

# Conclusions of DVB Bank Valuation Report



## DVB Bank Compiled a Valuation Report Using DCF Analysis and Peer Comparison

- DVB Bank prepared a valuation of the company, based on the financial projections prepared by the Icelandair Group management. The valuation is subject to all the disclaimers outlined in the report, and is based on the methodology agreed between Icelandair and DVB Bank in the engagement letter.
- The airline business was valued separately from the Loftleidir business. The airline business was valued based on a DCF and a peer analysis, while Loftleidir was value only on a DCF analysis basis.
- The wind-down or transfer cost of SmartLynx was provided by management based on the latest conversation with SmartLynx creditors.
- The valuation assumes that the company is restructured according to the Framework Agreement, including the new structure of the company's capitalization, but does not include any additional capital raise.

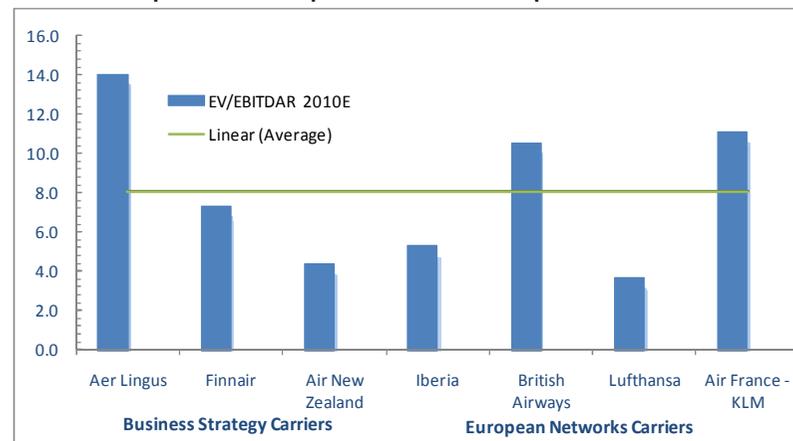
Component	Description	HIGH	LOW
<b>New Icelandair<sup>1</sup></b>	Enterprise Value	81.8	73.9
<b>Loftleidir</b>	Enterprise Value	22.1	20.9
<b>Less Adjusted Net Debt</b>	Includes capitalized leases	78.4	78.4
<b>TOTAL</b>		25.6	16.4

<sup>1</sup> Includes the following units:

Icelandair, Icelandair Cargo, Air Iceland, Hotels, IGS, Iceland Travel, SmartLynx and Shared Services

- The DCF analysis of Icelandair was made applying a WACC of 12.2%
- Loftleidir's cash flows were discounted at 20% to reflect the difference in the nature of the business, and the structure of the company's capital.
- The valuation was made on the basis of the enterprise being an on-going concern. The analysis was made on the basis of EBITDAR, and aircraft operating leases were capitalized using a multiple of 7 x annual rental obligations.

Peer Comparison – Comparable Traded Companies Valuation



- The peers used for the purpose of this valuation were divided in two groups. Business Strategy Carriers: AerLingus, Finnair, Air New Zealand, and European Network Carriers: Lufthansa, Air France/KLM, Iberia and BA.
- The AEV/EBITDAR multiples used were the 2010E multiples, applied to the 2011 forecast.
- The P/BV multiples used were the 2010E multiples applied to the restructured balance sheet at the end of 2009.