

## Icelandair Group Annual Results for 2007 and Q4

- Total revenue for 2007 was ISK 63.5 billion compared to ISK 56.1 billion in 2006, an increase of 13%. Total revenue for Q4 2007 was ISK 15.3 billion compared to ISK 12.6 billion in Q4 2006, an increase of 22%
- EBITDAR for 2007 was ISK 11.1 billion compared to ISK 10.0 billion for 2006. EBITDAR Q4 for 2007 was ISK 2.1 billion compared to ISK 1.5 billion for Q4 2006.
- EBITDA for 2007 was ISK 5.5 billion compared to ISK 6.1 billion in 2006. EBITDA for Q4 2007 was ISK 515 million compared to ISK 338 million in Q4 2006.
- EBIT was ISK 2.3 billion in 2007 compared to ISK 3.3 billion in 2006, a decrease of 30%. EBIT was negative by ISK 309 million in Q4 2007 compared to a negative EBIT of ISK 394 million Q4 2006.
- Net profit in 2007 was ISK 257 million compared to a net profit of ISK 2.6 billion in 2006. Net loss of ISK 780 million in Q4 2007 compared to a net loss of ISK 550 million Q4 2006.
- Total Assets at the end of 2007 ISK 66.8 billion compared to ISK 76.6 billion at year end 2006.
- Equity ratio is 37% at the end of 2007 compared to 34% at year end 2006.
- Net cash from operating activities was ISK 3.9 billion at the end of 2007 compared to ISK 6.4 billion at the end of 2006.
- Acquisition of the Czech airline Travel Service .
- In December Björgólfur Jóhannsson was appointed CEO and Jón Karl Ólafsson left the company.

### ***Björgólfur Jóhannsson, CEO of Icelandair Group:***

The annual results of Icelandair Group in 2007 are in accordance with the forecast communicated in November. EBITDA is ISK 5.5 billion. The companies within the Group make a strong unit and its foundations are solid and diverse. Financial cost increased substantially from 2006, and it is clear that overall results will have to improve. We have the right resources, and I am very optimistic for our future.

A positive development was the in the operations of Icelandair, the biggest company within the Group, in the year 2007. The operations of Icelandair Cargo and Bluebird Cargo were below expectations but the results of Lofleiðir-Icelandic exceeded expectations. Growth characterized the Groups' operations in 2007, which was the company's first year as a publicly traded company on the OMX Nordic exchange.

Icelandair Group is off to a good start this year. Considerable renewal of the services of Icelandair will be implemented along with new aircraft interiors. Icelandair will offer slightly less capacity in 2008 and will focus tight cost control. The acquisition of Travel Service will be implemented and the synergy opportunities and more growth into Eastern and Central Europe will be emphasised.

### Financial Highlights –2007 and Q4 2007

ISK'000.000						
	Actuals Q4 07	Actuals Q4 06	% Chg.	Actuals 12M 07	Proforma 12M 06	% Chg.
Transport revenue	7.954	7.306	9%	35.949	34.954	3%
Charter revenue	4.531	2.900	56%	15.510	10.675	45%
Other	2.858	2.384	20%	12.018	10.514	14%
<b>Operating Income</b>	<b>15.343</b>	<b>12.590</b>	<b>22%</b>	<b>63.477</b>	<b>56.143</b>	<b>13%</b>
Salaries and related expenses	5.405	4.753	14%	20.008	17.761	13%
Aircraft fuel	2.470	2.259	9%	9.769	9.821	-1%
Aircraft and aircrew lease	1.955	1.328	47%	7.353	4.489	64%
Aircraft servicing, handling and navigation	1.060	959	11%	4.367	4.038	8%
Aircraft maintenance	1.638	802	104%	5.128	3.229	59%
Other	2.300	2.151	7%	11.375	10.747	6%
<b>EBITDA</b>	<b>515</b>	<b>338</b>	<b>52%</b>	<b>5.477</b>	<b>6.058</b>	<b>-10%</b>
<b>EBIT</b>	<b>-309</b>	<b>-394</b>	<b>-40%</b>	<b>2.337</b>	<b>3.326</b>	<b>-30%</b>
<b>EBT</b>	<b>-1.119</b>	<b>-757</b>	<b>27%</b>	<b>129</b>	<b>3.060</b>	<b>-96%</b>
<b>Net Profit/Loss</b>	<b>-780</b>	<b>-550</b>	<b>20%</b>	<b>257</b>	<b>2.615</b>	<b>-90%</b>
<b>EBITDAR</b>	<b>2.116</b>	<b>1.535</b>	<b>38%</b>	<b>11.055</b>	<b>10.000</b>	<b>11%</b>

### Profitability

EBITDA in 2007 was ISK 5.5 billion compared to ISK 6.1 billion in 2006. EBITDA for Q4 2007 was ISK 515 million compared to ISK 338 million in Q4 2006. EBIT was ISK 2.3 billion in 2007 compared to ISK 3.3 billion in 2006. EBIT was negative by ISK 309 million in Q4 2007 compared to being negative by ISK 394 million in Q4 2006.

**EBITDAR** is an indicator often used in the airline industry where rent is excluded from the results, in order to get a clearer picture of the operation, whereas ownership cost represents an unusually high portion of overall cost. EBITDAR in 2007 was ISK 11.1 billion compared to ISK 10.0 billion in 2006. EBITDAR for Q4 2007 was ISK 2.1 billion compared to ISK 1.5 billion for Q4 2006.

Profits for 2007 amounted to ISK 257 million compared to profits of ISK 2.6 billion in 2006. Loss in Q4 2007 was ISK 780 million compared to a loss of ISK 550 million in Q4 2006.

**Segments 2007**

ISK'000,000						
	Scheduled airline	Capacity solutions	Travel and tourism	Shared Services	Elimi- nations	Con- solidated
Segment revenue	51.519	15.670	9.296	751	13.759	63.477
Segment cost	-48.780	-13.505	-8.188	-1.286	-13.759	-58.000
<b>EBITDA</b>	<b>2.739</b>	<b>2.165</b>	<b>1.108</b>	<b>-535</b>		<b>5.477</b>
<b>EBIT</b>	<b>928</b>	<b>1.744</b>	<b>582</b>	<b>-917</b>		<b>2.337</b>
Net finance cost	-240	-477	-178	-1.254		-2.149
Share of profit of associates		-59				-59
<b>EBT</b>	<b>688</b>	<b>1.208</b>	<b>404</b>	<b>-2.171</b>		<b>129</b>
Income tax	-159	-282	-74	643		128
<b>Net Profit/Loss</b>	<b>529</b>	<b>926</b>	<b>330</b>	<b>-1.528</b>		<b>257</b>
<b>EBITDAR</b>	<b>5.938</b>	<b>3.963</b>	<b>1.689</b>	<b>-535</b>		<b>11.055</b>

**Segments Q4 2007**

ISK'000,000						
	Scheduled airline	Capacity solutions	Travel and tourism	Shared Services	Elimi- nations	Con- solidated
Segment revenue	12.232	4.773	1.662	212	3.535	15.344
Segment cost	-12.212	-4.037	-1.705	-410	-3.535	-14.829
<b>EBITDA</b>	<b>20</b>	<b>736</b>	<b>-43</b>	<b>-198</b>	<b>0</b>	<b>515</b>
<b>EBIT</b>	<b>-451</b>	<b>579</b>	<b>-187</b>	<b>-250</b>	<b>0</b>	<b>-309</b>
Net finance cost	75	-227	-132	-292	0	-576
Share of profit of associates	0	-234	0	0	0	-234
<b>EBT</b>	<b>-376</b>	<b>118</b>	<b>-319</b>	<b>-542</b>	<b>0</b>	<b>-1.119</b>
Income tax	17	-45	57	310	0	339
<b>Net Profit/Loss</b>	<b>-359</b>	<b>73</b>	<b>-262</b>	<b>-232</b>	<b>0</b>	<b>-780</b>
<b>EBITDAR</b>	<b>833</b>	<b>1.320</b>	<b>162</b>	<b>-198</b>	<b>0</b>	<b>2.116</b>

**Revenue**

Total revenue for 2007 amounted to ISK 63.5 billion compared to ISK 56.1 billion in 2006, an increase of 13%. Total revenue for Q4 2007 was ISK 15.3 billion compared to ISK 12.6 billion in Q4 2006, an increase of 22%. This revenue growth is mainly represented by internal growth of Loftleiðir-Icelandic and extensive aircraft trade. Profit accounted for by aircraft trading was, ISK 1,8 billion in 2007 but ISK 1.0 billion in 2006 respectively, amounting to an 80% increase. The introduction of new aircraft as well as more projects generated the revenue growth as well, but 8 new aircraft came into service for Loftleiðir and Latcharter in 2007. Transport revenue increased by 3% while cargo revenues were on par with 2006. More revenue was also generated from consumer sales in airports and maintenance service to 3<sup>rd</sup> parties also plays a role.

## Press Release Annual Results 2007

- **Scheduled Airline Operations** revenue were ISK 51.5 billion in 2007 compared ISK 51.1 billion in 2006 and ISK 12.2 billion for Q4 2007 compared to ISK 11.8 billion in Q4 2006.
- **Global Capacity and Aircraft trading** revenue were ISK 15.7 billion in 2007 compared to ISK 10.7 billion in 2006 and ISK 4.7 billion for Q4 2007 compared to ISK 3.0 billion in Q4 2006.
- **Travel and Tourism** revenue were ISK 9.3 billion in 2007, compared to ISK 8.7 billion in 2006 and ISK 1.7 billion for Q4 2007 compared to ISK 1.5 billion in Q4 2006.
- **Shared Services** revenue were ISK 751 million in 2007 compared to ISK 614 million in 2006, and ISK 212 million for Q4 2007 compared to ISK 148 million in Q4 2006.

### Expenses

Operating expenses amounted to ISK 58.0 billion in 2007 compared to ISK 50.1 billion in 2006. Operating expenses amounted to ISK 14.8 billion in Q4 2007 compared to ISK 12.3 billion in Q4 2006. Salaries and cost increased by 13% from 2006. The wage index increase accounts for 8.6 % of the increase. Also one-time costs occurred from the following: Jón Karl Ólafsson, CEO left the company; The tragic loss of Þórarinn Kjartansson, managing director of Bluebird; A precautionary input to account for a fine from the competition authorities towards IGS. This case will be tried in the Supreme Court later this year. Fuel prices rose during the year, but weakening of the dollar made up for the price increase. The average price per ton was USD 713 in 2007 but USD 650 in 2006, amounting to a 10% increase. Nine aircraft introduced during the year. As a result crew lease costs increased in accordance with more aircraft and projects. Maintenance costs increased extensively in 2007- the causes being again; the introduction of new aircraft and a few one-time costs such as unexpected engine renewal and inspections and write down of inventories.

- **Scheduled Airline Operations** expenses were ISK 48.8 billion in 2007 compared ISK 49.1 billion in 2006 and ISK 12.2 billion for Q4 2007 compared ISK 12.4 billion in Q4 2006.
- **Global Capacity and Aircraft trading** expenses were ISK 13.5 billion in 2007 compared to ISK 9.1 billion in 2006 and ISK 4 billion in Q4 2007 compared to ISK 2.3 billion in Q4 2006.
- **Travel and Tourism** expenses were ISK 8.2 billion in 2007 compared to ISK 7.6 billion in 2006 and ISK 1.8 billion for Q4 2007 compared to ISK 1.5 billion in Q4 2006.
- **Shared Services** expenses were ISK 1.3 billion in 2007 compared to ISK 1.0 billion in 2006, and ISK 410 million for Q4 2007 compared to ISK 222 million in Q4 2006.

### Quarterly Overview

	ISK'000.000				
	Proforma Q4 06	Actuals Q1 07	Actuals Q2 07	Actuals Q3 07	Actuals Q4 07
Transport revenue	7.306	6.315	9.686	11.994	7.954
Charter revenue	2.900	2.613	3.750	4.615	4.531
Other	2.384	2.977	2.755	3.429	2.858
<b>Operating Income</b>	<b>12.590</b>	<b>11.905</b>	<b>16.191</b>	<b>20.038</b>	<b>15.343</b>
Salaries and related expenses	4.753	4.602	5.329	4.672	5.405
Aircraft fuel	2.259	1.679	2.334	2.856	2.470
Aircraft and aircrew lease	1.328	1.436	2.416	2.832	1.955
Aircraft servicing, handling and navigation	959	738	985	1.187	1.060
Aircraft maintenance	802	1.027	836	1.239	1.638
Other	2.151	2.504	2.969	3.531	2.300
<b>EBITDA</b>	<b>338</b>	<b>-81</b>	<b>1.322</b>	<b>3.721</b>	<b>515</b>
<b>EBIT</b>	<b>-516</b>	<b>-833</b>	<b>-636</b>	<b>2.843</b>	<b>-309</b>
<b>EBT</b>	<b>-879</b>	<b>-1.541</b>	<b>270</b>	<b>2.519</b>	<b>-1.119</b>
<b>Net Profit</b>	<b>-650</b>	<b>-1.229</b>	<b>205</b>	<b>2.061</b>	<b>-780</b>
<b>EBITDAR</b>	<b>1.535</b>	<b>1.027</b>	<b>2.624</b>	<b>5.288</b>	<b>2.116</b>

## Net Finance costs

ISK'000.000	2007	2006	Diff.	Q4 2007	Q4 2006	Diff.
Finance income	339	1.086	-69%	115	447	-74%
Finance expense	-2.545	-2.025	26%	-723	-796	-9%
Currency effect	57	513	-89%	31	-83	-137%
<b>Net financial costs</b>	<b>-2.149</b>	<b>-426</b>	<b>404%</b>	<b>-576</b>	<b>-432</b>	<b>33%</b>

Net finance costs 2007 totaled ISK 2.1 billion compared to a net finance cost of ISK 426 million in 2006. Net finance costs for Q4 2007 totaled ISK 576 million compared to net finance costs of ISK 432 million for Q4 2006. Financial income decreased from 2006 by 69%. The income decrease is explained a lower cash position, payment of debt and bridge financing for aircraft trading.

The financial expenses rose by ISK 520 million in 2007 due to increased leverage. Also new bonds issued at the end of 2006 were in the Group's balance sheet the whole year 2007. And finally interests and margins on markets have risen from 2006. Unfavorable interest rate swaps of around ISK 100 million because of a SPC- for a Boeing 747 sale.

The foreign exchange rates had impact on the Group. In 2006 the ISK weakened by 22% leading to an increase of Group's foreign assets, however in 2007 the ISK strengthened by 6% leading to a decrease of assets in foreign currencies.

## Balance Sheet

ISK'000.000	31/12/07	31/12/06	Diff.
Operating Assets	22.832	22.935	0%
Intangible assets	26.846	27.845	-4%
Investment in associates	2.335	2.058	13%
Aircraft purchase prepayments	249	9.669	-97%
Long-term receivables	1.788	2.689	-34%
Cash and cash equivalents	2.006	2.776	-28%
Other current assets	10.704	8.645	24%
<b>Total assets</b>	<b>66.760</b>	<b>76.617</b>	<b>-13%</b>
Stockholders equity	25.033	26.004	-4%
Total non-current liabilities	14.174	21.967	-35%
Total current liabilities	27.553	28.646	-4%
<b>Total equity and liabilities</b>	<b>66.760</b>	<b>76.617</b>	<b>-13%</b>

Total assets at year end 2007 were ISK 66.8 billion compared to ISK 76.7 billion at the end of 2006.

The equity ratio at the end of 2007 was 37% compared to 34% at the end of 2006.

## Cash Flow

The working capital available from operations totaled ISK 1.5 billion at the end of 2007 compared to ISK 4.9 billion at year end 2006.

Net cash from operating activities was ISK 3.9 billion in 2007 compared to ISK 6.4 billion in 2006.

**Prospects for 2008**

- Icelandair Group off to a good start in 2008
- Renewal of Icelandair services and products with new aircraft interiors
- Less capacity in scheduled airline services than last year and a focus on cost and profitability
- Midtown hotels 2 – capacity increase – Hilton start
- Travel Service merged into Icelandair Group with focus on synergy and further growth in Central- and Eastern-Europe

**Approval of Financial Statements**

Icelandair Group hf. Consolidated Financial Statements for 2007 have been audited by the Company's auditors without comments.

**Briefing for investors 22 February 2008.**

An open presentation for investors, shareholders and analysts will be held Friday 22 February at **Hilton Reykjavík Nordica (room H)**. Björgólfur Jóhannsson the CEO of Icelandair Group along with the senior management will present the Company's annual results and answer questions. The presentation will start at 8:30.

**Webcast**

A presentation in English will be web-casted at 13.30 (GMT) on February 22nd at the website:

<https://icelandairgroup.webex.com/icelandairgroup/onstage/g.php?d=849403268&t=a>

Please note the password needed for the webcast: iceair

**Presentation materials**

The presentation materials will be available after the meeting on the Icelandair Group Website: [www.icelandairgroup.is](http://www.icelandairgroup.is) and in the News System of the OMX Nordic Exchange Iceland; <http://omxgroup.com/nordicexchange/>

**Financial Calendar 2008**

Annual General Meeting: Tuesday 11 March 2008

1st quarter results 2008: Tuesday 20 May 2008

2nd quarter results 2008: Tuesday 19 August 2008

3rd quarter results 2008: Tuesday 18 November 2008

Annual Results 2008: Week 9 2009

**Further Information:**

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