



Pre-tax profits for the first half of 2006 of ISK 6,310 million

The pre-tax results of FL Group for the first half of 2006 was ISK 6,310 million compared to ISK 2,336 million last year. After taxes the results for the period was ISK 5,721 million compared to ISK 1,933 million last year. In Q2 2006 the pre-tax results of FL Group was ISK -334 million compared to ISK 2,308 million in 2005. After taxes the results for Q2 2006 was ISK -118 million compared to ISK 1,908 million the year before. The pre tax results from investment activities for the first half of 2006 was ISK 8,104 million compared to ISK 2,624 million last year.

HIGHLIGHTS FROM THE FIRST 6 MONTHS

- Investment in 49% share in Refresco Holding in Q2
- Sale of 16.9% share in easyJet in Q2
- Investment in 24.2% share in Straumur-Burdaras Investment bank in Q2
- Establishment of subsidiaries in Denmark and UK in Q2
- Exit of certain trading stakes, including Marks & Spencer in Q2

- Pre-tax results for the first half of 2006 was ISK 6,310 million
- The total assets at the end of Q2 were ISK 202.6 billion, increasing by ISK 14.5 billion from Q1 2006
- Long position in foreign currencies resulting in significant currency gains
- Shareholders' equity at the end of Q2 was ISK 83.4 billion
- The equity ratio at end of Q2 was 44%, taking into account the financing of prepayments for 15 Boeing 737 800 aircraft
- Cash and cash equivalents amounted to ISK 20.9 billion

- For the first half of 2006 the EBITDA of Icelandair Group improved by ISK 511 million compared to 2005 ¹ and was ISK 1,299 million for the period. Q2 EBITDA was ISK 1,564 million.
- The pre-tax results of Icelandair Group was ISK 883 million, and the Q2 pre-tax results was ISK 1,560 million, significantly better than the year before.
- Net cash from operating activities by Icelandair Group in the first half of 2006 was ISK 3,857 million

- The EBITDA of Sterling for the first half of 2006 was ISK -2,178 million. Q2 EBITDA was ISK 485 million in line with expectations.
- The pre-tax result of Sterling was ISK -2,534 million. The pre-tax results for Q2 was ISK 320 million.

RECENT EVENTS

- Shareholding in Glitnir Bank increased to 24.4%
- FL Group increased share capital by ISK 33.4 billion, in relation to the purchase of 24.2% in Straumur-Burdaras. At the end of June the pro forma shareholders' equity after the increase, is ISK 118.8 billion which results in equity ratio of 52.8%, taking into account the financing of prepayments for 15 Boeing 737 800 aircraft

Hannes Smárason, CEO FL Group

"I am pleased to report a profitable first half for FL Group despite difficult market conditions and seasonality in operating companies. The first half of the year, and in particular the second quarter, was extremely turbulent in the capital markets which decreased by around 5-10% overall. Against this background, our strong results reflect the diversification of our holdings and active management both in shares and currencies.

Icelandair Group is turning in its best ever 6 months results which is a testament to our focus on profitability for 2006. The Sterling turnaround is moving according to plan while record high fuel prices and increased competition remain challenging."

¹ All 2005 figures for Icelandair Group are pro forma

KEY FIGURES FROM OPERATIONS

million ISK	Group			
	H1 06	H1 05	Q2 06	Q2 05
Income statement				
Investment income	9,587	3,015	-862	1,421
Operating income	45,970	20,064	28,404	12,248
Operating expenses	-47,878	-19,786	-27,139	-10,735
Depreciation	-1,369	-957	-736	-626
Profit before income tax	6,310	2,336	-334	2,308
Income tax	-589	-403	216	-400
Profit for the year	5,721	1,933	-118	1,908
EBITDA				
EBIT				
			30 / 06	31 / 12
Balance sheet				
Total assets			202,551	132,618
Total liabilities			119,186	58,175
Equity			83,365	74,443

INVESTMENT ACTIVITIES

The pre-tax results of FL Group's investment activities was ISK 8,104 million for the first six months of 2006. The after tax results for the same period was ISK 6,954 million. In Q2 2006 the pre-tax results of FL Group's investment activities was ISK -1,869 million and the after-tax results ISK -1,335 million.

FL Group decreased its ownership in marketable securities in international markets with the sale of shares in easyJet. Total investments in marketable securities increased net in Q2 by ISK 6.1 billion. Biggest changes in investments in marketable securities were the sale of easyJet shares, and the increase in shareholdings in Glitnir Bank. At the end of June the FL Group's holding in marketable securities was ISK 159.7 billion, of which ISK 46.3 billion was in foreign shares and ISK 102.4 billion in domestic shares. Of the total portfolio ISK 94.1 billion was in forward agreements. The largest investments are in Glitnir Bank at ISK 62.0 billion and Kaupthing Bank, ISK 28.2 billion.

By far the largest portion of FL Group's shareholdings is in Nordic markets which all decreased in Q2. The stockmarket in Iceland declined by 7.1%, Denmark by 6.1%, Finland by 10.0% and Norway by 3.9%. This resulted in negative impact on the bottom line. This, in addition to active portfolio management, was partly offset by a short ISK position as the ISK decreased by more than 10%.

FL Group announced at the end of June its acquisition of 24.2% share in Straumur-Burdaras Investment Bank for the value of more than ISK 47 billion bringing the total holding to 26,6%. The shares were paid for with a combination of FL Group's shares in Kaupthing Bank and shares in FL Group. In relation to that FL Group issued new share capital with a nominal amount of ISK 1.8 billion, at a shareprice of 18.52 equating to a market value of ISK 33.4 billion.

The investment in Straumur-Burdaras gives FL Group a leading role within in the investment bank and currently FL Group has two representatives on the Board. That gives FL Group the opportunity to participate and develop the strategy of the bank going forward. This transaction also allowed FL Group to increase its share capital by ISK 33.4 billion in a difficult equity market.

Total Shareholders' equity after the share capital increase and sale of own shares, amounts to ISK 118.8 billion and together with strong cash position gives FL Group tremendous flexibility to continue to invest in interesting projects and companies.

Share portfolio at 30/6/2006

<u>million ISK</u>	<u>Market value</u>	<u>% holding</u>
Glitnir	62.000	24,4%
Kaupthing	28.167	5,7%
Other	12.239	
	102.406	69%
Royal Unibrew	11.854	22,1%
Bang & Olufsen	11.847	11,3%
Finnair	11.205	10,8%
Aktiv Kapital	8.141	13,0%
Other	3.272	
	46.319	31%
	 148.725	

ICELANDAIR GROUP – STRONGEST FIRST HALF YEAR RESULTS IN HISTORY

The Icelandair Group's turnover for the first 6 months 2006 was ISK 24.1 billion, compared to ISK 19.6 billion the year before. EBITDA improved by ISK 511 million compared to 2005 and was ISK 1,299 million. EBIT improved by ISK 395 million compared to 2005 and was ISK 63 million.

These results clearly demonstrate the ability of the Icelandair Group to improve profits despite unfavorable external factors like the record high fuel price.

The scheduled flight operation (Icelandair) represents the main part of Icelandair Group. In Q2 2006 the number of passengers flying with Icelandair increased by 1.6% compared to same period last year and the load factor was 79.5% compared to 78.9% last year.

The outlook for continuing growth of profitability of Icelandair Group remains positive and the decision not to increase the seat capacity from last year, and focus on increasing the profitability within the current route system, is paying off.

Loftleidir Icelandic, the charter subsidiary of Icelandair Group bought majority of the shares in the Latvian charter operator Latcharter Airlines in Q2 2006 and is committed to acquire the remaining shares in the future. This investment is a part of Loftleidir Icelandic strategy to strengthen its position in the Baltic and CIS region. Latcharter Airlines was established in Latvia in 1992. In 2005 the company carried 100,000 passengers and its turnover reached EUR 17 million.

In Q2 2006 Icelandair Shared Services, one of the Icelandair Group subsidiary bought Airlines Services Estonia (ASE) which is based in Tallinn, Estonia. ASE is a specialist in airline revenue accounting. The objective with this investment is to increase the operational efficiencies and lower the cost in ticket processing and bookkeeping.

STERLING

The turnover of Sterling for the first half of the year was ISK 21.3 billion. EBITDA and EBIT were in line with management expectation, although the market environment continues to be challenging and fuel price has increased dramatically. EBITDA was ISK -2.2 billion and EBIT was ISK -2.4 billion for the six month period. In the second quarter EBITDA and EBIT were ISK 485 million and ISK 377 million respectively. Included in the figures is restructuring cost for the merger of Sterling and Maersk Air, which took place last year.

The market to and from the Nordic countries is growing despite setbacks because of the 'Danish cartoon' incident, bird flu, and global terrorism threats.

The Sterling and Maersk Air merger which was effective as of 13 September 2005 has mostly worked out according to plan and the integration of the two companies has now been concluded and the operations have been aligned.

The management of Sterling is now developing a strategy plan for the coming 3 years. The brand Sterling remains strong in all Scandinavian countries and Sterling is well known for its low prices to key European destinations. In order to accommodate its customers in Northern Denmark, Sterling will be opening a new route from Copenhagen to Ålborg as well as from Ålborg to selected European destinations.

OUTLOOK

FL Group share portfolio consists of companies which have good potentials to perform well for the rest of this year and in the future. In light of recent share capital increase and strong cash position in addition to substantial amount of liquid assets the financial strength of the company is considerable which gives room for further investments in profitable projects.

A presentation will be held for market participants at Nordica Hotel on Tuesday 15 May at 08:30 Icelandic time. 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.

LARGEST SHAREHOLDERS AS OF 11 AUGUST *

<u>Shareholder</u>	<u>%</u>
Eignarhaldsfélagið Oddaflug ehf	18,3%
Baugur Group hf.	17,8%
Magnús Kristinsson	14,7%
Kristinn Björnsson	8,4%
Icon ehf	5,6%
Materia Invest ehf	5,1%
Arion safnreikningur	4,2%
Fons Eignarhaldsfélag hf	3,7%
FL Group hf.	2,0%
Gildi -lifeyrissjóður	1,8%
Saxbygg ehf	1,0%
Lifeyrissjóðir Bankastræti 7	1,0%
Lifeyrissjóður verslunarmanna	0,9%
Sund ehf	0,5%
SJ1 ehf	0,5%
<hr/>	
Fifteen largest shareholders total	85,6%

* The shareholders list is adjusted to reflect forward agreements announced to the Icelandic Stock Exchange.

For further information please contact:

Hannes Smárason, CEO of FL Group hf.
Sveinbjörn Indriðason, CFO of FL Group hf.
Tel: +354 591 4400

Press contact UK:
Fiona Tooley
Citigate Dewe Rogerson
Mobile: +44 (0) 77 85 70 35 23
fiona.tooley@citigatedr.co.uk

Press contact Nordics:
Lars Bo Kirk
Jøp, Ove & Myrthu A/S
Tel.: +45 39 27 50 50
lbk@jom.dk
Mobile: + 45 40 54 43 40

ABOUT FL GROUP

FL Group is an investment company, focusing on strategic and private equity investments as well as asset management, 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 June 2006 FL Group's total assets amounted to ISK 202.6 billion. FL Group is listed on the Icelandic Stock Exchange (ICEX: FL).

The largest shareholders of FL Group are Eignarhaldsfélagið Oddaflug ehf. (18.3%), owned by Hannes Smáráson, CEO; Baugur Group (17.8%), 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 a 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.

Kaupthing Bank is a Nordic bank, providing comprehensive commercial and investment banking services to individuals, companies and professional investors. The bank is a leader in most fields of the Icelandic financial market and aims at being among the leading investment banks in Northern Europe. The company 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 Danish Stock Exchange.