



Pre-tax profits for the first nine months 2006 of ISK 11.3 billion

- Increased pre-tax profit by over 40% compared to same period last year
- New share capital issued of market value ISK 33.4 billion in Q3
- Profit before tax for January to October 2006 amounts to ISK 36.1 billion, based on unaudited 10 months accounts

The pre-tax result of FL Group for the first nine months of 2006 was ISK 11,317 million compared to ISK 8,030 million for the same period last year. After taxes the results for the period were ISK 10,978 million compared to ISK 6,575 million last year. In Q3 2006 the pre-tax result of FL Group was ISK 5,007 million compared to ISK 5,694 million in 2005. After taxes the result for Q3 2006 was ISK 5,257 million compared to ISK 4,642 million the year before. The pre-tax result from investment activities for the first nine months of 2006 was ISK 8,620 million compared to ISK 6,153 million last year.

KEY HIGHLIGHTS

- New share capital issued of market value ISK 33.4 billion in Q3
- FL Group announces participation in the acquisition of House of Fraser PLC in Q3
- Shareholding in Glitnir Bank increased to 27.6%

- Pre-tax results for the first nine months were ISK 11,317 million
- The total assets at the end of Q3 were ISK 239.5 billion, an increase of ISK 36.9 billion from end of Q2 2006
- Shareholders' equity at the end of Q3 was ISK 112.2 billion
- The equity ratio at the end of Q3 was 48.9%, after adjusting for the financing of prepayments for Boeing 737 800 aircraft
- Cash and cash equivalents amounted to ISK 16.2 billion

- The EBITDA of Icelandair Group for the first nine months of 2006 was ISK 5,720 million. Q3 EBITDA was ISK 4,421 million, in line with expectations
- The pre-tax results of Icelandair Group for the first nine months were ISK 3,939 million, and the Q3 pre-tax results were ISK 3,056 million

- The EBITDA of Sterling for the first nine months of 2006 was ISK -877 million. Excluding restructuring costs the EBITDA for the first nine months was ISK 163 million. Q3 EBITDA was ISK 1,294 million or ISK 1,525 million excluding restructuring costs
- The pre-tax result of Sterling for the first nine months was ISK -1,402 million. Excluding restructuring costs the pre-tax result for the first nine months was ISK -362 million. The pre-tax results for Q3 was ISK 1,124 million or ISK 1,355 million excluding restructuring costs

EVENTS SINCE 30 SEPTEMBER 2006

- All shares in Icelandair Group sold
- Profit before tax at 31 October 2006 amounts to ISK 36.1 billion based on unaudited 10 month accounts
- Total equity at 31 October 2006 was ISK 131.2 billion based on unaudited 10 month accounts, resulting in a 53.9% equity ratio
- Shareholding in Glitnir Bank increased to 29.3%
- FL Group signed a EUR 250 million Senior Secured Credit Facility against its position in Glitnir Bank

Hannes Smárason, CEO of FL Group hf.

"I am pleased to announce another profitable quarter for FL Group. This was an exciting quarter for the company with our active portfolio management once again proving to be resilient. The acquisition of shares in Straumur Burdaras and the subsequent share issue significantly strengthened our equity base. After the close of the quarter, we completed a successful sale of Icelandair Group, which in addition to positive funding activity provides considerable liquidity for us. The Sterling turnaround continues and we are excited about the future prospects of the company. It is therefore clear that FL Group is now heading towards interesting times with a significant war-chest."

KEY FIGURES FROM OPERATIONS

million ISK	Group		Group	
	9M 06	9M 05	Q3 06	Q3 05
Income statement				
Investment income	10.152	5.650	565	2.635
Operating income	81.182	36.838	35.212	16.774
Operating expenses	-79.169	-33.983	-29.754	-13.089
Depreciation	-848	-475	-1.016	-626
Profit before income tax	11.317	8.030	5.007	5.694
Income tax	-339	-1.455	250	-1.052
Profit for the year	10.978	6.575	5.257	4.642
			30 / 09	31 / 12
Balance sheet				
Total assets			239.465	132.618
Total liabilities			127.314	58.175
Equity			112.151	74.443

INVESTMENT ACTIVITIES

The pre-tax result of FL Group's investment activities was ISK 8,620 million for the first nine months of 2006. The after tax result for the same period was ISK 8,571 million. In Q3 2006 the pre-tax result of FL Group's investment activities was ISK 516 million and the after-tax result ISK 1,617 million.

FL Group increased its ownership in marketable securities, mostly in the domestic market with the purchase of shares in Straumur-Burdaras and increasing its shareholding in Glitnir. Total investments in marketable securities increased net in Q3 by ISK 53.3 billion. At the end of September FL Group's holding in marketable securities was ISK 197.2 billion, of which ISK 45.4 billion was in foreign shares and ISK 148.1 billion in domestic shares. Of the total portfolio ISK 79.3 billion was in forward agreements. The largest investments are in Glitnir Bank at ISK 80.0 billion and Straumur-Burdaras at ISK 48.2 billion.

Sale of Icelandair Group

FL Group announced in October the sale of all its shares in Icelandair Group. The gross profit from the sale is ISK 26 billion (based on book value of Icelandair Group at 30 June) of which around ISK 3 billion is booked in Q3. The proceeds from the sale amount to ISK 33.5 billion paid in cash. After the sale of Icelandair Group and estimated profits from investment activity in October 2006 FL Group's total equity was ISK 131.2 billion at the end of October. The sale therefore both allowed FL Group to realise considerable value from the Icelandair Group investment and gives FL Group tremendous flexibility for further investment activity.

Sterling Airlines - an EBITDA turnaround of ISK 5.9 billion

The first 9 months were favourable to Sterling Airlines. The turnaround continues with improved results in Q3 compared to last year. The EBITDA, before restructuring costs for the 9 month period, shows an improvement of ISK 5,914 million, or ISK 4,874 million including restructuring costs. This year the Q3 EBITDA before restructuring costs was ISK 1,525 million or ISK 1,294 million including restructuring costs, compared to ISK -3,283 million for the same period in 2005. This is a turnaround of ISK 4,638 million and ISK 4,557 million including restructuring costs. The turnover of Sterling in Q3 was ISK 15,811 million and ISK 36,461 million for the first 9 months.

million ISK	9M 2006 pre restruct. cost	9M 05	Change
EBITDA	163	-5.751	5.914

Sterling's EBITDA improvement in 2006 comes despite one off restructuring costs of ISK 1,040 million, thereof ISK 231 million in Q3. It is clear that the company is performing as planned, in spite of dramatic increases in fuel prices, a shortfall in revenue due to a warm summer in Scandinavia, and the setbacks because of the 'Danish cartoon' incident in Denmark where Sterling's key hub is based.

In 2005 the full year combined losses of Sterling and Maersk amounted to ISK 9,242 million. A considerable effort has gone into merging the two companies and it is expected that Sterling will around break even for 2006. For the second year running Sterling has been voted the best low cost airline serving Denmark at the Danish Travel Awards and a recent study shows that the Sterling brand is amongst the best known in Scandinavia. The outlook for the remaining of 2006 and 2007 is therefore positive.

OUTLOOK

In light of the recent sale of Icelandair Group and successful international funding activity, FL Group has today considerable liquidity which gives the company great flexibility for further investments. At the same time FL Group has very strong equity base which increases the possibility for the company to take on large investments. Ongoing work on current strategic and private equity investments is progressing very well and they all have good potentials to perform well into the future.

A presentation will be held for market participants at Nordica Hotel on Monday 13 November at 11:00 Icelandic time (GMT). Hannes Smárason, CEO of FL Group, will present the company's performance and answer questions. The presentation will be broadcasted live on the Internet. To view the webcast, log on to www.flgroup.is prior to the meeting.

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ABOUT FL GROUP

FL Group is an investment company, focusing on strategic and private equity investments as well as proprietary trading, with a particular emphasis on active participation in markets with listed securities. The Company focuses on influential investments in companies in Northern Europe on a broad basis. At end of September 2006 FL Group's total assets amounted to ISK 237 billion. FL Group is listed on the Icelandic Stock Exchange (ICEX: FL). The largest shareholders of FL Group are Eignarhaldsfélagið Oddaflug ehf. (19.8%), owned by Hannes Smáráson, CEO; Baugur Group (18.1%), Magnús Kristinsson (14.7%); Kristinn Björnsson (8.4%); Icon (5.6%) and Materia Invest (5.1%). The shareholding can in some cases be in the name of Icelandic financial institutions because of forward contracts.

ABOUT FL GROUP'S LARGEST INVESTMENTS:

Glitnir is an Nordic banking group with operations in five countries. The bank is a comprehensive financial company, providing extensive services in the field of investment banking activities, lending and general bank business. The company is listed on the Icelandic Stock Exchange.

Straumur-Burdaras Straumur-Burdaras a specialised investment bank providing investment banking and corporate banking services from Iceland, UK and Denmark. Straumur-Burdaras is listed on the Icelandic Stock Exchange.

Aktiv Kapital is a financial company, specializing in the collection of receivables. The company's activities are divided into three areas: purchase of loan portfolios that are in arrears, collection of receivables and administration of accounts. The company is listed on the Oslo Stock Exchange.

Finnair is one of the oldest airlines in the world. The company dominates the market for flights to and from Finland, flying to about 50 destinations all over the world, including key destinations in Asia. The company is listed on the Helsinki Stock Exchange.

Bang & Olufsen develops manufactures and sells high-end home entertainment sound and picture projection solutions under the company's famous brand. The company has long been in the forefront of design and quality. The company is listed on the Copenhagen Stock Exchange.

Royal Unibrew is one of the biggest beverage manufacturers in Scandinavia. The group consists of four Danish, two Lithuanian, two Polish and two Latvian beverage manufacturers. The company sells alcoholic and non-alcoholic beverages in markets in Europe, Africa and America. The company is listed on the Copenhagen Stock Exchange.