

Icelandair Group Results for 1st Quarter 2007

Business Highlights Q1 2007

- Total Revenue ISK 11,9 billion - an increase of 24% from Q1 2006
- Performance according to expectations
- EBITDA for Q1 negative by ISK 81 million
- Net loss ISK 1,2 billion
- Total assets ISK 76 billion at end of Q1
- EBIT is negative by ISK 833 million - an improvement of 26% from Q1 2006
- A letter of intent on the acquisition of the Czech airline Travel Service
- Vast aircraft trade activities
- Equity ratio 32%
- Net operating cash ISK 686 million

Jón Karl Ólafsson comments:

"The results for the first quarter are in accordance with our plans, which estimate good profits for the year 2007, and outscoring our 2006 results. There are great seasonal fluctuations in our operations, which usually returns negative results for Q1. We are growing fast this year and the first half of the year will be characterized by large investments in the growth of the Icelandair route network and charter activities. Among other things we forecasted the introduction cost of aircraft and crew training in Q1. Operations are in accordance with plan, but we are experiencing negative exchange rate effects in the quarter as well as positive effects due to sales profit in aircraft trading."

Financial Highlights for Q1 2007

ISK `000.000	Actual 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%

Vast Aircraft Trading Activities in Q1

With expanding activity in international charter flights, aircraft trade and a growing fleet, the weight of aircraft trading in the Groups' accounts is increasing. The company has also entered the aircraft trading market directly under the Icelease brand. In Q1, Icelandair Group signed agreements regarding purchase, sale- and leaseback of a total of eight aircraft. The estimated sales profit from these transactions is around ISK 1,2 billion. The total transaction value was roughly ISK 18 billion.

The traded aircraft consist of five Boeing 737-800, which were sold by Icelease, as well as one Boeing 737-300 cargo aircraft from Bláfugl, which was sold and delivered to new owners. In addition to that two Boeing 757-200 were sold and leased back, one each from Icelandair and Loftleidir.

Jón Karl Ólafsson, CEO of Icelandair Group, comments

"These trades are based upon the great expertise in aircraft trade that has been built up within Icelandair Group. The Group's strategy is to grow in this field, relying on knowledge of international aircraft trade and financial markets. Among us we have a powerful team of specialists around the world and these operations in aircraft trade are coordinated by our subsidiary Icelease. In total the Group now evolves around 70 aircraft assets, whether in operation or leasing activities.

Sigpór Einarsson, chairman of Loftleidir-Icelandic, Icelease, Bluebird and Latcharter comments

"The trades are interesting due to the fact that the companies are cashing out hidden assets in lease contracts and aircraft, while the leaseback rates are still being kept below current market conditions. Our activities in Q1 represent big gains in this field, and it is a pleasure to be able to return the shareholders considerable value."

The Acquisition of Travel Service

Last week Icelandair Group signed a letter of intent on the acquisition of the Czech airline Travel Service. Travel Service operates a total of 12 Boeing 737-800 og 737-500 passenger aircraft, carried 1,8 million passengers in 2006 and flies to 230 airports in four continents. Travel service has been launching private jet operations, which is a rapidly growing market in Europe, and possesses Boeing 737-900 and Boeing 787 Dreamliner Aircraft. The turnover of Travel Service in 2006 was ISK 18 billion (EUR 190 Million). 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.

Jón Karl Ólafsson, the CEO of Icelandair Group comments

"This letter of intent is in accordance with Icelandair Group's intention of growing in the international charter flights field. We have been looking towards Eastern Europe where we see good business opportunities with our knowledge and experience. Last year we acquired the Latvian Airline Latcharter, which has been a success story, and now we take a big step even further in this direction. It is obvious that if Icelandair Group



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Earnings Release

acquires Travel Service it will grow fast this year. This airline is, regarding number of passengers and fleet, close to Icelandair's scheduled operations in size.

Prospects 2007

It is obvious that vast growth in all areas characterizes the Group throughout the year. In addition to the above-mentioned activities in the charter, ACMI and aircraft trading markets, considerable growth is foreseen within Icelandair, which is 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. In regard to this increased capacity, bookings for the summer are looking good. Likewise the aspects are good in international cargo operations within Icelandair Cargo and Bluebird Cargo alike. IGS will increase its services in Keflavik Airport in connection with the opening of new restaurants in the renovated Leifur Eiriksson Terminal.

Growth is also foreseen in the travel and tourism companies, in connection with the increased number of tourists coming to Iceland. This growth can be detected in bookings with Iceland Travel and good room bookings with Icelandair Hotels. Air Iceland is also increasing its operations in the spring and will kick-off flights between Akureyri and Keflavik, as well as between Keflavik and Nuuk, Greenland. The bookings for Icelandair are good for the summer

Approval of Financial Statements

The Icelandair Group hf. Consolidated Financial Statements have been reviewed by the Company's auditors without comments.

Icelandair Group-Q1 Briefing for investors 16 May 2007.

An open presentation for investors, shareholders and analysts will be held Wednesday 16 May at Hotel Nordica (room-H). Jón Karl Ólafsson the CEO of Icelandair Group will present the Company's results for Q1 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:

<https://icelandairgroup.webex.com/icelandairgroup/onstage/g.php?t=a&d=843270177>

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

Financial Calendar 2007

Publishing of 2nd quarter results; August 14 2007.

Publishing of 3rd quarter results; November 2007.

Publishing of 4th quarter and annual results; Week 8 2008.

Further Information:

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