

## Financial Results for Q3 2007

- Net Q3 profit 2007 was ISK 2.1 billion compared to a net profit of ISK 2.6 billion in Q3 2006.
- Total revenue for Q3 2007 was ISK 20.0 billion compared to ISK 19.5 billion for Q3 2006, an increase of 3%.
- EBITDAR for Q3 2007 was ISK 5.3 billion compared to ISK 5.5 billion for Q3 2006.
- EBITDA for Q3 2007 was ISK 3.7 billion compared to ISK 4.4 billion for Q3 2006.
- EBIT was ISK 2.8 billion in Q3 2007 compared to ISK 3.7 billion in Q3 2006.
  
- Total Assets at the end of Q3 ISK 69.9 billion compared to ISK 76.6 billion at year end 2006.
- Equity ratio is 37% at the end of Q3 compared to 34% at year end 2006.
- Net operating cash ISK 3.9 billion at the end of Q3 2007 compared to ISK 6.4 billion at the end of Q3 2006.
  
- Net profit in first 9 months in 2007 was ISK 1.0 billion compared to ISK 3.2 billion in first 9 months 2006.
- Total revenue for first 9 months 2007 was ISK 48.1 billion compared to ISK 43.6 billion for first 9 months 2006, an increase of 11%.
- EBITDAR for first 9 months 2007 was ISK 8.9 billion compared to ISK 8.5 billion for first 9 months 2006.
- EBITDA for first 9 months 2007 was ISK 5.0 billion compared to ISK 5.7 billion for first 9 months 2006.
- EBIT was 2.6 billion ISK in first 9 months 2007, but was ISK 3.7 billion in the first 9 months of 2006.

### **Jón Karl Ólafsson, CEO of Icelandair Group, comments:**

"The profit of Icelandair Group in Q3 2007 is below expectations, but our EBITDA profits for the year 2007 will be one of the best in our history or 5.6 billion ISK.

We will not reach our goal of higher profits in 2007, than in 2006, the best year in the company's history. The main reasons are lower passenger revenue from increased capacity in Icelandair scheduled operations, caused by, among other things, the strong ISK and pressure on yields. Furthermore, the strong ISK also influenced export from Iceland and affected cargo revenue and the project status for cargo charter operations was worse than predicted.

There are exciting times ahead for the Group. In Q3 Icelandair Group finalized the acquisition of the Czech airline, Travel Service, and the Latvian Charter airline Latcharter, two fast growing Central-European airlines which both broaden the scope and strengthen the foundation of the Group. These two profitable airlines will operate at least 23 aircraft and with a turnover of ISK 23-25 billion account for a quarter of the Group's expected total turnover."

## Financial Highlights –Q3 and first 9 months 2007

ISK'000.000						
	Actuals	Proforma	% Chg.	Actuals	Proforma	% Chg.
	Q3 07	Q3 06		9M 07	9M 06	
Transport revenue	11.994	12.480	-4%	27.995	27.648	1%
Charter revenue	4.615	3.290	40%	10.978	7.775	41%
Other	3.429	3.707	-7%	9.161	8.130	13%
<b>Operating Income</b>	<b>20.038</b>	<b>19.477</b>	<b>3%</b>	<b>48.134</b>	<b>43.553</b>	<b>11%</b>
Salaries and related expenses	4.672	4.721	-1%	14.603	13.008	12%
Aircraft fuel	2.856	3.160	-10%	6.869	7.389	-7%
Aircraft and aircrew lease	2.832	1.460	94%	6.684	3.588	86%
Aircraft servicing, handling and comm.	1.187	1.290	-8%	2.910	2.947	-1%
Aircraft maintenance	1.239	862	44%	3.102	2.365	31%
Other	3.531	3.563	-1%	9.004	8.536	5%
<b>EBITDA</b>	<b>3.721</b>	<b>4.421</b>	<b>-16%</b>	<b>4.962</b>	<b>5.720</b>	<b>-13%</b>
<b>EBIT</b>	<b>2.843</b>	<b>3.737</b>	<b>-24%</b>	<b>2.646</b>	<b>3.720</b>	<b>-29%</b>
<b>EBT</b>	<b>2.519</b>	<b>3.014</b>	<b>-16%</b>	<b>1.248</b>	<b>3.817</b>	<b>-67%</b>
<b>Net Profit/Loss</b>	<b>2.061</b>	<b>2.507</b>	<b>-18%</b>	<b>1.037</b>	<b>3.165</b>	<b>-67%</b>
<b>EBITDAR</b>	<b>5.288</b>	<b>5.512</b>	<b>-4%</b>	<b>8.939</b>	<b>8.465</b>	<b>6%</b>

## Segments- first 9 months 2007

ISK'000.000						
	Scheduled	Capacity	Travel and	Shared	Elimi-	Con-
	airline	solutions	tourism	Services	nations	solidated
Segment revenue	33.089	10.897	7.594	531	-3.977	48.134
Segment cost	-30.370	-9.468	-6.444	-868	3.977	-43.172
<b>EBITDA</b>	<b>2.719</b>	<b>1.429</b>	<b>1.150</b>	<b>-337</b>	<b>0</b>	<b>4.962</b>
<b>EBIT</b>	<b>1.379</b>	<b>1.165</b>	<b>769</b>	<b>-667</b>	<b>0</b>	<b>2.646</b>
Net finance cost	-315	-250	-46	-962		-1.573
Share of profit of associates	0	175	0	0		175
<b>EBT</b>	<b>1.064</b>	<b>1.090</b>	<b>723</b>	<b>-1.629</b>	<b>0</b>	<b>1.248</b>
Income tax	-176	-237	-131	333		-211
<b>Net Profit/Loss</b>	<b>888</b>	<b>853</b>	<b>592</b>	<b>-1.296</b>	<b>0</b>	<b>1.037</b>
<b>EBITDAR</b>	<b>5.105</b>	<b>2.643</b>	<b>1.528</b>	<b>-337</b>	<b>0</b>	<b>8.939</b>

## Segments-Q3 2007

ISK'000.000						
	Scheduled airline	Capacity solutions	Travel and tourism	Shared Services	Elimi- nations	Con- solidated
Segment revenue	13.450	4.234	3.657	197	-1.500	20.038
Segment cost	-10.983	-3.830	-2.726	-279	1.500	-16.317
<b>EBITDA</b>	<b>2.467</b>	<b>404</b>	<b>931</b>	<b>-82</b>	<b>0</b>	<b>3.721</b>
<b>EBIT</b>	<b>1.953</b>	<b>293</b>	<b>795</b>	<b>-198</b>	<b>0</b>	<b>2.843</b>
Net finance cost	85	-60	-68	-329		-372
Share of profit of associates	0	48	0	0		48
<b>EBT</b>	<b>2.038</b>	<b>281</b>	<b>727</b>	<b>-527</b>	<b>0</b>	<b>2.519</b>
Income tax	-350	-92	-131	115		-458
<b>Net Profit/Loss</b>	<b>1.688</b>	<b>189</b>	<b>596</b>	<b>-412</b>	<b>0</b>	<b>2.061</b>
<b>EBITDAR</b>	<b>3.333</b>	<b>968</b>	<b>1.069</b>	<b>-82</b>	<b>0</b>	<b>5.288</b>

### Revenue

Total revenue for the first 9 months amounted to ISK 48.1 billion compared to ISK 43.6 billion in first nine months 2006, which is a 11% increase from last year. Total revenue for Q3 amounted to ISK 20 billion compared to ISK 19,5 billion in Q3 2006, which is a 3% increase compared to last year.

- **Scheduled Airline Operations** Revenue was ISK 33.1 billion for FIRST 9 MONTHS 2007 compared ISK 32.7 billion in FIRST 9 MONTHS 2006 and ISK 13,5 billion for Q3 2007 compared ISK 14.2 billion in Q3 2006. Passenger revenue was below plan as it did not increase in line with the capacity increase. The strong ISK also decreased export from Iceland, affecting Icelandair Cargo revenue.
- **Global Capacity and Aircraft trading** Revenue was ISK 10.9 billion for FIRST 9 MONTHS 2007 compared to ISK 7.7 billion in FIRST 9 MONTHS 2006 and ISK 4.2 billion for Q3 2007 compared to ISK 2.9 billion in Q3 2006. A big increase in Loftleidir, Latcharter operations added revenue and profits, but project status with Bluebird Cargo was weaker than expected
- **Travel and Tourism** Revenue was ISK 7.6 billion for FIRST 9 MONTHS 2007, compared to ISK 7.3 billion in FIRST 9 MONTHS 2006 and ISK 3.7 billion for Q3 2007 compared to ISK 3.8 billion in Q3 2006. Higher revenue at Icelandair Hotels due to better room utilization. Air Iceland is generating more passenger revenue due to more demand.
- **Shared Services** Revenue were ISK 531 million for FIRST 9 MONTHS 2007 compared to ISK 460 million in FIRST 9 MONTHS 2006, and ISK 197 million for Q3 2007 compared to ISK 146 million in Q3 2006.

### Operating Expenses

Operating expenses amounted to ISK 43.2 billion for FIRST 9 MONTHS 2007 compared to ISK 37.8 billion in FIRST 9 MONTHS 2006. Operating expenses amounted to ISK 16.3 billion in Q3 2007 compared to ISK 15.1 billion in Q3 2006.

- **Scheduled Airline Operations** expenses were ISK 30.4 billion for FIRST 9 MONTHS 2007 compared to ISK 29 billion in FIRST 9 MONTHS 2006 and ISK 11 billion for Q3 2007 compared to ISK 10.9 billion in Q3 2006. In addition to general cost increases this is mainly explained by higher maintenance cost both for Icelandair and Icelandair Cargo.

- **Global Capacity and Aircraft trading** expenses were ISK 9.5 billion for FIRST 9 MONTHS 2007 compared to ISK 6.8 billion in FIRST 9 MONTHS 2006 and ISK 3.8 billion for Q3 2007 compared to ISK 2.5 billion in Q3 2006. Added expenses are explained by vastly increased operations.
- **Travel and Tourism** expenses were ISK 6.4 billion for FIRST 9 MONTHS 2007 compared to ISK 6.1 billion in FIRST 9 MONTHS 2006 and ISK 2.7 billion for Q3 2007 compared to ISK 2.9 billion in Q3 2006.
- **Shared Services** expenses were ISK 868 million for FIRST 9 MONTHS 2007 compared to 483 ISK million in FIRST 9 MONTHS 2006, and ISK 279 million for Q3 2007 compared to ISK 244 million in Q3 2006.

## Quarterly Overview-Key figures

ISK'000.000					
	Proforma	Proforma	Actuals	Actuals	Actuals
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Transport revenue	12.480	7.306	6.315	9.686	11.994
Charter revenue	3.290	2.900	2.613	3.750	4.615
Other	3.707	2.384	2.977	2.755	3.429
<b>Operating Income</b>	<b>19.477</b>	<b>12.590</b>	<b>11.905</b>	<b>16.191</b>	<b>20.038</b>
Salaries and related expenses	4.721	4.753	4.602	5.329	4.672
Aircraft fuel	3.160	2.135	1.679	2.334	2.856
Aircraft and aircrew lease	1.460	1.619	1.436	2.416	2.832
Aircraft maintenance	862	746	1.027	836	1.239
Other	4.853	2.999	3.242	3.954	4.718
<b>EBITDA</b>	<b>4.421</b>	<b>338</b>	<b>-81</b>	<b>1.322</b>	<b>3.721</b>
<b>EBIT</b>	<b>3.739</b>	<b>-396</b>	<b>-833</b>	<b>636</b>	<b>2.843</b>
<b>EBT</b>	<b>3.016</b>	<b>-759</b>	<b>-1.541</b>	<b>270</b>	<b>2.519</b>
<b>Net Profit</b>	<b>2.508</b>	<b>-551</b>	<b>-1.229</b>	<b>205</b>	<b>2.061</b>
<b>EBITDAR</b>	<b>5.512</b>	<b>1.535</b>	<b>1.027</b>	<b>2.624</b>	<b>5.288</b>

### Finance costs

Net finance costs for FIRST 9 MONTHS 2007 totaled ISK 1.6 billion compared to a net finance income of ISK 6 million in FIRST 9 MONTHS 2006. Net finance costs for Q3 2007 totaled ISK 372 million compared to a cost of ISK 747 million for Q3 2006. These costs are represented by high interest cost on additional loans taken for financing and investment, higher interest rates and higher margins. The foreign exchange rates had a heavy impact on the group, whereas the Icelandic Krona strengthened by 8.5% in 2007 compared to a weakening of 17% during the same period in 2006.

### Profitability

EBITDA for FIRST 9 MONTHS 2007 was ISK 5 billion compared to ISK 5.7 billion in FIRST 9 MONTHS 2006. EBITDA for Q3 2007 was ISK 3.7 billion compared to ISK 4.4 billion in Q3 2006. EBIT for FIRST 9 MONTHS 2007 was ISK 2.6 billion compared to ISK 3.7 billion for FIRST 9 MONTHS 2006. EBIT was ISK 2.8 million in Q3 2007 compared to ISK 3.7 billion in Q3 2006.

EBITDAR for FIRST 9 MONTHS 2007 was ISK 8.9 billion compared to ISK 8.5 billion for FIRST 9 MONTHS 2006. EBITDAR for Q3 2007 was ISK 5.3 billion compared to ISK 5.5 billion for Q3 2006. EBITDAR is an indicator often used in the airline industry where rent is excluded from the results in order to get a clearer picture of the operations themselves.

Profit for FIRST 9 MONTHS 2007 amounted to ISK 1 billion compared to a profit of ISK 3,2 billion for FIRST 9 MONTHS 2006. Profit for Q3 2007 was ISK 5,3 billion compared to a profit of ISK 5,5 billion.

### **Balance Sheet**

Total assets increased to ISK 69,9 billion at the end of the first 9 months 2007 from ISK 76,6 billion at the end of 2006. Net operating cash was ISK 3.9 billion at the end of Q3 2007 compared to ISK 6.4 billion at the end of Q3 2006.

The equity ratio at the end of FIRST 9 MONTHS 2007 was 37% compared to 34% at the end of 2006.

### **Cash Flow**

The working capital available from operations totaled ISK 2 billion at the end of FIRST 9 MONTHS 2006 compared to ISK 5.1 billion at year end 2006. Operating assets and liabilities decreased from ISK 76,6 billion at year end 2006 to ISK 69,9 billion at end of FIRST 9 MONTHS.

### **Q3 activities**

#### **Travel Service acquisition**

Icelandair Group finalized the acquisition of the Czech airline Travel Service in the quarter following a due diligence process. The agreement was then confirmed by the Czech Competition Office on November 5<sup>th</sup>. Travel Service became part of Icelandair Group on October 1. 2007.

### **Prospects for Q4 2007**

#### **Results**

The estimated 2007 EBITDA for Icelandair Group is approx. ISK 5.6 billion, which means that Q4 is expected to will show an improvement of ISK 250 million over last year.

#### **Travel Service**

The operation of Travel Service will be integrated into Icelandair Group in Q4, and due to the seasonality of the airline industry the effect on the results of Icelandair Group will be insignificant. The Travel Service results for 2007 are forecast to be good.

#### **Icelandair Operations**

The forecast for the last three months of the year are good, the booking situation is good and profit outlook for the period in line with estimations.

#### **Approval of Financial Statements**

Icelandair Group hf. Consolidated Financial Statements for Q3 and the first 9 months of 2007 have been reviewed by the Company's auditors without comments.

### **Q3 Briefing for investors 14 November 2007.**

An open presentation for investors, shareholders and analysts will be held Wednesday November 14 at **Hilton Reykjavik Nordica**. Jon Karl Olafsson, CEO of Icelandair Group will present the Company's results for FIRST 9 MONTHS and answer questions. The presentation will start at 8:30

An investor webcast with CEO Jon Karl Olafsson giving a presentation in English will start at 13.30 (GMT) on 14 November at:

<https://icelandairgroup.webex.com/icelandairgroup/onstage/g.php?d=847356793&t=a>

Please note the password needed for the webcast: iceair

The presentation materials will be available after the meeting on the Icelandair Group Website: [www.icelandairgroup.is](http://www.icelandairgroup.is) and in the News System of the OMX Nordic Exchange Iceland; <http://omxgroup.com/nordicexchange/>

#### **Financial Calendar**

Publishing of 4th quarter and annual results; Feb 21 2008.

#### **Further Information:**

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