



Q1 RESULTS 2007
Jón Karl Ólafsson, CEO



Agenda

- 01 First quarter highlights
- 02 Financial results
- 03 Looking ahead
- 04 Upcoming acquisition of Travel Service
- 05 Q & A

Highlights



- Operational performance as anticipated
- Investment in increased capacity by Icelandair and Loftleiðir – will continue in Q2
- Record first quarter in aircraft trading
- Revenue growth 24%
- EBITDA ISK -81 million
- Net earnings ISK -1,2 billion
- Total assets ISK 76 billion
- Equity ratio 32%
- Net operating cash ISK 686 million
- LOI signed on the purchase Travel Service, a Czech airline
- Travel Service will add 30% to Icelandair Group turnover
- Increased activity in charter operations



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EBITDA in Q1 ISK -81 million
 Improvement from Q1 2006 ISK 184 million



ISK '000,000

	Actuals Q1 07	Proforma Q1 06	Chg.
Transport revenue	6.315	5.555	14%
Aircraft and aircrew lease	2.613	2.217	18%
Other operating revenue	2.977	1.823	63%
Operating Income	11.905	9.595	24%
Salaries and related expenses	4.602	3.840	20%
Aircraft fuel	1.679	1.654	2%
Other	5.705	4.366	31%
EBITDA	-81	-265	69%
EBIT	-833	-1.132	26%
EBT	-1.541	-717	-115%
Net Profit	-1.229	-588	-109%

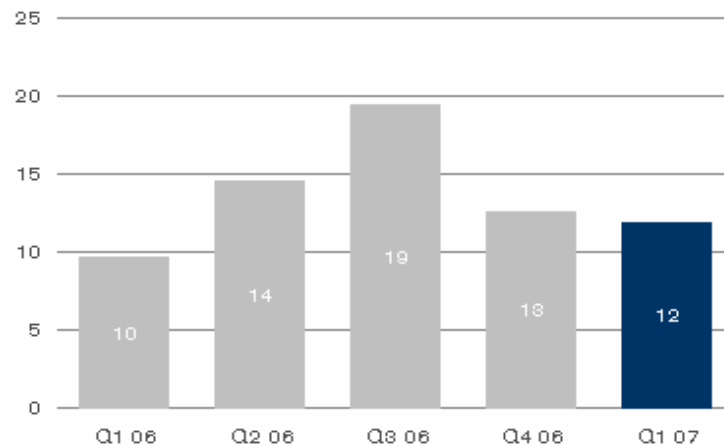
Continued seasonal fluctuations

Net financial expenses ISK 1,2 billion higher than in Q1 2006

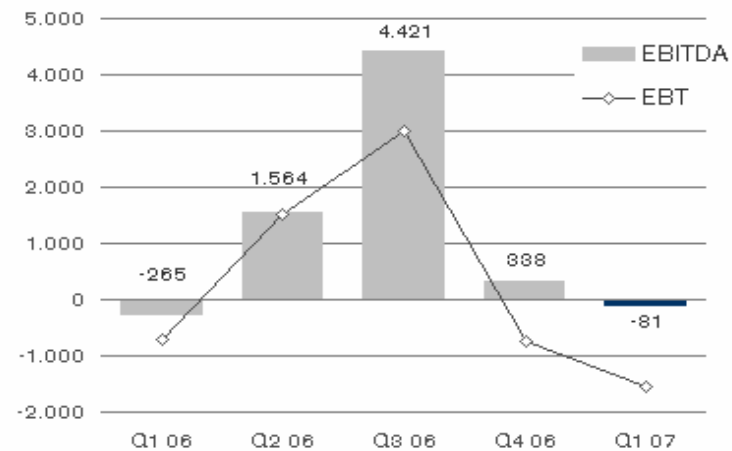
Net foreign exchange loss ISK 711 million – large foreign currency position by Icelandair

Net financial expenses ISK 464 million – new loans

Total Revenue - Quarterly Comparison
(ISK'000,000,000)



EBITDA and EBT - Quarterly Comparison
(ISK'000,000)

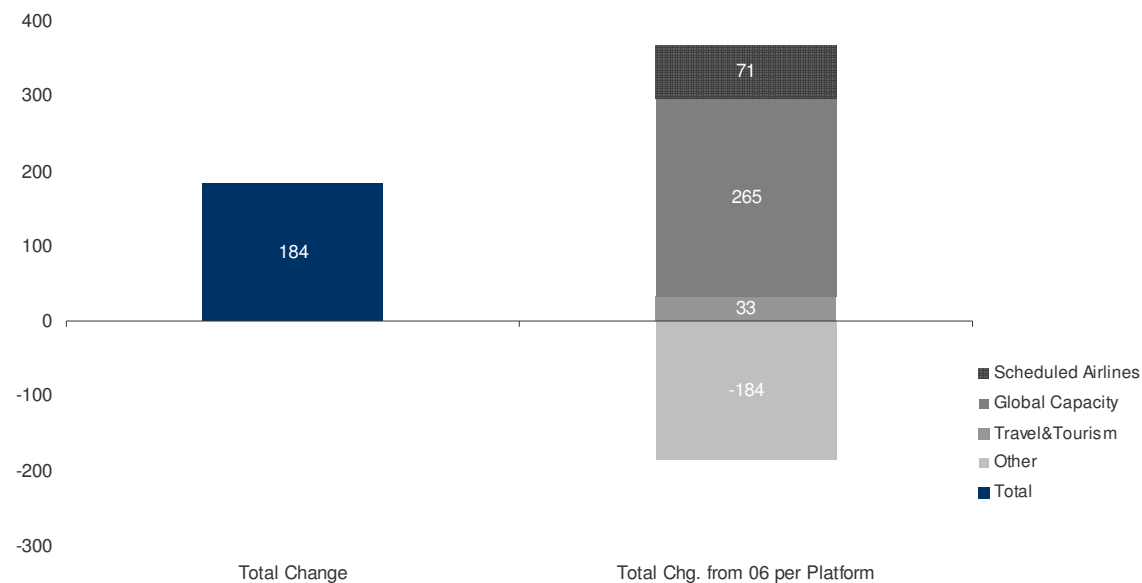


Record first quarter in aircraft trading

Improvement in EBITDA on last year ISK 184 million

Aircraft trading of 8 aircraft (Icelandair, Loftleiðir, Bluebird and Icelease)
 Total sale profit ISK 1,2 billion

Operation performance without sale profit of aircraft on budget
 Investment in increased capacity by Icelandair
 Introduction cost of 4 aircraft by Latcharter



Operation without sale profit as anticipated



Lower EBITDA year-on-year was foreseen in the budget
Capacity increase next summer in Icelandair's Network 14%
Financing of growth within Loftleidir and Latcharter

ISK '000,000

	Actuals	Budget	
	Q1 07	Q1 07	Chg.
EBITDA	-81	-1.205	1.125
Depreciaton	-752	-672	-80
EBIT	-832	-1.877	1.045
Net financial expenses	-709	-407	-302
EBT	-1.541	-2.284	743

Icelandair

Passenger revenue increases 11% from Q1 2006



Passengers down 3%

Load Factor down 0.3 % points

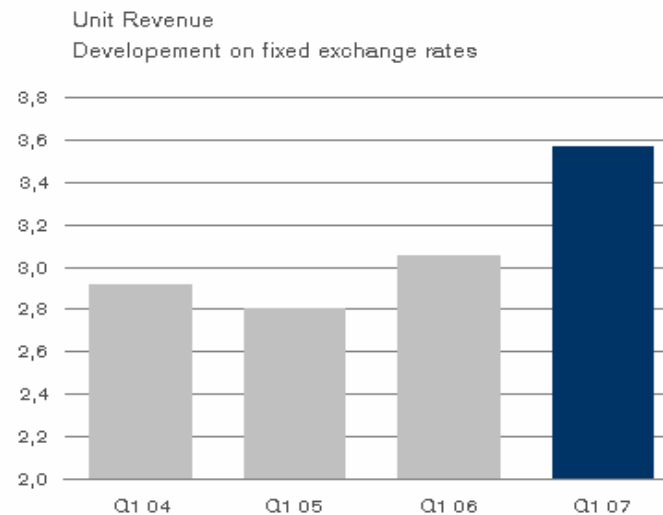
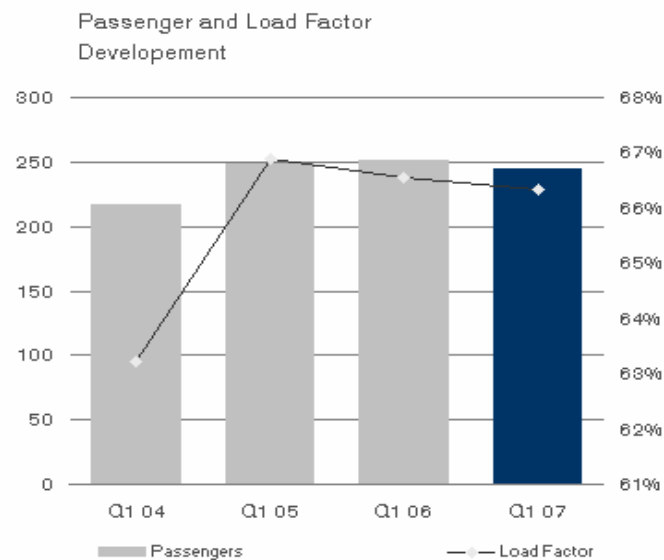
Decrease in passengers on the N-Atlantic market

Unit Price up 5% on fixed exchange rates

Better C/M mix

Better To/From/Via Mix

Favorable exchange rates



Assets ISK 76 billion

Operating Assets

Aircraft and engine reserves smaller in terms of ISK

Aircraft purchase prepayments (PDP)

5 Boeing 737 800 aircraft sold

Other current assets

Receivables from sale of aircraft ISK 12 billion

Cash and cash equivalents

Aircraft transactions affect the cash status in the end of the period.

ISK'000.000	31/03/07	31/12/08	Diff.
Operating Assets	21.606	22.935	-6%
Intangible assets	27.437	27.845	-1%
Investment in associates	2.212	2.058	7%
Aircraft purchase prepayments	252	9.669	-97%
Long-term receivables	2.632	2.689	-2%
Cash and cash equivalents	1.233	2.776	-56%
Other current assets	20.301	8.645	135%
Total Assets	75.673	76.617	-1%

Stockholders equity ISK 24 billion

Stockholders equity

Reduces by ISK 2 billion from year end 2006

- . net earnings in Q1
- . foreign currency translation differences for foreign operations

Stockholders equity ratio 32%

Liabilities

Repayments of long term bonds

Issue of short term bonds

Restructuring of long term debt is finalized

Working capital ratio 0,6

ISK'000.000	31/03/07	31/12/06	Diff.
Stockholders equity	24.051	26.004	-8%
Total non-current liabilities	17.031	21.967	-22%
Total current liabilities	34.591	28.646	21%
Total equity and liabilities	75.673	76.617	-1%

70 aircraft involved in Icelandair Group's operation
Increase of 10 aircraft from year end 2006



**Number of aircraft
in Operation**

Icelandair	12
Icelandair Cargo	5
Bluebird	6
Loftleiðir	12
Air Iceland	10
Total	45

**Number of aircraft
in Lease and Trading**

Icelease	19
Loftleiðir (Dry lease)	6
Total	25

Total number of aircraft **70**

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Looking ahead

Scheduled Airline Operations



Icelandair is expanding it's network by 14% next summer

3 new destinations introduced, Halifax, Gothenburg and Bergen - first flights begin in mid May

Late morning hub at Keflavik Airport with flights to New York and Boston begins operation at the end of May

Summer bookings improving on last year, with added capacity

Icelandair Technical Services now part of Icelandair

New Icelandair Ground Services bars and resturants opening at Leifur Eiríksson Terminal in May

Icelandair Cargo bookings and operations looking good

Looking ahead

Capacity Solutions and Aircraft Trading



Loftleidir serves a multitude of customers with 7 aircraft

Latcher operates 7 aircraft for customers like Air Malta and Virgin Nigeria, and has 2 additional aircraft on a “dry lease + maintenance”-package with two different customers

Latcher operation for Virgin Nigeria between London and Johannesburg via Lagos started in May

Further growth foreseen – good outlook for WS07/08

Icelease has orchestrated 3 sale/leaseback projects during 07, and sold 5 Boeing 737-800



Looking ahead

Travel and Tourism



An increase in the number of tourists to Iceland is foreseen

Agreement with an international hotel brand announced soon

Iceland Travel bookings for the summer promising

Air Iceland cooperation with Icelandair: Akureyri – Keflavik, Keflavik – Nuuk

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Travel Service



Icelandair Group has signed a letter of intent on the acquisition of the Czech airline Travel Service, the largest private airline in the Czech Republic.

Synergic effects in international charter and ACMI operations
Valuable Boeing 737-900 and Dreamliner orders

After the acquisition the estimated turnover of Icelandair Group for the year 2007 will be around ISK 72 billion, an increase of 30% from the year 2006. It is foreseen that the annual turnover of Icelandair Group will be over ISK 80 billion when the acquisition of Travel Service will be finalized.



Travel Service

Company Introduction



Biggest charter airline in the Czech Republic and Hungary

Fleet of 10 Boeing 737-800 and 2 Boeing 737-500

1,8 million passengers carried in 2006

550 employees

Hungarian subsidiary holding AOC

Low cost brand Smart Wings

Valuable co-operation agreements with Air Europa (Spain), Oman Air (UAE), Ural Air (Russia)

Private jet operations

Boeing 737-900ER and Boeing 787 on order

Travel Service

The Rationale



Favorable P/E ratio

Good fit to current charter, ACMI & trading activities

Potential expansion platform

Interesting side business opportunities

Business jet operation, ACMI (pax and cargo)

Valuable production slots with

Boeing B737 orders (2009)

B787 order (2013)

Travel Service Company Introduction



Low cost brand Smart Wings, owned by Travel Service operates out of Prag and Budapest to around 20 destinations in Southern Europe



Travel Service

Timeline



Signature of LOI 10th May

Due diligence has started – scheduled to take 3-5 weeks

Share Purchase Agreement (SPA) and Shareholders Agreement (SHA) to be negotiated in the meantime

Purchase of 50% June 30 2007

Purchase of 50% during 2008

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