

*Announcement from Icelandair Group hf. 25 March 2010:*

## **Icelandair Group restructuring in final stages**

Icelandair Group hf. and its largest lenders, Íslandsbanki and Glitnir Bank hf., have reached an agreement on how it is foreseen to finalize the financial restructuring of Icelandair Group. Among other things, the restructuring will call for the involvement of other creditors in addition to lessors of aircraft used by Icelandair Group subsidiaries in their operations. Approval from a shareholders' meeting of the Group will be needed for certain aspects of the restructuring, in addition to the final approval of creditors. None of the Group's debts will be written off.

The day-to-day operation of the Group has been successful in recent months, but high financial expenses and large short-term debts have had a negative impact on the Group's position. Icelandair Group's management has been working closely with lenders in recent months on the financial restructuring of the Company with a view to strengthening its foundations. Icelandair Group has also been advised by a foreign bank having special expertise in the field of air carrier operations.

If the restructuring goes through as planned, the understanding is that domestic creditors will convert loans in the amount of approximately ISK 4.8 billion into shares. In addition, debts in the amount of ISK 7.7 billion, together with assets in a corresponding amount, will be transferred to a separate holding company to be owned by Icelandic creditors. Remaining in Icelandair Group will be assets pertaining to what the board of directors has defined as core operations. These are Icelandair, Air Iceland, Iceland Travel (Vita), Icelandair Cargo, Icelandair Hotels, Icelandair Ground Services, Loftleidir-Icelandic and Fjárvakur, in addition to the Latvian air charter company SmartLynx, which is scheduled for divestment from the Group this year.

Finally, there are plans to invite investors and the public to come with new share capital into the Company in share offerings to be held later this year, which will be launched in two stages. The first stage will take the form of a restricted tender procedure to a limited group of professional investors. This would be followed by a public offering to achieve the aim of Icelandair Group, Íslandsbanki and Glitnir of securing involvement in the Company by a broad group of investors, both professional and private. Icelandair Group has entrusted the supervision of both offers to Íslandsbanki's Corporate and Investment Banking.

According to a preliminary income statement, the total turnover of the Company in 2009 amounted to ISK 80.3 billion from current operations. Of this figure, core operations accounted for ISK 75.2 billion. Earnings before financial items, taxes and depreciation (EBITDA) amounted to ISK 8.1, billion, of which core operations accounted for ISK 7.3 billion. With the impact of the financial restructuring of the Company, the projected turnover for 2010 will amount to ISK 78.2 billion from core operations and EBITDA is projected at ISK 7.6 billion.

Enclosed is a draft of the Icelandair Group Balance Sheet at 31 December 2009 (left column) with an illustration of the impact of the proposed financial restructuring on the Balance Sheet (right column), excluding the effects of the proposed share offerings.

Balance Sheet (mISK)	Before Restructuring	After Restructuring
Operating Assets.....	27.014	31.114
Intangible assets.....	23.598	22.784
Investment in associates.....	545	545
Aircraft purchase prepayments.....	1.134	1.134
Long-term receivables .....	3.449	3.449
Assets held for sale.....	17.500	3.684
Other receivables.....	13.955	13.825
Cash and cash equivalents.....	1.909	1.922
<b>Total assets.....</b>	<b>89.104</b>	<b>78.457</b>
Stockholders equity.....	14.605	20.117
Total non-current liabilities.....	21.322	24.066
Liabilities held for sale.....	10.597	3.176
Other current liabilities.....	42.580	31.098
<b>Total equity and liabilities.....</b>	<b>89.104</b>	<b>78.457</b>
Equity ratio.....	16,4%	25,6%
Current ratio.....	0,37	0,51
Net interest bearing debt (net of cash).....	41.227	25.978

*The proceeds from share offering are not included in the balance sheet figures*

### **Björgólfur Jóhannsson, President and CEO:**

“The financial restructuring of Icelandair Group will strengthen the Company’s liquidity and equity position significantly and leave the Group better placed to deal with seasonal fluctuations in its business operations and reinforce organic growth. By selling off the assets which do not pertain to core operations, the Company has simplified its business model, and the restructured Balance Sheet places the Company in a position to return favourable operating results and meet its obligations. Icelandair Group is in the process of withdrawing from its role as an investment company to become an operating company specialising in universal tourist and air travel services.”

Owing to the restructuring process, Icelandair Group has decided to postpone the publication of its annual financial report until Week 15, and the Company’s Annual General Meeting has been scheduled for May.

*For further information, please contact:*

*Björgólfur Jóhannsson, President and CEO, tel. +354- 896 -1455*

*Bogi Nils Bogason, CEO, tel. +354-665-8801*