equity and Strategic Investments and advice on and execute derivative and security trading related to the company's asset portfolio, for hedging or investment purposes.

Financial performance

FL Group's after-tax profit in the first quarter was ISK 15.1 billion.

The group's total assets were ISK 302.8 billion at the end of March 2007 and increased by ISK 40.0 billion in the quarter. The largest portion of the increase can be attributed to investments in market securities. At the end of the first quarter of 2007 FL Group's investments in listed securities amounted to ISK 342.3 billion where the largest investments were Glitnir Bank, market value approximately ISK 128.5 billion, then Commerzbank ISK 46.5 billion, followed by AMR Corporation ISK 41.2 billion and Finnair in the amount of ISK 23.7 billion. However, the book value of the company's listed securities assets in the financial statements is only ISK 203.4 billion since part of the company's shares are financed with forward agreements, the net value of which is entered into the Annual Financial Statement.

FL Group's equity capital at the end of March 2007 was ISK 141.8 billion, practically unchanged from the end of 2006. At FL Group's 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. The company's financial condition continues to be strong with an equity ratio of 47%. Accordingly, the company is more than well placed to deal with upcoming projects. The return on equity was 42.4%, on an annual basis.

Investment activities

After some dramatic changes in the investment portfolio during 2006 - mainly through the sale of all the operating subsidiaries and investments in new sectors - FL Group has turned its focus towards increasing value from its current investments and in addition added some new strategic investments, notably in the European banking sector and the leisure industry. In the first quarter FL Group increased its investment in Glitnir from 30.4% to 32.0% and in AMR Corporation from 6.0% to 8.5%, in addition to building up position in Commerzbank where FL Group now holds 2.99%

31 / 03 / 2006

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%
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	

The company also maintains an active profile in its private companies. Refresco, the Dutch private label beverage producer, where FL Group, has a 49% stake, made three acquisitions in the quarter. First it bought Kentpol, a Polish soft drinks and mineral water company, which operates out of Kety and Slemien, secondly it purchased Histogram, a Durham-based soft drinks business, manufacturing juice and juice drinks and finally Refresco acquired Sun Beverages Company N.V, a major soft drinks producer based in France, the Netherlands and Belgium.

Notes to Editors:

About FL Group

FL Group is a unique international investment company, focusing its activities on two areas of investments. The company's Private Equity and strategic investments focus on investments in public and private companies and have a long term view. The company's Capital Markets unit oversees the company's short term trading as well as derivative and security trading related to the company's asset portfolio.

With its head office in Reykjavik and offices in Copenhagen and London, FL Group invests in companies in Northern Europe, focusing primarily on the Nordics and the UK but also has investments elsewhere. FL Group is listed on the OMX Nordic Exchange in Reykjavik (OMX: FL).

At the end of first quarter 2007 FL Group's total assets amounted to ISK 303 billion (EUR 3.4 billion). Its market capitalisation at the end of March 2007 was ISK 236 billion (EUR 2.7 billion).

The largest shareholders of FL Group are Oddaflug BV (19.8%), owned by Hannes Smáráson, CEO; Baugur Group (18.2%), Gnúpur fjárfestingafélag hf. (17.2%), 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

www.glitnir.is

The financial group Glitnir offers universal banking and is a leading niche player in three global segments; seafood/food, sustainable energy, and offshore supply vessels. Glitnir considers Iceland and Norway as home markets. Services include retail, corporate and investment banking, stock trade and capital management. Glitnir is listed on the Icelandic Stock Exchange. Glitnir recently announced their full year 2006 results and a profit of ISK 38.2 billion for 2006, with a return on equity after tax of 39.4%.

Commerzbank

www.commerzbank.com

Commerzbank is the second largest bank in Germany and one of the leading banks in Europe. Germany is by far the banks most important market where it maintains a nationwide network of some 800 branches, but it has also offices in more than 40 countries outside of Germany. Commerzbank recorded EUR 1,597 million profit in 2006 which made last year the best one in its history. Commerzbank has a market cap of EUR 24.2 billion. FL Group holds 2.99% stake in the bank.

AMR Corporation

www.aa.com

American Airlines is the world's largest airline. American, American Eagle and the AmericanConnection® airlines serve 250 cities in over 40 countries with more than 4,000 daily flights. The combined network fleet numbers more than 1,000 aircraft. On April 18th AMR Corp announced a first quarter profit of USD 81 million.

Finnair

www.finnair.com

Finnair was established on 1st November 1923. In 2005, Finnair carried over 8.5 million passengers. The number of personnel of Finnair Group is approximately 9700. The subsidiaries provide air traffic support services or operate in closely related areas. Finnair's major shareholder is the Finnish government with a 56.3 per cent holding. Finnair announced full year results on February 6th reporting a rise in turnover by 6.3% to 1,989.6 million euros.

Royal Unibrew

www.royalunibrew.com

Royal Unibrew is the second largest brewery group in Scandinavia. Its head office is located in Faxe, Denmark. The company comprises four Danish, two Lithuanian breweries, two Polish breweries, one Latvian brewery and one Latvian soft drinks producer. Royal Unibrew has approx. 2,300 employees worldwide and exports to approx. 65 countries throughout the world. Royal Unibrew recently reported their annual 2006 results which included the group's highest profit before tax to date of DKK 320 million.

Bang & Olufsen

www.bang-olufsen.com

Founded in 1925 in Struer, Denmark, Bang & Olufsen a/s is world renowned for its distinctive range of quality consumer electronic products that represent its vision. With more than 2,400 employees and products sold in more than 60 countries worldwide. On January 10th Bang & Olufsen announced their nine month interim results and a operating profit of DKK 285 million.

Aktiv Kapital

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. On February 23rd Aktiv Kapital announced full year results including a revenue of NOK 370.3 million.

Unlisted investments

Refresco

www.refresco.nl

Refresco is a European manufacturer of private label fruit juice and soft drinks. The company employed 1,250 people across five countries last year and is recognized as the second 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 recently completed three acquisition within two months helping the company to almost double in size and achieve revenues exceeding € 1 billion.

Northern Travel Holding

Northern Travel Holding 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 consolidating the industry further. Combining Scandinavia's largest low cost carrier with Scandinavia's largest retailer in the travel industry. One of Northern Travel Holdings assets is Sterling Airlines which FL Group sold to the company for a consideration of ISK 20 billion late in 2006. Northern Travel also holds all of the shares in Iceland Express, 51% of the UK based charter airline Astraesus, 29.26% of the listed Swedish travel agent Ticket and all of the shares in Danish travel agent Hekla Travel.

House of Fraser

House of Fraser is Britain's leading retailer of designer brands. It operates 61 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

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. FL Group holds 37.5% of shares in Unity.