



FL Group pre-tax profit in Q1 2006 of ISK 6,644 million

- Pretax profit from investment activities ISK 9,973 million -

The pre-tax profit of FL Group in Q1 2006 was ISK 6,644 million compared to ISK 28 million in 2005. After taxes the profit for the period was ISK 5,839 million compared to ISK 25 million the year before. The return on equity on annualised basis was 33.8%. The pre-tax earnings from financial activities were ISK 9,973 million while seasonal losses in operating companies excluding one-off restructuring charges at Sterling was ISK 2,530 million, including restructuring charges the loss was ISK 3,329 million.

The results highlight FL Group's focus as an investment company, specialising in strategic and private equity projects as well as hedge fund activity.

HIGHLIGHTS OF Q1 2006

- The purchase of the Danish low cost airline Sterling completed
- Ferðaskrifstofa Íslands (travel agency) and Bílaleiga Flugleiða (car rental) businesses sold
- Planned listing of Icelandair Group on the Icelandic Stock Exchange

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- The group's pre-tax profit was ISK 6.6 billion
- The total assets at the end of Q1 were ISK 188.1 billion, increasing by ISK 55.5 billion from year end
- Long positions in foreign currencies of ISK 93 billion resulting in significant currency gains
- Shareholders' equity at the end of the period was ISK 77.4 billion, and return on equity on annualised basis was 33.8%
- The equity ratio at end of Q1 was 45.0%, taking into account the financing of prepayments for 15 Boeing 737 800 aircraft

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- The EBITDA of Icelandair Group improved by ISK 644 million compared to unaudited pro forma numbers in the year before and was ISK -265 million for the period, due to seasonality
- The pre-tax results of Icelandair Group improved by ISK 368 million compared to 2005 and was ISK -677 million.

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- The EBITDA of Sterling exceeded the management expectations and was ISK -1.6 billion excluding restructuring charges, again due to seasonality. Including restructuring charges the EBITDA was ISK -2.4 billion.
- The pre-tax results of Sterling was ISK -1.8 billion. Including restructuring charges the pre-tax results was ISK -2.6 billion

RECENT EVENTS

- The value of FL Group's marketable securities on 17 May was ISK 120.5 billion
- Stake in easyJet sold in April
- 49% in Refresco acquired
- Copenhagen and London presence established
- Exit of certain trading stakes, including Marks & Spencer

Hannes Smárason, CEO of FL Group

"The first quarter results for FL Group are very strong. I am pleased to see the investment operation deliver ISK 10 billion in pre-tax profits despite the recent turbulence in Icelandic financial markets. Also, the performance of Icelandair Group is exceptional with a seasonal loss which is much lower than the year before. The Sterling turnaround is ahead of schedule and we are pleased with the progress they are making, bearing in mind the significant seasonality of the business".

KEY FIGURES FROM OPERATIONS

million ISK	Investments		Flight operation and tourism				Group	
	Q1 06	Q1 05	Icelandic Q1 06	Q1 05	Danish Q1 06	Q1 05	Q1 06	Q1 05
Income statement								
Investment income	10,458	1,753	381	-159	-77	0	10,449	1,594
Operating income	0	0	9,846	7,816	7,719	0	17,566	7,816
Operating expenses	-485	-37	-10,119	-8,803	-10,133	0	-20,738	-8,840
Depreciation	0	0	-850	-542	-96	0	-633	-542
Profit before income tax	9,973	1,716	-742	-1,688	-2,587	0	6,644	28
Income tax	-1,684	-314	133	311	746	0	-805	-3
Profit for the year	8,289	1,402	-609	-1,377	-1,841	0	5,839	25
EBITDA	-485	-37	-273	-987	-2,414	0	-3,172	-1,024
EBIT	-485	-37	-1,123	-1,529	-2,510	0	-3,805	-1,566
							31 / 03	31 / 12
Balance sheet								
Total assets							188,098	132,618
Total liabilities							77,383	74,443
Equity							110,715	58,175

INVESTMENT ACTIVITIES

The pre-tax profit of FL Group's investment activities was ISK 10 billion for the period. The after-tax profit was ISK 8.3 billion.

FL Group increased its ownership of marketable securities from the beginning of the year with special emphasis on shifting its focus to international markets. At the end of March the company's shareholdings were ISK 153.6 billion, ISK 67.8 billion of which were in foreign shares. Of the total portfolio ISK 69.9 billion were in forward agreements.

The largest investments were in Glitnir at ISK 41.5 billion, Kaupthing bank at ISK 34.3 billion and easyJet (subsequently disposed) at ISK 29.2 billion.

At the end of Q1 the parent company's currency balance was long in foreign currencies in the amount of ISK 93 billion resulting in significant currency gains.

Two subsidiaries, Ferðaskrifstofa Íslands (travel agency) and Bílaleiga Flugleiða (car rental) were sold in the period. The capital gains from the sale were ISK 1.5 billion in total.

	31 / 03 / 2006		17 / 05 / 2006	
<u>Domestic</u>	<u>Market value</u>	<u>Shareholdings</u>	<u>Market value</u>	<u>Shareholdings</u>
Glitnir banki	41,520	16.2%	49,203	19.9%
Kaupping banki	34,281	6.4%	30,394	5.8%
Other	7,868	-	3,721	-
	83,669	55%	83,319	69%
Foreign	Market value	%	M Cap	%
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%
Total	151,423		120,481	

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.

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, specialising 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.

easyJet is one of the biggest low cost airline in Europe. The company has operations in many parts of Europe, flying on 258 routes between over 70 airports in Europe. The company is listed on the London 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.

ICELANDAIR GROUP

At Icelandair Group the main operational focus is international scheduled flights, international cargo and charter flights, tourism and aircraft trading. The Icelandair Group turnover for the period was ISK 9.6 billion, compared with ISK 7.7 billion the year before (unaudited pro forma numbers). EBITDA improved by ISK 644 million compared to 2005 and was ISK -265 million. EBIT improved by ISK 368 million compared to 2005 and was ISK -1.1 billion.

These results are better than expected but are negative due to seasonality in the scheduled airline operation.

The scheduled flight operation represent the main part of the Icelandair Group business and that operation improved for the period compared to the same period last year. The number of passengers increased by 10% compared to same period last year and load factor was just over 66% which is similar to the same period last year.

The outlook for the Icelandair Group overall is positive and continued improvements are expected in financial performance. The bookings in the Icelandair scheduled flight operation for the summer are good. Icelandair has not increased seat capacity from last year and the focus is to increase the profitability within the current route system. The Icelandic market (from Iceland) is still strong and the inbound market is strengthening due to a number of factors including favorable currency fluctuations and market activities abroad. The outlook for the other companies within Icelandair Group is also positive.

STERLING

The turnover of Sterling for the period was ISK 7.7 billion reflecting growth in passengers and favorable yield development. EBITDA and EBIT exceeded the management expectation. EBITDA was ISK -2.4 billion and EBIT was ISK -2.5 billion. Included in the Sterling operation are ISK 830 million restructuring costs relating to the merger of Sterling and Maersk Air which took place last fall.

Without restructuring costs the EBITDA for the period was negative by 1.6 billion ISK.

The main reasons for the results being better than the management expectations are the following:

- Number of passengers 2% more than planned
- Load factor 6% higher than planned
- Average seat price 14% higher than planned
- Ancillary revenue substantially higher than planned

The market to and from the Nordic countries is constantly growing and despite setbacks because of the so called Danish cartoon incident, bird flu, and terrorism in Egypt, demand is still strong. The summer sales are off to a good start and the outlook for revenues and load factor are positive.

The Sterling and Maersk Air merger which was effective as of 13 September 2005 has mostly worked out according to plan. At the beginning of the merger process it was estimated that it would be a 12–18 months process to put the two businesses together, particularly given their different operating models, but most of the important operations have now been aligned.

OUTLOOK

The Icelandic stock market has decreased since the end of March which has led to a decline in domestic investments in marketable securities. On the other hand the ISK has weakened and the long position in foreign assets has resulted in considerable profit which offsets the decline in domestic shares. In addition the IPO of Icelandair Group will realize considerable profit for FL Group.

The outlook for the year are therefore positive.

A presentation will be held for market participants at Iðuhúsinu at Lækjargötu í Tunglinu, 3rd floor, on Friday, 19 May at 08:30 Icelandic time. Hannes Smárason, CEO of FL Group, will present the company's performance and answer questions. FL Group will have a web-broadcast and a conference call from the presentation. The presentation will be broadcasted live on the Internet. To view the webcast, log on to www.flgroup.is prior to the meeting. Information for those interested in listening through a teleconference will also be presented on the company's website prior to the meeting.

LARGEST SHAREHOLDERS AS OF 17 MAY *

<u>Shareholder</u>	<u>%</u>
Eignarhaldsfélagið Oddaflug ehf.	23.63%
Baugur Group	18.31%
Icon ehf.	7.30%
Materia Invest ehf	6.59%
Landsbanki Íslands hf.	5.83%
Arion safnreikningur	5.44%
Fons Eignarhaldsfélag hf.	4.82%
Gildi -lífeyrissjóður	2.54%
Straumur - Burðarás Fjárfesting	2.19%
FL Group hf.	1.74%
Saxbygg ehf	1.29%
Lífeyrissjóður verslunarmanna	1.21%
Lífeyrissjóðir Bankastræti 7	1.11%
Sjóvá-Almennar tryggingar hf	0.73%
Kaupþing banki hf	0.68%

* The shareholders list is adjusted to reflect forward agreements announced to the Icelandic Stock Exchange. Out of Landsbanki's share 4.76% stand as a hedge against a forward contract entered with Baugur Group.

ABOUT FL GROUP

FL Group is an investment company, specializing in strategic investments and transformational projects 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 the end of Q1 2006 FL Group's total assets amounted to €2.2 billion and it had an equity ratio of 45%, taking into account the financing of prepayments for 15 Boeing 737 800 aircraft

Since the beginning of 2006 FL Group has made significant investments in a number of companies, including Bang & Olufsen (10.5%) and Royal Unibrew (17%) in Denmark, Aktiv Kapital (10%) in Norway, Finnair (10%) in Finland and Glitnir (20%) in Iceland.

The principal shareholders in FL Group are Eignarhaldsfélagið Oddaflug ehf. (23.6%), owned by Hannes Smárason, CEO, Baugur Group (18.3%), Icon (7.3%) and Materia Invest (6.6%). Some of the holdings are held by Icelandic financial institutions under nominee accounts.

FL Group is listed on the Iceland Stock Exchange (ICEX: FL).

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