

FL Group | Presentation of 2005 annual results

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Highlights

- An excellent year for FL Group
 - Very good financial performance
 - The company has become a leading investment company with emphasis on private equity investments and active market participation in Northern Europe.
- Record profits for the group reflect well the changes made to the company in 2005
 - Profits primarily from investments
 - Good profits from operating companies
 - Strong balance sheet following the company's ISK 44 billion stock offering in November
- Continued good performance in 2006 with profit from investments from 1 January to 9 March amounting to approximately ISK 17.6 billion

Key figures 2005

million ISK

Profit before income tax	20.543
- from investment	18.374
- from operating companies	2.169
Profit after tax	17.251
Return on equity	55,2%
Total assets	132.618
Equity	74.443
Equity ratio *	62,9%

* Financing of prepayments taken into consideration

Group's income statement

FY 2005 million ISK	Investments	Operating companies	Group 2005	Group 2004	%
Investment income	19.794	-204	19.590	2.154	809%
Operating income	232	47.412	47.644	42.586	12%
Operating expenses	-1.652	-42.631	-44.283	-37.982	17%
Depreciation		-2.408	-2.408	-2.440	-1%
Profit before income tax	18.374	2.169	20.543	4.318	376%
Income tax expense	-2.969	-323	-3.292	-713	362%
Profit for the year	15.405	1.846	17.251	3.605	379%

- A new presentation of the company's income statement
- Investment income is above operating income
- Financial statements split between Investments and Operating companies
- First IFRS annual accounts

Group's EBITDA

EBITDA FY 05

million ISK	2005	2004	%
Operating companies	4.781	4.754	1%
Investments	-1.420	-150	847%
Group	3.361	4.604	-27%

EBITDA 4Q 05

million ISK	2005	2004	%
Operating companies	-27	-367	-
Investments	-786	-4	-
Group	-813	-371	-

Group's balance sheet

million ISK	2005	2004	%
Assets:			
Cash and cash equivalents	10.350	2.819	267%
Securities	68.658	12.912	432%
Derivatives	6.341	462	1273%
Investments in companies	480	384	25%
Inventories	876	832	5%
Trade and other receivables	7.222	5.267	37%
Operating assets	35.221	20.522	72%
Intangible assets	3.470	284	1122%
Total assets	132.618	43.482	205%

Assets

- Total assets increased by ISK 89 billion in 2005 and were ISK 133 billion at year-end 2005
- Marketable securities increased by ISK 56 billion and accounted for a large portion of the total asset increase
- Increase in intangible assets is primarily related to the purchase of Bláfugl and Flugflutningar
- Pre-payments of ISK 14 billion because of the purchase of 15 Boeing 737-800s, explains the increase in operating assets

Group's balance sheet

million ISK	2005	2004	%
Total equity	74.443	14.761	404%
Liabilities			
Interest-bearing loans and borrowings	39.668	17.355	129%
Derivatives	277	285	-3%
Deferred income tax liability	4.694	1.451	224%
Pension liability	345	191	81%
Trade and other payables	10.550	7.290	45%
Prepaid income	2.641	2.149	23%
Total liabilities	58.175	28.721	103%
Total equity and liabilities	132.618	43.482	205%

Liabilities

- Equity at year-end 2005 was ISK 74.4 billion and increased by ISK 59.6 billion during the year
- The Group's equity ratio at year-end was 56.3% but if financing of prepayments of the 15 B737-800s is taken into consideration the equity ratio is 62.9%
- Interest bearing debt is increasing because of a bond issue and financing of prepayments of the 15 B737-800s

Results above analyst expectation

FY 05						
million ISK	ISB	KB	LAIS	Average	Actual	Actual *
Revenues	47.930	46.581	46.503	47.005	47.644	47.644
EBITDA	3.953	3.137	2.822	3.304	3.361	4.561
EBIT	na	1.321	955	1.138	953	2.153
Profit	17.296	16.270	17.196	16.921	17.251	18.451
4Q 05						
million ISK	ISB	KB	LAIS	Average	Actual	Actual *
Revenues	11.092	9.743	9.665	10.167	10.805	10.805
EBITDA	196	-620	-935	-453	-394	382
EBIT		-1.059	-1.425	-1.242	-1.427	-651
Profit	10.725	9.710	10.621	10.352	10.676	11.452

* Actual numbers excluding one-off items of ISK 1.2 billion, thereof ISK 0.8 billion in 4Q

- Group results are above analyst expectation
- Both operating companies and investments performed better than analysts expected.

FL Group | Investments

A leading investment company

- After the company's share offering in November FL Group became one of the largest companies listed on ICEX
- In the offering investors paid ISK 24.5 billion in cash and ISK 19.5 billion in shares in the 10 largest listed companies on ICEX
- This proved to be very successful and created the foundation on which the company has built the investment operation of FL Group.
- FL Group has gradually built up its investment portfolio, which at 9 March had a market value of ISK 150 billion, with ISK 68 billion invested abroad. At year-end 2005 the investment portfolio had a market value of ISK 114 billion, with ISK 29 billion invested abroad



Investment operation million ISK	2005	2004	Q4 05	Q4 04
Investment income	19.794	2.560	14.043	2.264
Operating income	232	0	40	0
Operating expenses	-1.652	-150	-826	-4
Depreciation	0	0	0	0
Profit before income tax	18.374	2.410	13.257	2.260
Income tax expense	-2.969	-530	-2.042	-504
Profit for the year	15.405	1.880	11.215	1.756

- Profit before taxes in 2005 amounted to ISK 18.4 billion
- Profit after taxes amounted to ISK 15.4 billion
- Operational expenses exceptionally high because of one-off items related to structural changes within the company. One-off items amounted to ISK 1.2 billion during the year
- In the fourth quarter profit before taxes was ISK 13.3 billion
- Profit after tax amounted to ISK 11.2 billion

Investments | Prospects for the year 2006

- The year 2006 has started very well for FL Group
- 2006 investment approach
 - Profit taking on the Icelandic market
 - Only strategic holdings remain
 - Increase exposure to foreign markets
- Profit from investments from 1 January to 9 March is approximately ISK 17.6 billion
 - Continued good performance from companies in the portfolio
 - Profit from sale of operating companies
 - Increased exposure to foreign currencies and the weakening ISK
- Prospects for the year are good
 - The scheduled IPO of Icelandair Group will realise a considerable profit for FL Group
 - The current portfolio consists of companies with good potential
 - Further sale of operating companies
 - Considerable investment capacity

Investments | Shareholdings in listed companies

Portfolio on million ISK	31 December 2005		9 March 2006	
	Market value	Shareholdings	Market value	Shareholdings
Íslandsbanki	22.320	9,8%	43.792	16,1%
Kaupþing banki	31.250	6,3%	33.400	5,6%
Landsbanki Íslands	11.375	4,1%	-	-
Straumur-Burðarás	10.380	6,3%	-	-
Kögun	2.134	18,0%	-	-
Other (incl. bonds)	7.202	-	5.443	-
Total on ICEX	84.661	74%	82.634	55%
easyJet	26.697	16,2%	30.933	16,9%
Bang & Olufsen	-	-	10.650	10,5%
Finnair	-	-	8.572	9,5%
Royal Unibrew	-	-	7.878	17,0%
Aktiv Kapital	-	-	5.484	10,3%
Other	2.636	-	4.200	-
Total abroad	29.333	26%	67.717	45%
Total	113.994	100%	150.351	100%

- Company portfolio has increased by ISK 36 billion from year-end 2005 driven by capital gains and new investments abroad
- Increased exposure to foreign markets with ISK 68 billion invested in companies listed outside of Iceland
- Íslandsbanki, Kaupþing and easyJet remain our largest investments
- Table shows updated status of flagged shareholdings. Smaller shareholdings summarized in "Other"

Aircraft trading and leasing

- As previously announced FL Group signed a contract in 2005 to purchase 15 Boeing 737-800s
 - 10 aircrafts are delivered in 2006
 - 5 aircrafts delivered in 2007
- These aircrafts are not intended for the operating companies but instead the company will lease the aircrafts
 - 9 aircrafts delivered in 2006 have been leased
 - 1 aircrafts sold to third party
- The company has signed a shareholders' agreement regarding the first 9 aircrafts
 - Kaupthing Bank
 - Sojitz Aircraft Leasing
 - UFJ Aircraft Iceland (Japanese bank holding company)
- Financial income will be in line with company estimates

FL Group | Operating companies

Operating companies | Summary

- In 2005 the following were a part of the Group's operating companies:
 - Icelandair Group: Icelandair, Icelandair Cargo, IGS, ITS, Loftleidir-Icelandic
 - FL Travel Group: Flugfélag Íslands, Icelandair hotels, Iceland Travel, Íslandsferdir, Reykjavik Excursions and Hertz car rental.
 - Bláfugl: Bluebird and Blue Cargo
- Bláfugl and og Flugflutningar became a part of the Group's accounts on 16 August 2005



Operating companies | Financial results

Operating companies million ISK	2005	2004	Q4 05	Q4 04
Investment income	-204	-406	-103	-419
Operating income	47.412	42.586	10.765	8.570
Operating expenses	-42.631	-37.832	-10.792	-8.937
Depreciation	-2.408	-2.440	-614	-596
Profit before income tax	2.169	1.908	-744	-1.382
Income tax expense	-323	-183	205	397
Profit for the year	1.846	1.725	-539	-985
EBITDA	4.781	4.754	-27	-367
EBIT	2.373	2.314	-641	-963

Full year

- Revenues increased by 11% from 2004 and amounted to ISK 47.4 billion
- EBITDA increased by ISK 304 million from 2004 to 2005
- Profit before taxes in 2005 amounted to ISK 2.2 billion
- Continued strong cash flow generation, with cash from operation amounting to ISK 5.7 billion, increased by 1.4 billion

Fourth quarter

- Operating companies performed well in the fourth quarter
- EBITDA improvement by ISK 340 million
- Primarily due to sales increase from Icelandair and increased charter flights from Loftleiðir Icelandic

Operating companies | Financial results

Operating companies

million ISK	2005	2004	%
Operating income			
Passenger income	25.549	21.789	17%
Cargo and mail	3.504	3.373	4%
Charter revenue and lease	6.038	5.594	8%
Other income	12.321	11.830	4%
	47.412	42.586	11%
Operating expenses			
Salaries and related	12.117	10.536	15%
Aircraft fuel	7.149	5.582	28%
Aircraft lease	2.919	2.059	42%
Aircraft servicing, handling and communications	3.434	3.923	-12%
Other operating expenses	17.010	15.732	8%
	42.629	37.832	13%
EBITDA	4.783	4.754	1%

- Good increase in passenger income
- All income categories show healthy growth
- Salary increase due to increased operations and general wage increases
- Fuel prices have remained high
- EBITDA increases slightly from 2004

Icelandair | Passenger numbers and load factor

- Over 1.5 million passenger flew with Icelandair in 2005 - a record for the company
- Load factor for the year increased by 3pp to 77.5%
- Increased capacity and increased selling are the prime drivers of the 17.3% increase in passenger income between years
- Work continues to maximise efficiency in operations and restrain costs
- Icelandair has also continued the implementation of the new yield management system
- Outlook for 2006 is positive and we expect increased profits for the year



Sterling | Turnaround plan working well

- The acquisition of Sterling was finalised in the start of 2006 and will become a part of the Group's accounts from 1 January
- The company is currently working according to a turnaround plan following its acquisition of Maersk Air. The turnaround is working well and is scheduled to continue for a large part of 2006
- Sterling's operations in the first two months of 2006 have been better than expected and show improvement from same time last year
- Passenger numbers have grown fast, despite difficult external conditions in Denmark and Europe
- Competition is significant but Sterling is well placed to challenge it head-on



IPO of Icelandair Group

- Recently the company announced that it would apply for the listing of Icelandair Group on ICEX and sell shares in the company through a public offer
- Some changes will be made to the structure of the operating companies prior to the offering as previously announced
- The companies comprising Icelandair Group after these changes are:
Icelandair, Icelandair Cargo, Loftleidir Icelandic, Icelandair Technical Services (ITS), Icelandair Ground Services (IGS), Bláfugl, Flugflutningar, Fjárvakur, Flugfélag Íslands, Icelandair Hotels and Íslandsferdir
- Preparation for this is going according to plan and the company will make further information regarding the process available in the spring

Summary

- Record profits in 2005, pre-tax profit amounted to ISK 20.5 billion
 - Profits primarily driven by investments
 - Operating companies showed good profits and continued strong cash flow
- Group's total assets amounted to ISK 133 billion with a equity ratio of 62.9%
- At 9 March 2006 the company had a portfolio of ISK 150 billion, with ISK 68 billion invested abroad
- Profit from investments from 1 January to 9 March is approximately ISK 17.6 billion

Key figures 2005

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