

FL Group | First quarter results

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Investor presentation

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Overview

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Company overview and structure

About FL Group

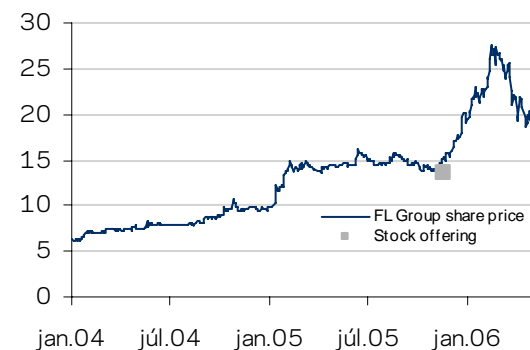
Operations

- FL Group is an investment company operating two main functions
 - Private equity investments
 - Asset management, a hedge fund-like operations with active participation on markets
 - This structure gives the flexibility to buy into listed companies
- 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
- Current core holdings are in various sectors
- Dealflow will drive further expansion in Northern Europe, particularly in Nordics and UK
- The company is listed on the Icelandic Stock Exchange
- Head office in Reykjavík, Iceland
- Operations in Copenhagen and London

FL Group on ICEX

ICEX: FL Reuters: FL.IC Bloomberg: FL IR Equity

Current share price	ISK 18.20
Market capitalisation	ISK 112 billion
Low / high 52 weeks	ISK 13.75 / 27.7
12 months turnover % of outstanding shares	100%



Investment overview

- FL Group has invested in companies in Iceland, UK, Netherlands and Nordics in various sectors since investments became the main focus:
 - Banks and financial services
 - Airlines
 - Brewery and beverages
 - Luxury retail
- Acquisition of Sterling was finalised in January

Operating companies



Strategic and trading investments



Recent developments

easyJet stake sold

- FL Group first invested in easyJet in October 2004 when a stake of 8.4% was acquired
 - An attractive investment opportunity
 - The market did not value the company correctly
 - Possible hidden value in contracts with Airbus
- Over time a 16.9% stake was accumulated making FL Group the second largest shareholder
- Having explored our options it was decided to exit the investment
 - Estimated proceeds from sale around ISK 29 billion
 - Realised profit around ISK 13 billion
 - Annual return of around 70%

Expanding the company

- Offices in Copenhagen and London have been established, giving FL Group local presence in its key markets

Invested in Refresco

- FL Group led a consortium in acquiring Refresco Holding B.V. from 3i Plc
 - FL Group 49%
 - Vifilfell and management of Refresco are among other investors
- Enterprise value of the transaction is EUR 461 million and FL Group's investment of EUR 56 million was paid in cash
- Refresco is recognised as the second largest manufacturer of private label fruit juices and soft drinks in Europe
- Strong position in a growing market
 - Historically outgrowing the market
 - Opportunities for add-on investments
- Debt underwritten by Kaupthing, SG and Fortis

Increased investment in Glitnir

- In recent weeks the company has increased its investment in Glitnir and now holds 19.9% of the company's shares

Financials Q1

Financial highlights

- Continued good profits in the first quarter of 2006, ISK 6.6 billion before tax
- Investment operations performed well in the quarter
 - Profit before tax amounted to ISK 10 billion
- Operating companies are above expectation but have seasonal losses
 - Icelandair Group: Best ever Q1 performance
 - Sterling: Results exceeded management expectations
- Strong balance sheet with equity of ISK 77 billion
- Good return on equity despite losses in operating companies, 33.8% annualised
- Strong liquidity following disposal of stake in easyJet
 - ISK 50 billion in cash and available credit lines

Group's income statement

Q1 2006 million ISK	Group Q1 2006	Group Q1 2005	%
Investment income	10,449	1,594	556%
Operating income	17,566	7,816	125%
Operating expenses	-21,371	-9,382	128%
Profit before income tax	6,644	28	nm
Income tax	-805	-3	nm
Profit for the year	5,839	25	nm

- Profit before tax in first quarter of 2006 amounted to ISK 6.6 billion, driven by investment operations
- Profit after tax amounted to ISK 5.8 billion

Group's balance sheet

million ISK	31 / 03	31 / 12
Assets:		
Cash and cash equivalents	7,812	10,350
Securities	83,699	68,658
Restricted cash	2,864	0
Derivatives	8,243	6,341
Investments in companies	3,681	480
Tax assets	1,678	0
Inventories	993	876
Trade and other receivables	15,607	7,222
Operating assets	25,269	20,731
Prepaid aircraft acquisitions	17,101	14,490
Intangible assets	21,151	3,470
Total assets	188,098	132,618

Assets

- Total assets increased by ISK 55.5 billion in Q1 and amounted to ISK 188 billion at the end of the quarter
- Net asset in marketable securities increased by ISK 15 billion in the quarter
- Investment in companies increased by ISK 3.2 billion due to investment in Marks & Spencer
- Trade and other receivables increase by ISK 8.4 billion primarily due to:
 - inclusion of Sterling into the accounts
 - seasonality in the operations
 - unpaid sale of aircraft from aircraft trading
- Prepaid aircraft acquisitions amounted to ISK 17 billion at the end of Q1, increase in the quarter primarily because of currency effect
- Intangible assets increased by ISK 17.7 billion, primarily due to the acquisition of Sterling

Group's balance sheet

million ISK	31 / 03	31 / 12
Total equity	77,383	74,443
Liabilities		
Interest-bearing loans and borrowings	62,949	39,668
Derivatives	4,499	277
Deferred income tax liability	6,275	4,694
Pension liability	342	345
Trade and other payables	23,491	10,550
Prepaid income	13,159	2,641
Total liabilities	110,715	58,175
Total equity and liabilities	188,098	132,618

Equity and liabilities

- Equity at end of Q1 was ISK 77.4 billion and increased by ISK 3 billion in the quarter
 - Issue of new shares
 - Dividend
 - Q1 profits
- Equity ratio at 31 March was 41.1% but when taking financing of prepayments into consideration the equity ratio at the end of Q1 was 45%
- Interest bearing loans and borrowings increased by ISK 23.2 billion during the quarter due to bond issue and currency effect
- Trade and other payables increased by ISK 13 billion in the quarter, of which ISK 6.3 billion is due to unpaid dividend
- Prepaid income increased by ISK 10.5 billion in the quarter

Analyst expectations

Q1 2006 million ISK	GLB	KB	LAIS	Average	Actual	Actual w/o Sterling
Revenues	19,965	15,962	19,131	18,353	17,566	9,847
EBITDA	-895	-1,786	-893	-1,191	-3,172	-759
EBIT	na	-2,986	-1,872	-2,429	-3,805	-1,296
Profit	8,537	4,931	6,231	6,566	5,839	7,680

- Analyst estimates vary greatly
- Analysts do not appear to have factored in seasonal losses at Sterling
- Taking this into account, FL Group's result is above analyst expectation - but with Sterling the result is broadly "in-line"

Investments

Investments | Financial results

Investment operation million ISK	Q1 06	Q1 05
Investment income	10,458	1,753
Operating income	0	0
Operating expenses	-485	-37
Depreciation	0	0
Profit before income tax	9,973	1,716
Income tax expense	-1,684	-314
Profit for the year	8,289	1,402

- Investment operations performed well in Q1 despite turbulent market conditions
- Investment income totalled ISK 10.5 billion
- Profit before tax amounted to ISK 10 billion
- Profit after tax amounted to ISK 8.3 billion

Investments | Shareholdings in listed companies

	31 / 03 / 2006		17 / 05 / 2006	
Domestic	Market value	Shareholdings	Market value	Shareholdings
Glitnir banki	41,520	16.2%	49,203	19.9%
Kaupþing banki	34,281	6.4%	30,394	5.8%
Other	7,868	-	3,721	-
	83,669	55%	83,319	69%
Foreign	Market value	Shareholdings	Market value	Shareholdings
easyJet	29,220	17.0%	-	-
Bang & Olufsen	10,932	10.7%	10,933	10.7%
Finnair	9,694	10.0%	8,776	10.0%
Royal Unibrew	8,212	17.9%	7,862	17.9%
Aktiv Kapital	6,144	10.3%	6,099	10.3%
Other	3,552	-	3,492	-
	67,754	45%	37,162	31%
	151,423		120,481	

- Shareholdings in listed companies increased by ISK 38 billion during Q1 and amounted to ISK 152 billion at the end of the quarter
- Shareholdings financed through forward contracts amounted to ISK 69.9 billion at 31 March
- Proceeds from easyJet sale are held in foreign currency

Operating companies

Challenges

Seasonality

Airline operations are very seasonal, where Q3 is a key quarter for the operations

Oil prices

A large expense item for airlines. Development has been unfavourable for the companies with oil and fuel prices at all time high

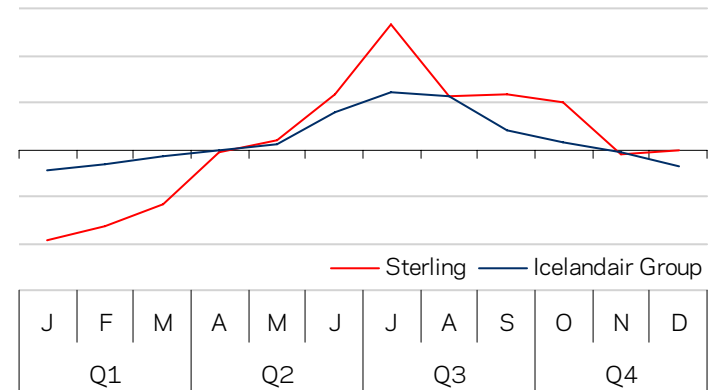
“Danish cartoon incident” and bird flu

Fewer people in Denmark travelled in the first quarter than normally because of the Danish cartoon incident and the bird flu in Europe

Competition

Competition in the industry is increasing but both Sterling and Icelandair are well positioned to compete with other companies

Airline seasonality



Jet CIF Northwest Europe



Positives

Currency development

The devaluation of the Icelandic krona in recent weeks has a positive effect on Icelandair Group's operations

Cost cutting programs

Both Icelandair Group and Sterling have been successful in cutting cost, which puts both companies in a better position with respect to competition

Improving load factors

Load factors have developed favourable. Certain actions have been taken to try to maintain good load factors

Average prices

Average price per seat increased by 14% at Sterling and has also developed favourably at Icelandair Group

ISK Currency index



Fuel hedging

Both Icelandair Group and Sterling engage in fuel hedging activity from time to time

Creating Icelandair Group

- Icelandair Group was formally formed on 1 January 2006 and on that day the company took over the operations of 14 companies from its parent company
- On the same day Icelandair Group took also over property, equipment, shares and contracts relating to aircraft trading
- Main operational focus is international aviation, scheduled flights, cargo and charter, tourism and aircraft trading.



Icelandair Group | Key financial figures

Icelandair Group Q1 06		pro forma	
million ISK	Q1 06	Q1 05	%
Operating income			
Passenger income	4,515	3,820	18%
Cargo and mail	1,040	931	12%
Charter revenue and lease	2,217	1,209	83%
Other income	1,823	1,699	7%
	9,595	7,659	25%
Operating expenses			
Salaries and related	3,840	3,623	6%
Aircraft fuel	1,654	1,203	37%
Aircraft lease	875	760	15%
Aircraft servicing, handling and communications	608	278	119%
Aircraft maintenance	695	423	64%
Other operating expenses	2,188	2,281	-4%
	9,860	8,568	15%
EBITDA	-265	-909	-71%
EBIT	-1,092	-1,460	-25%

- Operating income amounted to ISK 9.6 billion, compared with ISK 7.7 billion the previous year
- Despite its seasonal loss, first quarter was the best ever for Icelandair Group
 - EBITDA was ISK -265 million, an improvement of ISK 644 million compared to the same quarter in the previous year (pro forma)
 - EBIT was ISK -1,092 million and improved by ISK 370 million compared to the year before (pro forma)
- These results show yet again that the company continues to improve its results despite high fuel price
- The outlook for the Icelandair Group operation is therefore positive and the prospect is that the improvements will continue

- Although the first quarter brought a seasonal loss for Icelandair Group, results were better than planned
- Results show the strength of the company and its flexibility in dealing with difficult external circumstances
- The outlook for Icelandair Group is positive and we expect continued improvement in financial performance
 - Bookings in Icelandair's scheduled flights are good
 - The ISK has developed favourably for the operations
 - The focus for the summer is to increase profitability within the current route system

Sterling | Key financial figures

Sterling Q1 06	
million ISK	Q1 06
Operating income	7,719
Operating expenses	-10,133
Depreciation	-96
Net financial items	-77
Profit before income tax	-2,587
Income tax	746
Profit after tax	-1,841
EBITDA w/o restruct. cost	-1,614
EBITDA	-2,413
EBIT	-2,509

- Operating income at Sterling amounted to ISK 7.7 billion
- Similar to Icelandair Group, Sterling's loss in the first quarter is seasonal but the performance was better than expected
 - EBITDA was ISK -2.4 billion
 - EBIT was ISK -2.5 billion
 - EBITDA without restructuring cost due to the merger of Sterling and Maersk Air is ISK -1.6 billion
- The main reasons why the results exceeded the expectations are:
 - Number of passengers was 2% above expectations
 - Load factor increased by 6 pp (66% vs. 72%)
 - Average seat price increased by 14%
 - Ancillary revenues have increased substantially

Sterling | Summary and prospects

- Overall outlook is favourable, but high fuel prices are a concern
- The merger of Sterling and Maersk Air is moving according to plan
- Bookings and outlook for summer season is off to a good start
- Nordic to/from market continues to perform well
- Load factors and yields are also looking positive

Summary

Summary

- FL Group reports strong first quarter results
 - Investment activity strong despite turbulence
 - Operating companies ahead of expectations
- Financial strength and liquidity remain high
 - High equity ratio
 - Strong cash and liquid asset base
- Outlook for 2006 is optimistic
 - Actively managed portfolio
 - Operating companies performing well
 - Proceeds from Icelandair Group IPO

