

2007 and Q4 RESULTS
Björgólfur Jóhannsson, CEO



Icelandair Group

Icelandair Group owns and operates service companies in the airline and tourism industries. The companies are structured into three business segments:

Scheduled Airline Operations

- Icelandair
- Icelandair Cargo
- Icelandair Ground Services

Capacity Solutions and Aircraft Trading

- Loftleidir-Icelandic
- Bluebird Cargo
- LatCharter
- Travel Service
- Icelease

Travel and Tourism

- Air Iceland
- Icelandair Hotels
- Iceland Travel



Highlights in 2007

Total turnover 63.5 Billion, up 13% from 2006

EBITDA ISK 5.5 Billion

EBITDAR ISK 11 Billion

Net Profit ISK 257 Million

Total Assets ISK 67 Billion

Equity ratio 37%

Group diversification shows effect:

- Rapid growth and healthy profit in Charter, ACMI and Aircraft Trading, solid performance in the Travel and Tourism segment, while Icelandair, Icelandair Cargo and Bluebird Cargo did not meet expectations

Positive development in Icelandair passenger revenue in Q4

Acquisition of L charter completed, Travel Service joins the group

Maintenance cost is still an issue - action needed

Agenda

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03 Balance Sheet

04 Outlook

05 Q&A

Income Statement 2007

ISK'000.000			
	Actual 12M 07	Proforma 12M 06	Diff. %
Transport revenue	35.949	34.954	3%
Charter revenue	15.510	10.675	45%
Other	12.018	10.514	14%
Operating Income	63.477	56.143	13%
Salaries and related expenses	20.008	17.761	13%
Aircraft fuel	9.769	9.821	-1%
Aircraft and aircrew lease	7.353	4.489	64%
Aircraft servicing, handling and communication	4.367	4.038	8%
Aircraft maintenance	5.128	3.229	59%
Other	11.375	10.747	6%
EBITDA	5.477	6.058	-10%
EBIT	2.337	3.326	-30%
EBT	129	3.060	-96%
Net Profit	257	2.615	-90%
EBITDAR	11.055	10.000	11%

Income Statement Q4 2007



ISK'000.000			
	Actuals Q4 07	Actuals Q4 06	Diff. %
Transport revenue	7.954	7.306	9%
Charter revenue	4.531	2.900	56%
Other	2.858	2.384	20%
Operating Income	15.343	12.590	22%
Salaries and related expenses	5.405	4.753	14%
Aircraft fuel	2.470	2.259	9%
Aircraft and aircrew lease	1.955	1.328	47%
Aircraft servicing, handling and navigation	1.060	959	11%
Aircraft maintenance	1.638	802	104%
Other	2.300	2.151	7%
EBITDA	515	338	52%
EBIT	-309	-394	22%
EBT	-1.119	-757	-48%
Net Profit/Loss	-780	-550	-42%
EBITDAR	2.116	1.535	38%

Financial income and expenses

Financial income

Lower cash status in 2007 due to down payment of debt and aircraft trading during the year

Financial expense

Higher average interest bearing debt in 2007

Cost of restructuring debt and refinancing

Higher market interest rates and margins

Currency effect

Strengthening ISK has given rise to a translation loss in value of foreign denominated assets

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%
Net financial costs	-2.149	-426	404%	-576	-432	33%

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Scheduled Airline Operations



EBITDA ISK 2.7 Billion, down 744 Million from last year, up 236 Million in Q4

Improved revenue management and capacity control in Q4 partially offset revenue shortcomings from Q2 and Q3.

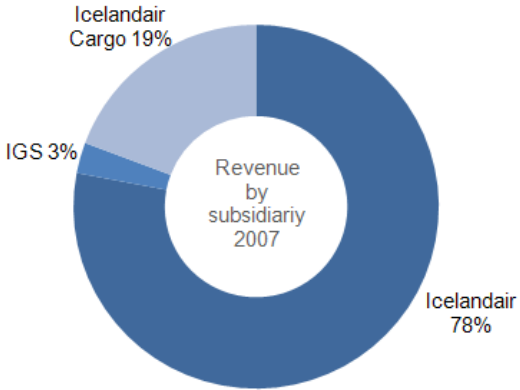
Icelandic market continues to be strong

Less export led to lower freight revenue at Icelandair Cargo

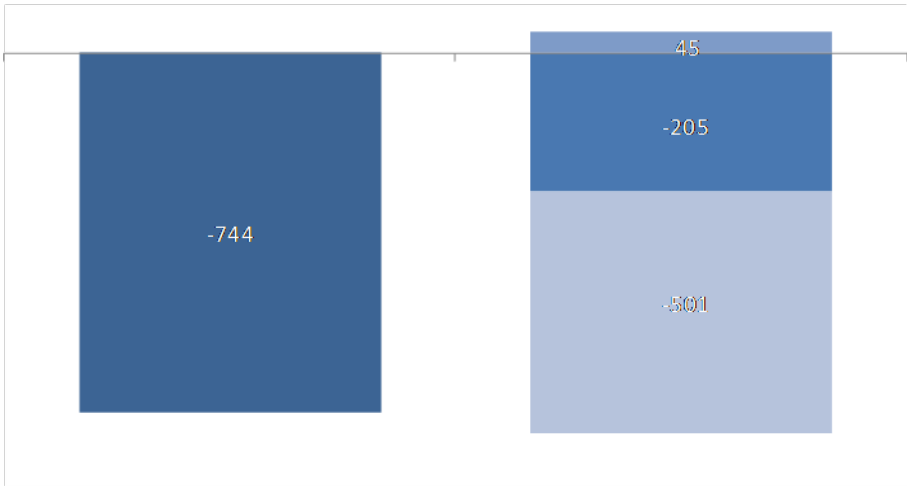
Higher maintenance cost than anticipated in network and cargo operations

ISK '000.000						
	2007	2006	Diff.	Q407	Q406	Diff.
Segment revenue	51.519	51.096	1%	12.232	11.806	4%
Segment cost	-48.780	-47.614	-2%	-12.212	-12.022	-2%
EBITDA	2.739	3.482	-21%	20	-216	109%
EBIT	928	1.948	-52%	-451	-625	28%
Net finance cost	-240	468	-151%	75	109	-31%
EBT	688	2.416	-72%	-376	-516	27%
Income tax	-159	-410	61%	17	126	-87%
Net Profit	529	2.006	-74%	-359	-390	8%
EBITDAR	5.938	6.204	-4%	833	583	43%

Scheduled Airline Operations



EBITDA



Total change from 2006 Scheduled airlines

Total change from 2006 per subsidiary

- Icelandair
- IGS
- Icelandair Cargo
- Total

* Inter business segment revenue not included

Scheduled Airline Operations

Traffic and Passengers Icelandair 2007

Number of trips up 6% from 2006

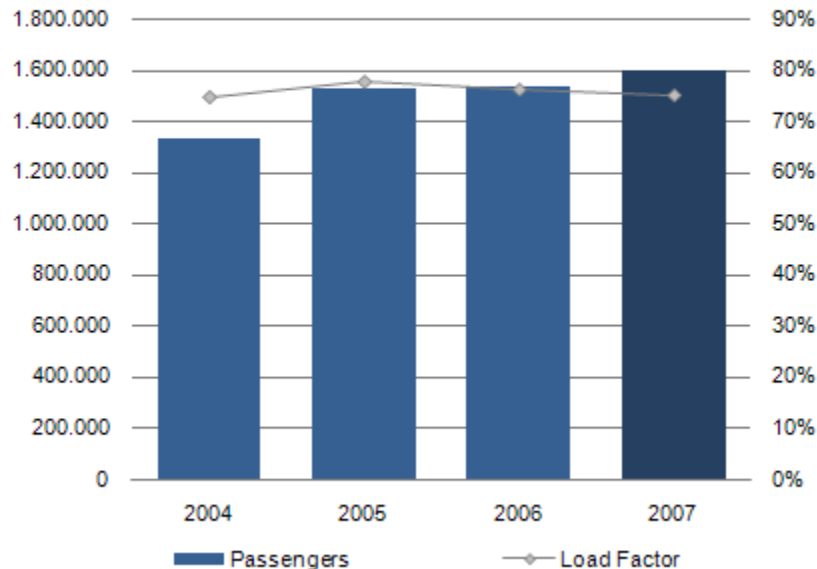
Passenger numbers up from 2006 by 4%

Load factor affected by overcapacity in the market in Q2 and Q3

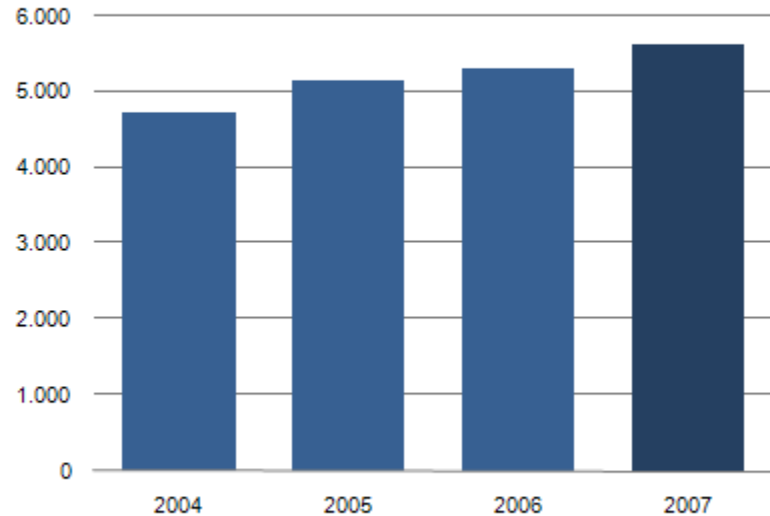
Pressure on yields especially in Q2 and Q3

Improved revenue management and capacity control in Q4

Passenger and Load Factor



Number of trips



Global Capacity Solutions and Aircraft Trading



EBITDA ISK 2.2 Billion, up 943 Million from last year

Operations

Healthy profits and growth at Latcharter and Loftleidir-Icelandic, revenue at Bluebird disappointing in Q2 and Q3

Aircraft Trading

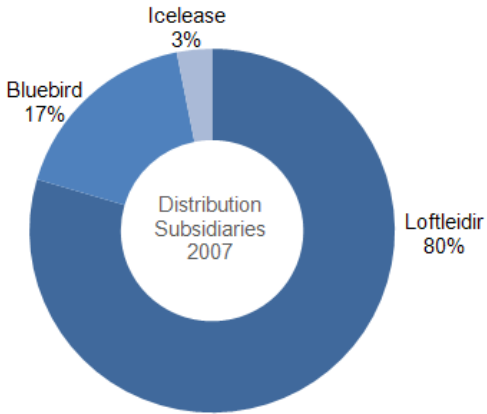
Sale profit at Loftleidir close to ISK 1 Billion, good profit in Icelease despite sale of distressed assets. Icelease trading volume ISK 36 Billion

External Growth

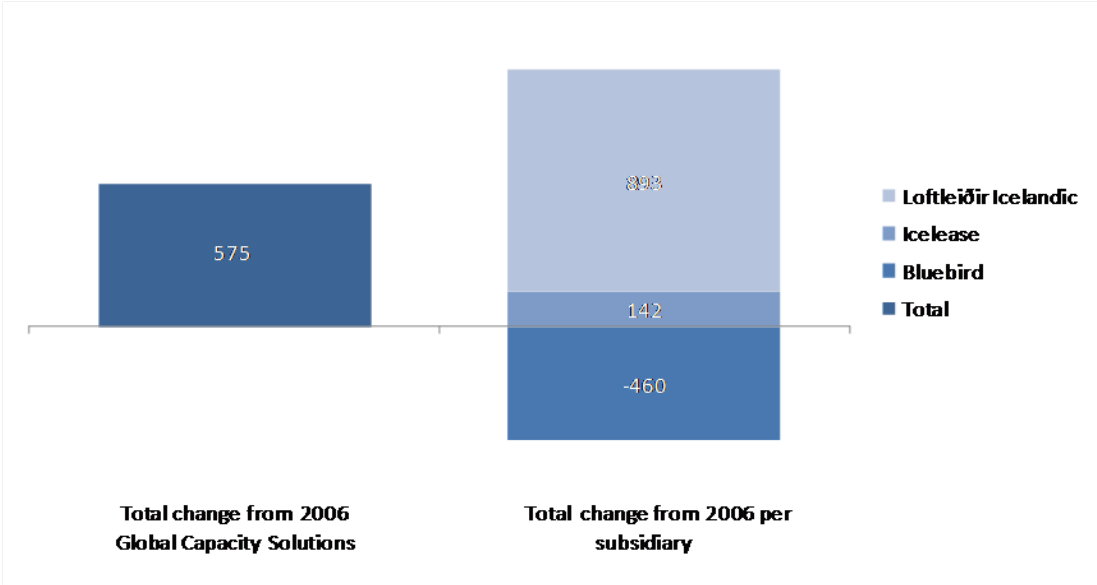
Travel Service associate member of the group as of November 1

ISK '000.000						
	2007	2006	Diff.	Q407	Q406	Diff.
Segment revenue	15.670	10.704	46%	4.773	3.033	57%
Segment cost	-13.505	-9.114	-48%	-4.037	-2.358	-71%
EBITDA	2.165	1.590	36%	736	675	9%
EBIT	1.744	1.296	35%	579	589	-2%
Net finance cost	-477	-205	-133%	-227	-113	-101%
Share of profit of associates	-59	160	-137%	-234	67	-449%
EBT	1.208	1.251	-3%	118	543	-78%
Income tax	-282	-158	-78%	-45	-52	13%
Net Profit	926	1.093	-15%	73	491	-85%
EBITDAR	3.963	2.246	76%	1.320	872	51%

Global Capacity Solutions and Aircraft Trading



EBITDA



* Inter business segment revenue not included

Travel and Tourism

EBITDA ISK 1.1 Billion, up by 23 Million from last year

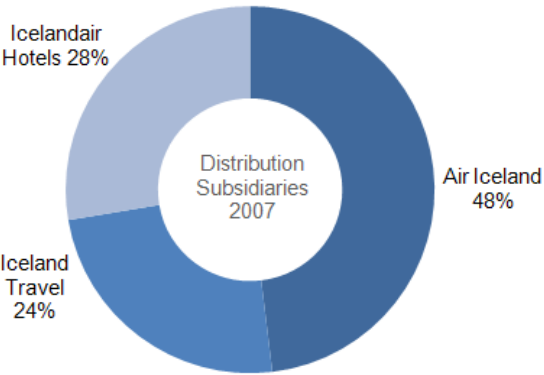
Better hotel utilization and tight cost control at Icelandair Hotels

Higher passenger revenue at Air Iceland due to more demand outweighed higher employee and fuel cost

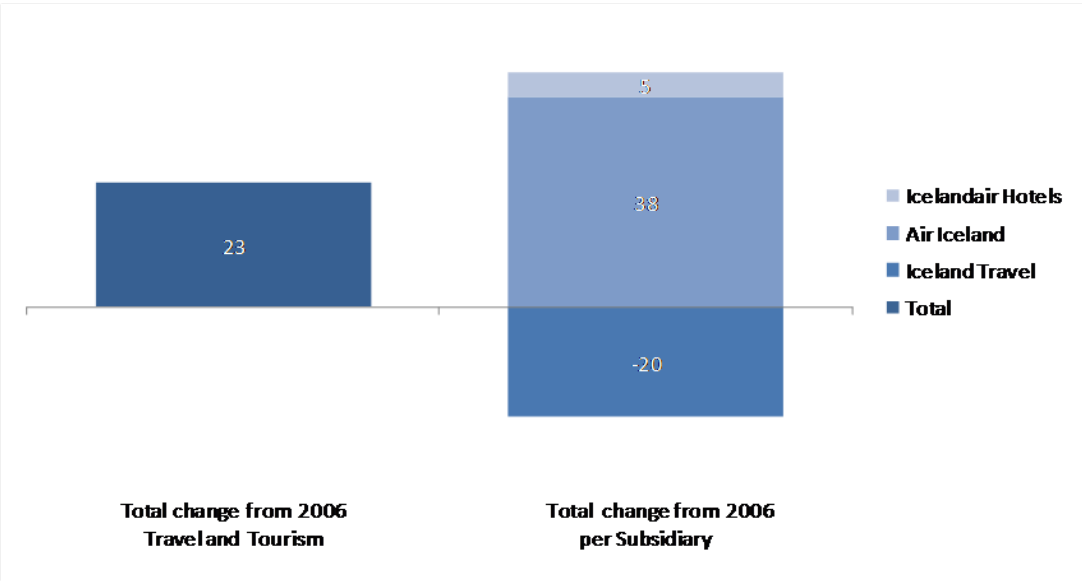
Implementation of new information systems led to higher employee cost at Iceland Travel and strong ISK led to lower profits from services

ISK '000.000						
	2007	2006	Diff.	Q407	Q406	Diff.
Segment revenue	9.296	8.756	6%	1.662	1.481	12%
Segment cost	-8.188	-7.671	-7%	-1.705	-1.526	-12%
EBITDA	1.108	1.085	2%	-43	-45	4%
EBIT	582	636	-8%	-187	-169	-11%
Net finance cost	-178	-319	44%	-132	-74	-78%
Share of profit of associates	0	0	0%	0	2	-100%
EBT	404	317	27%	-319	-241	-32%
Income tax	-74	-56	-32%	57	46	24%
Net Profit	330	261	26%	-262	-195	-34%
EBITDAR	1.689	1.649	2%	162	155	5%

Travel and Tourism



EBITDA



* Inter business segment revenue not included

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Total Assets ISK 67 Billion

Investment in associates

4 Special Purpose Companies sold

Travel Service acquisition

Aircraft purchase prepayments (PDP)

5 Boeing 737-800 aircraft sold

Cash and cash equivalents

Payments of debt and investment in aircraft affect cash status in the year end

Non-current liabilities

Restructuring of debts

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%
Total assets	66.760	76.617	-13%
Stockholders equity	25.033	26.004	-4%
Total non-current liabilities	14.174	21.967	-35%
Total current liabilities	27.553	28.646	-4%
Total equity and liabilities	66.760	76.617	-13%

Equity Ratio 37%

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- **Icelandair off to a good start in 2008**
- **Less capacity in scheduled airline services than last year and focus on cost and profitability**
- **Renewal of Icelandair services and products with new aircraft interiors**
- **Growth in hotel operations with 2 midtown hotels planned opening in 2009**
- **Travel Service merged into Icelandair Group with focus on synergy and further growth in Central- and Eastern-Europe**

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