

# FL Group | Third quarter results

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Investor presentation

November 2006



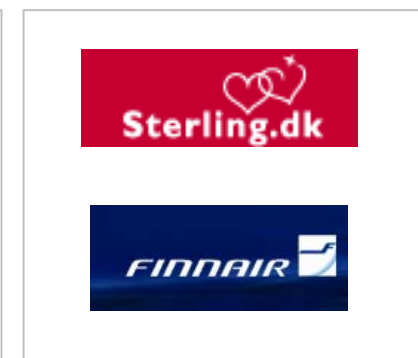
# About FL Group

- FL Group is an investment company operating in two main areas: Private Equity & Strategic Investments and Proprietary Trading
- Key differentiators of our investment operations
  - Use of own balance sheet when investing
  - Not managing funds
  - Gives flexibility in view of investments
  - No maturity date as in normal funds
- FL Group has invested in companies in Iceland, UK, Netherlands and Nordics in various sectors
- Future investments expected to be in Northern Europe, particularly in Nordics and UK
- Listed on the Icelandic Stock Exchange
- Head office in Reykjavík, Iceland
- Offices in Copenhagen and London

## Banking and financial services



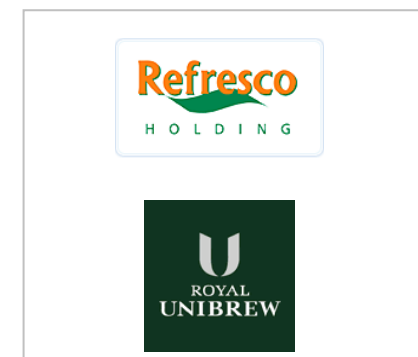
## Airlines



## Consumer and retail



## Beverages



# Financial highlights

- Net profit in the first nine months of 2006 amounted to ISK 11 bn
  - A considerable increase from the same period in the previous year when net profits amounted to ISK 6.6bn
  - Net profit in Q3 amounted to ISK 5.3bn compared to ISK 4.6bn for the same period in the previous year
- Following the sale of Icelandair Group, FL Group's equity base strengthened significantly and amounts to ISK 131 bn
- The company has a good cash position and liquidity
  - Cash, unpledged shares and unused credit lines amount to ISK 120 bn

# Key events in Q3 and to date in Q4

- Sale of all shares in Icelandair Group for an enterprise value of ISK 43 bn
- New shares worth ISK 33.4 bn issued in relation to the acquisition of shares in Straumur-Burdaras
- Increased investment in Glitnir. FL Group now owns 29.3% of the company's shares
- FL Group announced its participation in the acquisition of House of Fraser. The acquisition has just been finalised, with FL Group having an 13.9% stake
- FL Group forms an investment vehicle with a key focus will be to take strategic stakes in listed companies, in particular within the UK retail sector. The company is owned 37.5% by FL Group, 37.5% by Baugur Group and 25% by Kevin Stanford
- Completed a EUR 250 million financing against the shares in Glitnir

## **i. Financials**

# Income statement

## Group income 9M

million ISK	2006	2005	%
Investment income	10,152	5,650	80%
Operating income	81,182	36,838	120%
Operating expenses	-80,017	-34,458	132%
<b>Profit before income tax</b>	<b>11,317</b>	<b>8,030</b>	41%
Income tax	-339	-1,455	-77%
<b>Profit after income tax</b>	<b>10,978</b>	<b>6,575</b>	67%

## Group income Q3

million ISK	2006	2005	%
Investment income	565	2,635	-79%
Operating income	35,212	16,774	110%
Operating expenses	-30,770	-13,715	124%
<b>Profit before income tax</b>	<b>5,007</b>	<b>5,694</b>	-12%
Income tax	250	-1,052	-124%
<b>Profit after income tax</b>	<b>5,257</b>	<b>4,642</b>	13%

- Profit before tax in the first nine months was ISK 11.3 bn compared to 8.0 bn in the previous year
- Investment income in the first nine months increased considerably from the previous year and amounted to ISK 10.2 bn
- Investment income in Q3 amounted to 0.6 bn
- Operating income amounted to ISK 81 bn in the first nine months and ISK 35 bn in Q3
  - Sterling now consolidated
  - Increased income at Icelandair

# Balance sheet at 30 September

million ISK	30 / 09	31 / 12
<b>Assets:</b>		
Cash and cash equivalents	16,177	10,350
Securities	117,897	68,658
Restricted cash	10,227	0
Derivatives	5,959	6,341
Investments in companies	6,963	480
Tax assets	1,302	0
Inventories	1,167	876
Trade and other receivables	15,520	7,222
Operating assets	24,500	20,731
Prepaid aircraft acquisitions	12,095	14,490
Intangible assets	27,658	3,470
<b>Total assets</b>	<b>239,465</b>	<b>132,618</b>
<b>Total equity</b>	<b>112,151</b>	<b>74,443</b>
<b>Liabilities</b>		
Interest-bearing loans and borrowings	71,351	39,668
Derivatives	12,354	277
Deferred income tax liability	5,638	4,694
Pension liability	378	345
Trade and other payables	28,643	10,550
Prepaid income	8,950	2,641
<b>Total liabilities</b>	<b>127,314</b>	<b>58,175</b>
<b>Total equity and liabilities</b>	<b>239,465</b>	<b>132,618</b>

## Assets

- At 30 September the Company held ISK 16.2 bn in cash
- Investment in securities was ISK 118 bn at the end of Q3 and had increased by ISK 49 bn from the beginning of the year
- Investment in private companies increases by ISK 7 bn during the year primarily due to investment in Refresco and Unity
- The majority of the increase in intangible assets in 2006 is largely explained by goodwill in Sterling and Latcharter

## Equity

- The Group's equity at 30 September amounted to ISK 112.4 bn
- Interest bearing loans amounted to ISK 71.3 bn
- Equity ratio taking financing of pre delivery payments of aircrafts into account is 48.9%

# Investments | Shareholdings in listed companies

30 / 09 / 2006

Market value      % holding

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## Strategic investments

Glitnir	79,985	27.6%
Straumur-Burdaras	48,164	26.6%
Royal Unibrew A/S	12,426	23.8%
Bang & Olufsen A/S	10,804	11.5%
Finnair Oyj	12,246	12.0%
Aktiv Kapital ASA	5,994	13.3%

**169,619**

## Trading portfolio

**23,879**

## Other marketable securities

**3,741**

**197,239**

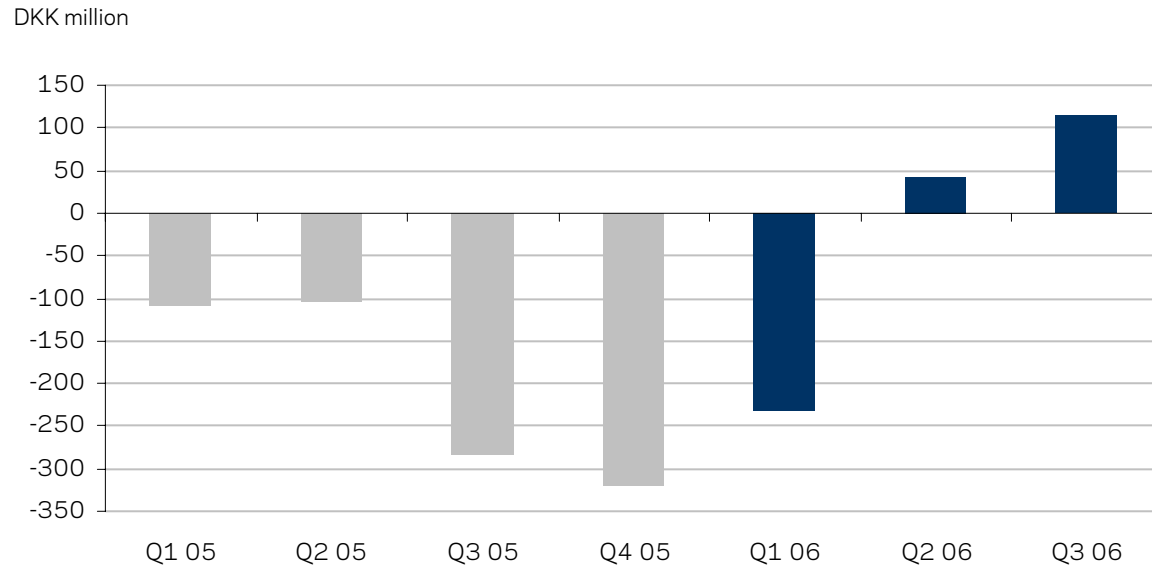
- Shareholdings in listed companies amounted to ISK 193 bn at the end of Q3 compared to ISK 149 bn at the end of Q2
- Shareholdings financed through forward contracts amounted to ISK 79.3 bn at 30 September

# Sterling | Key financial figures

<b>Sterling 9M</b>			
<b>million ISK</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
Operating income	36,462	36,293	169
Operating expenses	-36,299	-42,043	5,745
Restructuring cost	-1,040	-	-
Depreciation	-327	-147	-179
Net financial items	-198	-126	-72
Profit before income tax	-1,402	-6,024	4,622
Income tax	393	1,616	-1,224
Profit after tax	-1,009	-4,408	3,399
EBITDA w/o restructuring cost	163	-5,751	5,914

- The first 9 months were favourable and the turnaround of Sterling continues with improved results on Q3 compared to last year
  - Despite dramatic increases in fuel prices
  - A shortfall in revenue due to a warm summer in Scandinavia
  - Setbacks because of the 'Danish cartoon' incident in Denmark
  - Cost cutting has improved 2006 performance

# Sterling | EBITDA development



- Sterling has made a great improvement in EBITDA from the previous year despite restructuring costs
- Figures show a great turnaround
- Goal for the year 2006 is to achieve break-even

## ii. Significant events to date in Q4

# Sale of Icelandair Group changes FL Group's profile dramatically

- The sale of Icelandair Group which was finalised in October is of great significance to FL Group, both in financial and strategic terms
- Financial implications
  - Total equity value paid for Icelandair amounted to ISK 33.5 bn
  - Total gross profit of ISK 26 bn has been realised, of which around ISK 3 bn was realised in Q3 as Icelandair Group profits and ISK 23 bn in Q4 as profit on the sale
- Strategic implications
  - Significantly reduces exposure to the airline industry
  - Financial strength of FL Group increased for its next phase of growth
- FL Group's balance sheet has changed substantially since the end of Q3
  - Deconsolidation of Icelandair Group
  - Significant impact on the equity from the profit on the sale
  - PDP assets and PDP liabilities
- To show these changes, the company is presenting key figures for the first 10 months

# Financial update | Unaudited figures for 10 months

<u>Key figures, million ISK</u>	<u>31 / 10</u>
Profit before tax, January - October	36,056
Total assets	243,323
Total equity	131,171
Equity ratio	53.9%

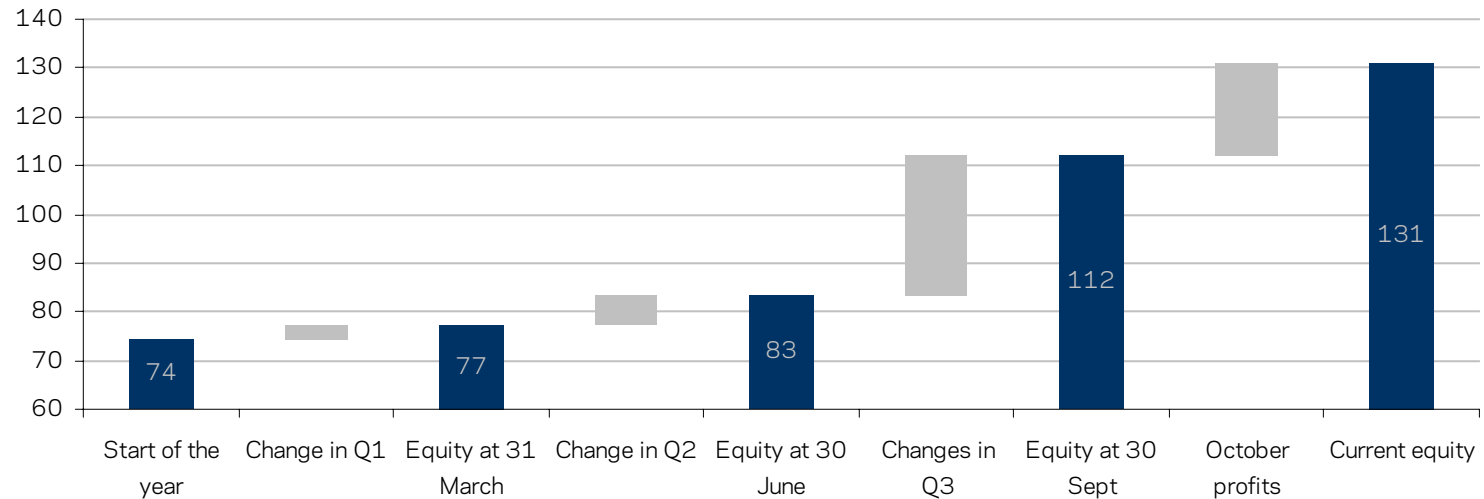
- The changes in October have been considerable, resulting in very good profits for the company
  - Profit from the sale of Icelandair Group
  - Strong increase in the value of listed securities
- According to unaudited internal figures, profit before tax in the first ten months of 2006 amounts to ISK 36 bn
- The balance sheet has changed and is very healthy
  - The sale of Icelandair Group
  - EUR 250 million financing

# Liquidity indicators

<b>Liquidity indicators (ISK bn)</b>	<b>31 / 10</b>
Total assets and forward contracts	317
Cash and listed securities	259
Proportion	81.6%
Total cash, unpledged shares and available lines	120

- Current liquidity is very high with total liquid holdings amounting to 80% of gross total assets
  - Cash
  - Holdings of securities in listed companies
- Highly liquid balance sheet gives flexibility
- Significant available and unused investment capacity

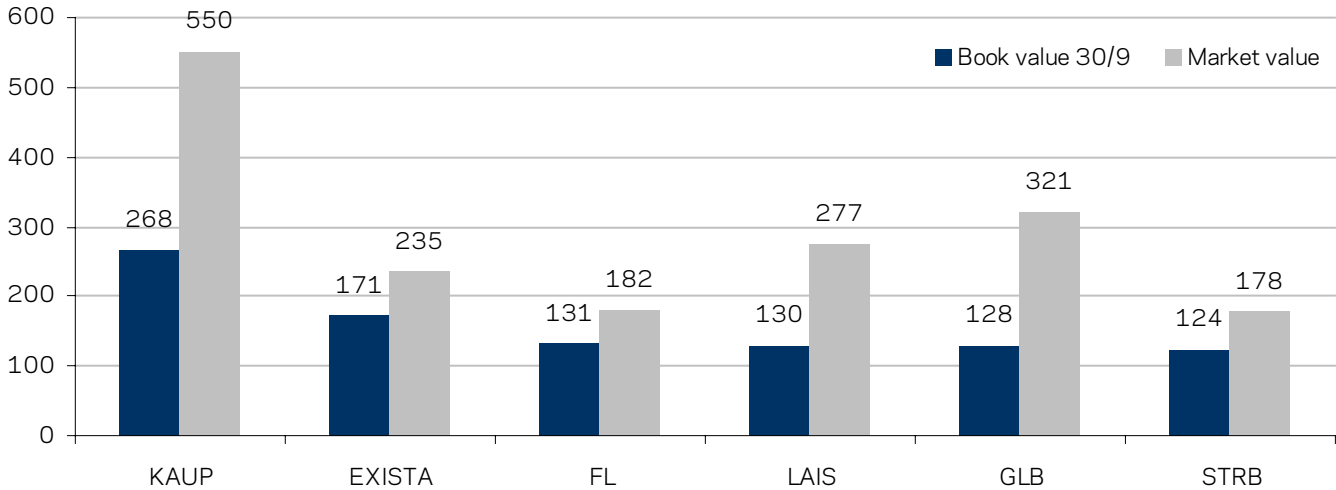
# FL Group's equity currently ISK 131 bn



- The Group's equity continues to increase and is now ISK 131 bn according to unaudited 10 month figures
- Main changes during the year:
  - New shares issued in relation to the acquisition of shares in Straumur-Burdaras
  - Profit from the sale of Icelandair Group
  - Profits from investment operations

# FL Group's equity base among the strongest on ICEX

ISK bn



Book value of equity 30/9  
FL Group's numbers as of 31/10



### iii. Summary

# Summary

- Strong results for FL Group's investment operations as well as its operating companies
  - Profit before tax in the first nine months amounted to ISK 11 bn
  - Profit before tax after ten months of 2006 amounted to ISK 36 bn
- The company's equity base is very strong with current equity of ISK 131 bn
- The company has a good cash position and liquidity
  - The sale of Icelandair Group strengthens the company's cash position
  - Long term financing of shares in Glitnir
- Considerable investment potential
  - Future prospects of the company are bright
  - Current balance sheet gives the company room for significant new investments

