

Loftleidir Icelandic, a subsidiary of Icelandair Group, signs contracts worth 125 million USD

Today, Loftleidir Icelandic, a subsidiary of Icelandair Group, and Yakutia Air Company in the Republic of Sakha in Siberia signed a contract for the lease of a third Boeing 757-200 aircraft. The aircraft was formerly used within the Icelandair route network, but due to worsening economic circumstances, Icelandair has shrunk its capacity. Icelandair will continue to provide maintenance service for the aircraft, supervised by Icelandair Technical Services. This is the fourth contract signed by Loftleidir Icelandic in a short period of time for the lease of aircraft to partners in four continents. The total value of these contracts is 125 million USD, and includes leasing of six aircraft, one Boeing 767-300ER and five Boeing 757-200. The shortest contract has duration of six months, and the longest is for a term of six years.

Sigþór Einarsson Deputy CEO of Icelandair Group

“The contract with Yakutia Air Company demonstrates the flexibility of Icelandair Group. When one of our companies, here Icelandair, faces demand changes, we are able to put that capacity to profitable use elsewhere in the group..

It is a great strength for Icelandair Group to have reliable business partners from different parts of the world. About 75% of our revenue comes from foreign markets, while 25% stem from the Icelandic economy. The contract backlog of Icelandair Group in the international aircraft charter and leasing markets is excellent, securing important revenue sources for the group. Loftleidir Icelandic currently has contracts for seven aircraft in various projects and has plans to add another aircraft early next year. In addition to Loftleidir Icelandic, four other Icelandair Group companies are active in the international charter and leasing markets, SmartLynx in Latvia, Travel Service in the Czech Republic, Bluebird Cargo in Iceland and Icelease.”

Guðni Hreinsson Managing Director Loftleidir Icelandic

“Under the current market conditions we are seeing increased demand for both dry and wet lease. Under dry lease terms we offer aircraft and maintenance together, and under wet lease terms we offer aircraft, crew, maintenance and insurance in a package. Airlines see the advantages of these options when they need to alter their fleet composition temporarily but are unwilling expose themselves to long-term commitments; this is especially evident when access to capital is limited. Leasing aircraft with services attached is therefore a feasible option, and Loftleidir Icelandic and Icelandair Group benefit from this trend. We are also happy to see that our determined efforts and hard work on building business relationships over the past years seems to have earned us a reputation where we are regarded a trustworthy and reliable partner for the longer term”

Summary of four contracts signed by Loftleidir Icelandic in recent weeks:

*Increased presence of Loftleidir Icelandic and Icelandair Group in Russia.* A lease for the third aircraft to Yakutia Air Company in north-eastern Siberia has been signed. The aircraft will be delivered in December this year and will remain on lease until 2013. This is the third aircraft

leased by Loftleidir to Yakutia and Icelandair Technical Services will supervise all technical work relating to the aircraft. Two of the existing contracts have been extended until 2012 and 2014.

*Contract for a widebody aircraft in Europe.* In November, a Boeing 767-300ER aircraft from Loftleidir will commence operations for Travel Service, an Icelandair Group subsidiary, from various cities in Scandinavia and Prague in the Czech Republic to Thailand and the Caribbean Islands. The contract is effective until spring 2009.

*Continuing work in Latin America.* One of Loftleidir Icelandic's long-standing partners is Santa Barbara Airlines in Venezuela. Last week, Loftleidir and Santa Barbara Airlines signed an extension of a contract for one Boeing 757-200 aircraft, with Icelandair pilots and maintenance. The aircraft will fly primarily on routes from Caracas to Europe and the United States. The contract has been extended until spring 2009.

*Robust business in Oceania.* Loftleidir Icelandic has signed a new contract with Air Niugini in Papua New Guinea for one Boeing 757-200 aircraft with maintenance services included. The contract term is effective until 2012. This contract comes after one year of co-operation between the two companies. Air Niugini have leased two aircraft that have partially been manned with Icelandic pilots.

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