

*Press release from Icelandair Group hf.*

## **The Enterprise Investment Fund invests ISK 3 billion in Icelandair Group**

The Enterprise Investment Fund (Framtakssjodur Islands, FSI), an investment company owned by 16 Icelandic pension funds, today entered into a binding agreement with Icelandair Group hf. on an ISK 3 billion investment in the Group. The agreement was concluded with normal reservations regarding the results of due diligence, which the Fund will perform.

FSI will subscribe to ISK 1.2 billion in new shares at the price of 2.5, for a total of ISK 3 billion. Under the agreement, Icelandair Group undertakes to increase the company's stock by ISK 1 billion in new shares, to be sold at the same price before 31 July of this year; on the whole, the plan is to sell shares for a total of ISK 5 billion. The agreement between the two parties assumes the conversion by Icelandair Group's largest creditors of debt in the amount of ISK 3.6 billion into shares based on a share price of 5 krónur per share, which corresponds to a subscription to 720 million new shares. The total increase in share capital will thus amount to ISK 8.6 billion based on the selling price.

The financial restructuring of the company will reduce the company's debt by over ISK 10 billion through the transfer and sale of certain assets which formerly formed a part of the company's core business, as announced in a notice to the Stock Exchange last 25 March. None of the Company's debt will be written off.

The day-to-day operation of the Company has been successful in recent months, but high financial expenses and large short-term debt have had a negative impact on the Company's position. Since late 2008, Icelandair Group has been working closely with Íslandsbanki and other creditors on financial restructuring, and this agreement represents an important step forward in the direction of securing the Company's financial position. Íslandsbanki's Corporate Finance served as an advisor in the sale.

There are plans to invite investors and the public to inject new share capital into the Company in share offers to be held later this year.

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

"The financial restructuring of Icelandair Group is now in its final stages. Our agreement with FSI is an extremely important element, as the Fund will serve as a strong backer for the company in the future. We will be taking further steps to strengthen and broaden our investor base, and we are currently preparing an offer of shares to other professional investors and the general public later this year. The agreement with FSI will substantially strengthen our liquidity position, and our agreements with the Company's banks will reinforce our balance sheet still further. I am confident that our co-operation with FSI will strengthen Icelandair Group and create new opportunities for advances in the tourist sector."

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