



Earnings Release  
Reykjavík, 20 February 2007

## **Icelandair Group's results for 2006**

### **Icelandair Group Profits before Taxes ISK 3, 1 billion**

#### **Business Highlights 2006**

- Net profits before taxes (EBT) ISK 3,060 billion in 2006
- EBITDA ISK 6,058 billion in 2006
- Operating profit (EBIT) ISK 3,326 billion, up 28%
- Net earnings ISK 2,615 billion
- Total revenue ISK 56,1 billion a 23% increase from 2005
- 4Q loss of ISK 555 million
- Icelandair Group listed on ICEX on 14 December
- Icelandair the largest subsidiary with 52% of Icelandair Group's revenue.
- Equity ratio 34%
- Net operating cash 6,4 milljarðar króna
- Total Assets ISK 76, 6 billion at year end 2006

#### ***Jón Karl Ólafsson, CEO of Icelandair Group said***

"The results of the Group are very good and exceed expectations considerably. It is positive, now that the company is listed on the Iceland Stock Exchange and is publicly traded, to be able to present to new shareholders a good profit, in fact the best in the company's history. The good results can be attributed to our exceptional employees and the vast knowledge and experience, which we are able to utilize for our benefit. We expect continuous growth for the Company in the near future. General economic prospects are favorable and growth is expected in the industry. The outlook is good and we intend to even better in 2007.

## Key figures from Icelandair Groups' Operation

ISK'000.000	2006 Proforma	2005 Proforma	Chg.
Transport revenue	34.954	29.448	19%
Aircraft and aircrew lease	10.675	8.092	32%
Other operating revenue	10.514	8.054	31%
<b>Operating Income</b>	<b>56.143</b>	<b>45.595</b>	<b>23%</b>
Salaries and related expenses	17.761	15.463	15%
Aircraft fuel	9.524	7.315	30%
Other	22.800	17.863	28%
<b>EBITDA</b>	<b>6.058</b>	<b>4.953</b>	<b>22%</b>
<b>EBIT</b>	<b>3.326</b>	<b>2.591</b>	<b>28%</b>
<b>EBT</b>	<b>3.060</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Profit</b>	<b>2.615</b>	<b>N/A</b>	<b>N/A</b>

In the beginning of 2006 FL Group announced its intention to sell off Icelandair Group. The sales-process lasted, with some intermissions, the whole year and ended with the listing of the Company on ICEX on 14 December.

### Good earnings from Scheduled Airlines Operations and changes ahead

Icelandair Group Holding has defined three business platforms, the biggest being Scheduled Airline Operations with Icelandair, Icelandair Cargo, Icelandair Technical Services and Icelandair Ground Services. Total turnover in Scheduled Airlines Operations was ISK 42 billion and EBITDA was ISK 3.484 billion.

The Icelandair route network connects in Iceland flights between Iceland and Europe and Iceland and North America. The company breaks up its operation into three market segments, passengers from Iceland, passengers to Iceland and transatlantic passengers traveling via Iceland. The results for Icelandair are good in all markets but the highest growth was in passengers from Iceland. In the year 2006 Icelandair carried a total of 1.536.000 passengers which is around 1% growth from 2005 and the load factor was 76,1%, a 1,5 percentage points decrease from 2005. Transport by Icelandair Cargo increased by 13% from 2005. This increase is mainly due to more business and a better yield, in addition to favorable exchange rates.

#### *Jón Karl Ólafsson:*

"We intend to improve on the profits from Scheduled Airline Operations and we are doing a few key changes in order to do so. We have recently taken into operation a new revenue management system and have reinforced the revenue management factor. In addition to that we have made agreements to renew seats in the Icelandair fleet and have purchased a new In-flight entertainment system. Every passenger will have its access to their own monitor with entertainment and information. This will totally transform our passengers' in-flight experience. In the next weeks we will set up new operations center

for our scheduled flights to increase efficiency and service. This summer we are adding three new destinations to our route network, Halifax, Bergen and Gothenburg, and will start morning flights from Europe to Iceland and from Iceland to North America. We also see considerable growth by Icelandair Cargo, where demand has increased fast in recent years. Economic conditions on our markets are generally good and we intend to grow and increase profits in this core business of Icelandair Group”

### **Considerable growth in Global Capacity solutions and Aircraft trading**

Very fast growth characterized operations in this business platform and generated profits exceeding expectations considerably. Loftleiðir-Icelandic, Bluebird and Icelease are operated in this business platform. Loftleiðir-Icelandic acquired in mid year 2006 majority ownership in the Latvian airline Latcharter, and by that increased its business considerably. At the same time the company bought and sold two aircraft which it had leased before and redeemed considerable sales profit. Icelease received 9 new Boeing 737-800 aircraft, and delivered 6 of them to a lessee in China. 3 aircraft were sold and delivered to new owners. Bluebird Cargo bought two Boeing 737-400 aircraft which are now being altered into cargo planes. Total turnover in Capacity Solutions and Aircraft Trading was ISK 10, 7 billion and the EBITDA was ISK 1,589 billion.

#### ***Jón Karl Ólafsson:***

”We have in recent years been developing fast our knowledge base in Capacity Solutions and Aircraft Trading and see enormous growth possibilities with participation in the fast growing business in connection with aircraft trade. We intend to grow fast this year and are particularly looking to markets in Eastern Europe, Africa and Southeast Asia where we have already developed solid and good business relationships.”

### **Turnaround by Travel and Tourism Companies**

In this business platform Air Iceland, Icelandair Hotels and Iceland Travel operate. Total turnover of these companies was ISK 8, 7 billion and EBITDA was ISK 1,086 billion. The number of passengers Air Iceland carried in 2006 was 372.745 grew by 7, 4% and the operations are returning a good profit for the 5th year in a row. Considerable turnaround occurred by Icelandair Hotels and Iceland Travel, but their operations have been difficult in the past years. After reconstruction in recent years, Hotel Nordica operations came fully into account in 2006. Number of guests, room occupancy rate and restaurant revenues increased considerably. The employees have done a great job in boosting revenues, business in conferences is good. The operations of Iceland Travel were totally restructured and offices abroad were sold off.

### ***Jón Karl Ólafsson***

”It is a pleasure to see this great retroversion by Icelandair Hotels and Iceland Travel in 2006, after a few difficult years. Air Iceland continues to show good results and it is satisfying to see growth in almost all routes. We foresee continued profitability by these companies with increasing number of tourists and economic growth in Iceland”.

### **Shared services**

Fjárvakur, the financial services business of Icelandair Group, acquired in 2006 the Estonian accountancy firm ASE. The company specializes in revenue accounting for airlines.

### **About the annual account of Icelandair Group**

The annual accounts of Icelandair Group for the year 2006 show the financials of the Group after tremendous changes. In last years sale-process assets and loans from FL Group were transferred to Icelandair Group. In connection with these transfers the refinancing of debt was undertaken with profitability as an objective. In addition the book value of five Boeing 757 aircraft was altered to market value along with the ownership changes according to IRFS standards.

### **Higher profits planned in 2007**

### ***Jón Karl Ólafsson***

”Icelandair Group is a basically a new company celebrating its seventieth anniversary this year. This contradiction opens exciting opportunities which build on one hand on a modern vision regarding operations, possibilities for growth and globalization and on the other hand experience and the goodwill that pays off after solid operations for many decades. In 2007 we strive to increase and strengthen the core business, which is international scheduled airline operations with passengers and cargo, and to grow fast in the field of charter and aircraft trading. The economic situation in our main markets is good and counters very high fuel costs. We expect vast growth in the international airline business and that the number tourist here in Iceland and in the world will proliferate in the years to come. Competition is fierce in the industry but the companies within Icelandair Group are well operated and have great potential for internal and external growth. We therefore expect the year 2006 to return an even better profit than 2006 is doing.”

### **Approval of Financial Statements**

The Icelandair Group Holding Consolidated Financial Statements were approved by the Board of Directors earlier today. The statements, prepared in compliance with the International Financial Reporting Standards (IFRS) have been audited and endorsed by the Company’s auditors without comments.

**Icelandair Group-Briefing for investors on 21st of February.**

An open presentation for shareholders and investors will be held Wednesday 21 February at Hotel Nordica (room-H). Jón Karl Ólafsson the CEO of Icelandair Group will present the Company's results and answer questions. The presentation will start at 8:30

A presentation in English will be web-casted at 13.00 (GMT) at the website: <http://icelandairgroup.webex.com>

The presentation material will be available after the meeting the Icelandair Group Website: [www.icelandairgroup.is](http://www.icelandairgroup.is) and the News System of the Iceland Stock Exchange [www.icex.is](http://www.icex.is).

**Financial calendar for 2007**

Interim Statements 1Q 2007 8 May 2007

Interim Statements 2Q 2007 7 August 2007

Interim Statements 3Q 2007 13 November 2007

Interim Statements 4Q 2007 and Annual accounts week 8

**Annual General Meeting**

The annual general meeting of Icelandair Group will be held on 13 March 2007. The meeting is at Hotel Nordica and starts at 16:00.

**Further information**

Further information about the Annual accounts of Icelandair Group a provided by Jón Karl Ólafsson tel: 5050371 or Guðjón Arngrímsson VP Corporate Communications, tel: 5050393.