



ICELANDAIR GROUP HF
Q3 2011 RESULTS | 03 NOVEMBER 2011



A large geyser erupts with a thick column of white steam and water against a bright blue sky with scattered white clouds. In the foreground, two people are watching the eruption; one is standing to the left, and another is closer to the geyser. The ground is rocky and wet. In the background, there are green fields, some buildings, and rolling hills under a clear sky.

HIGHLIGHTS AND OUTLOOK

BJÖRGÓLFUR JÓHANNSSON | PRESIDENT AND CEO

ICELANDAIR
GROUP



HIGHLIGHTS Q3 2011

EBITDA 8.7 billion

- | EBITDA ISK 0.5 billion lower than in Q3 2010, like-for-like 2010 amounted to ISK 8.9 billion
 - | Net profit of continuing operations ISK 5.4 billion vs. ISK 5.2 billion last year
 - | Average fuel price 46% higher
-

Organic growth continues

- | Passenger increase at Icelandair by 17% from last year and at Air Iceland by 2%
 - | Freight up 9% year-on-year
 - | Available hotel room nights up 9%
-

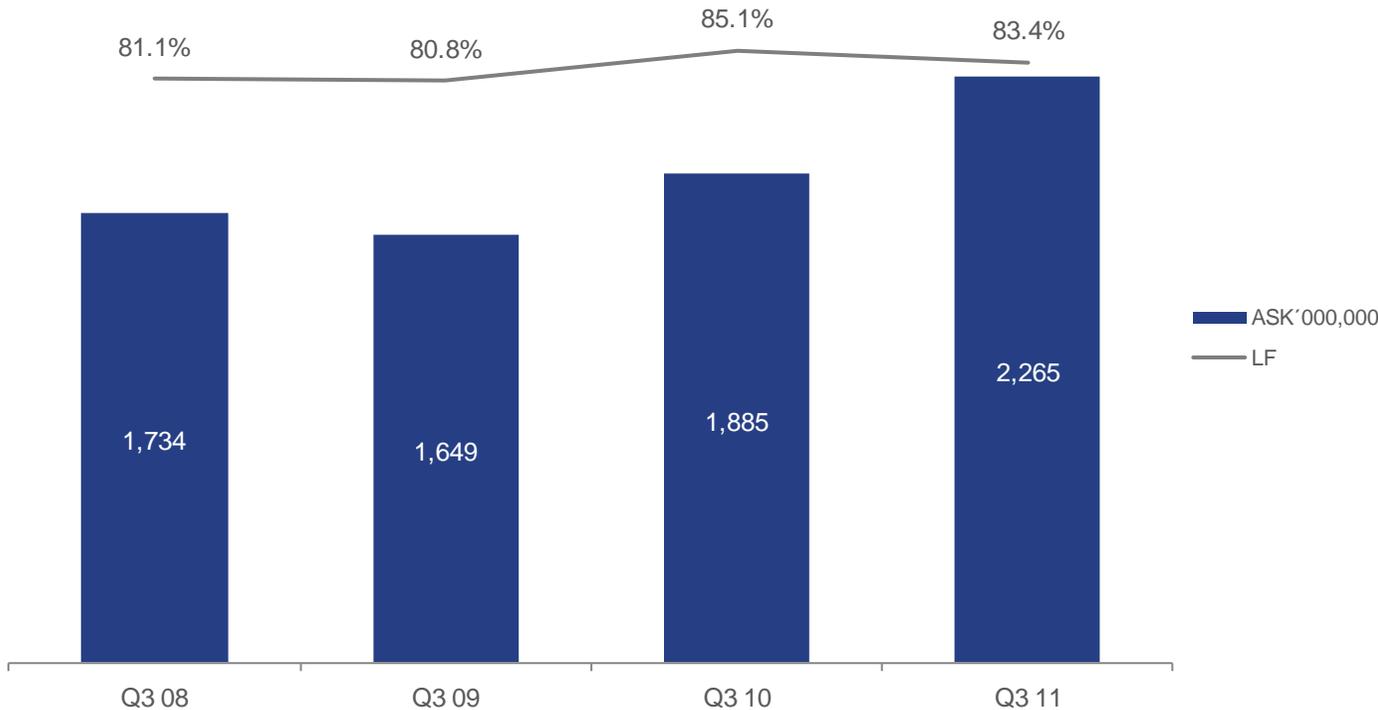
Strong financial position

- | Equity ratio 36.4%
 - | Cash and cash equivalents and marketable securities ISK 13.4 billion
 - | Interest bearing loans ISK 5.3 billion lower than at the beginning of the year
-

GROWTH CONTINUES IN Q3

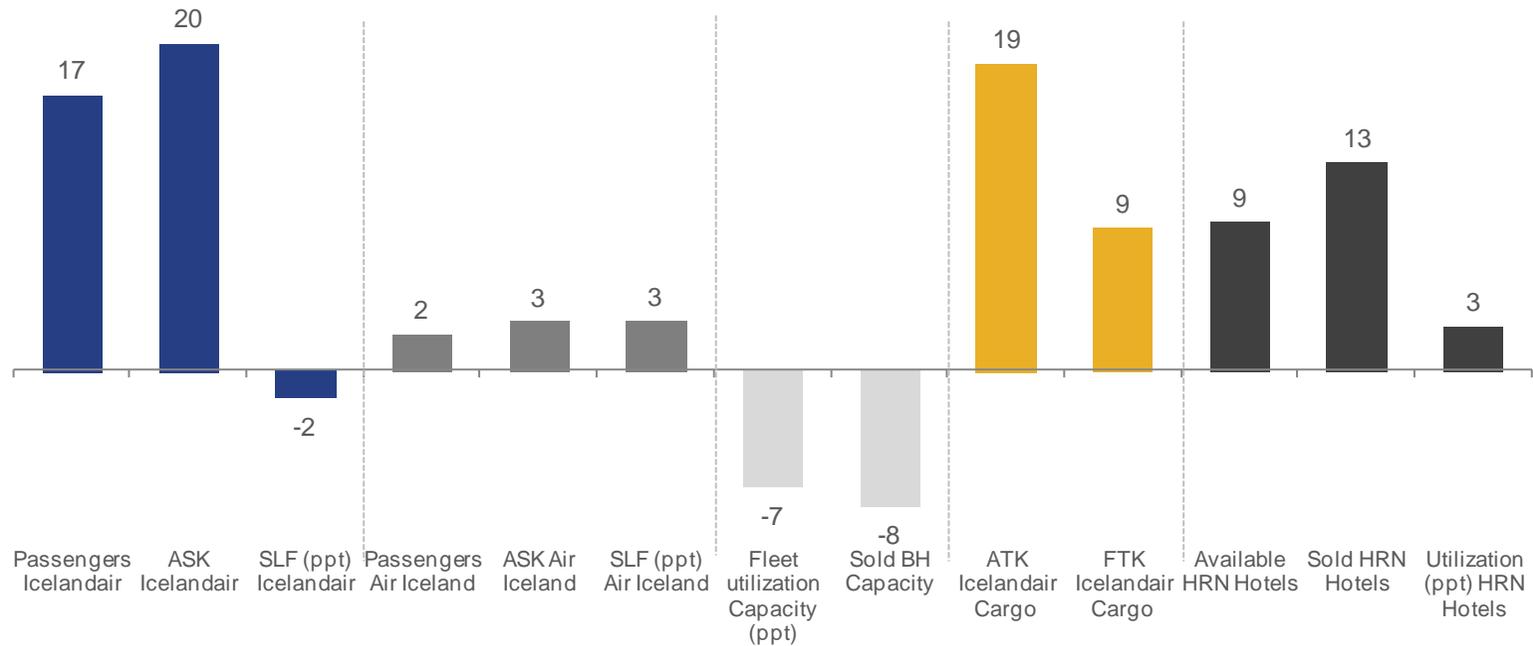
ICELANDAIR CAPACITY UP 20% year-on-year

ASK million and load factor



INCREASED TRAFFIC IN ALL BUSINESSES EXCEPT ACMI

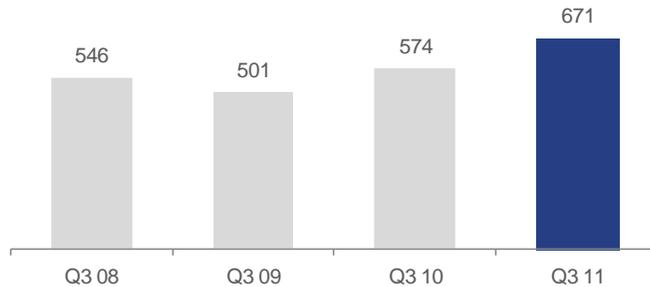
Q3 Traffic Data Year-on-Year change in %



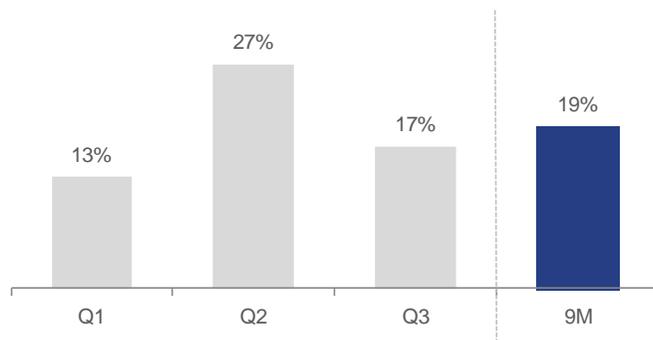
INCREASED NUMBER OF PASSENGERS IN Q3

ICELANDAIR

Number of passengers in thousand



Increase in passenger numbers year-on-year

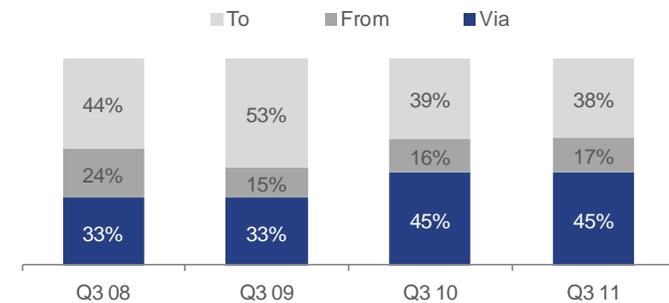


Commentary

Q3 2011 vs Q3 2010

- | 671 thousand passengers, **17%** growth from last year
- | An increase of **97,000** passengers
- | Passenger increase on all markets
TO **15%**
FROM **20%**
VIA **18%**

Passenger mix



FURTHER EXPANSION IN 2012

ICELANDAIR

14%

increase in
ASK

400

flights
per week

10,000

passengers
per day

2 million

passengers
forecasted

52%

growth
from 2009

Denver

new year-round
destination

16

Boeing 757
aircraft

700,000

more passengers
than in 2009

Increase

in capacity outside
summer months

OUR FLEET

Icelandair Group operates a single type fleet of **Boeing 757** aircraft in its international network:

- | it fits extremely well with Icelandair's route network
- | it creates cost efficiency

The fleet of Icelandair Group in 2011 consists of **37** aircraft

- | owned aircraft **19**
- | leased aircraft is **18**

										
	Owned	Leased	Owned	Leased	Owned	Leased	Owned	Leased	Owned	Leased
B757 200 ER	8	14	9	4		5		4		
B757 300	1	0	1							
B767 300 ER	0	5						5		
Fokker F-50	6	0							6	
Dash 8-200	2	0							2	
A320	1	0								
Total	19	18	10	4	0	5	0	9	8	0

OUR STRATEGY

Organic growth by seizing opportunities within our business segments

Increase tourists to Iceland **outside the high season**

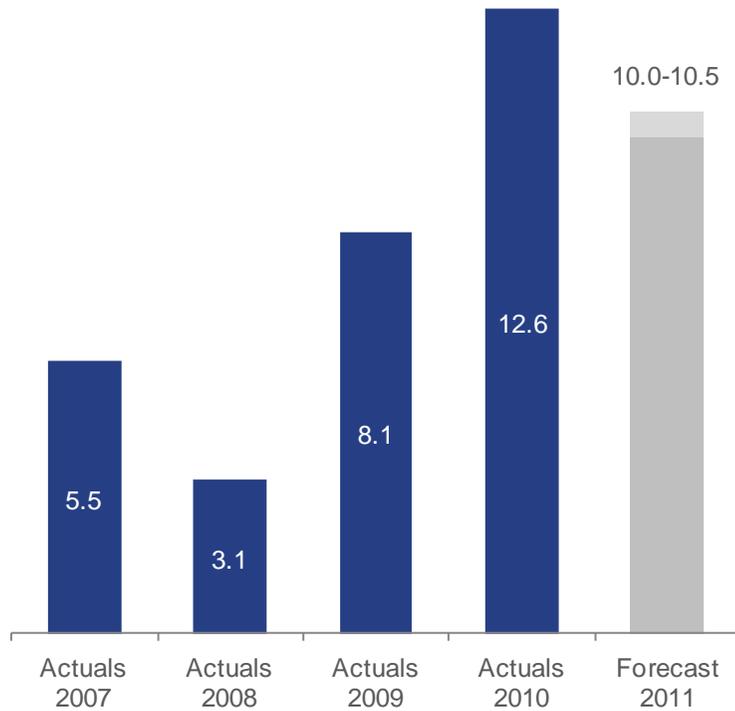
Achieve **greater synergy** between the companies

Make **flexibility** an even more integral part of the operations

OUTLOOK FOR 2011

EBITDA development

2007-2011 in ISK million



Outlook for 2011

- | The EBITDA forecast raised to ISK 10.0 – 10.5 billion from ISK 9.5 million
- | Profits in Q4 lower than last year because of higher fuel prices
- | Booking flow for Q4 promising
- | Uncertainty in economical conditions around the world

FINANCIALS

Bogi Nils Bogason | CFO



INCOME STATEMENT

Q3 RESULTS

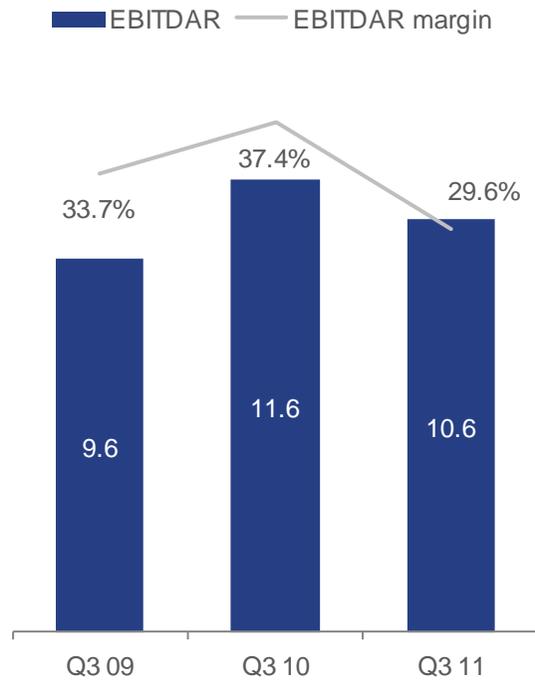
ISK billion	Q3 2011	Q3 2010	% Chg.
Operating Income	35.9	31.1	15%
Salaries and related expenses	5.9	5.2	14%
Aircraft fuel	7.8	5.0	55%
Aircraft and aircrew lease	2.9	3.4	-15%
Aircraft servicing, handling and comm.	2.6	2.2	17%
Aircraft maintenance expenses	2.1	1.8	18%
Other expenses	6.0	4.3	38%
EBITDA	8.7	9.1	-
EBIT	7.1	7.5	-
EBT	6.6	6.4	-
Profit for the period	5.4	5.2	-
EBITDA ratio	24.1%	29.4%	-
EBITDAR	10.6	11.6	-
EBITDAR ratio	29.6%	37.4%	-

Commentary

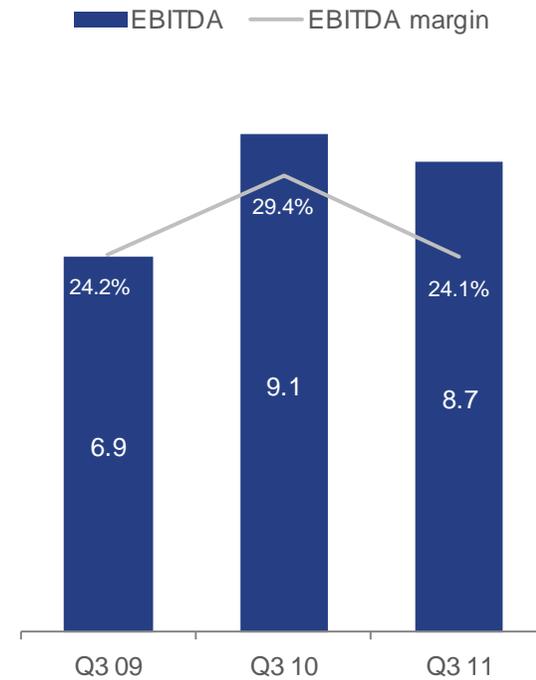
- | EBITDA **ISK 8.7 billion**, like-for-like amounted to ISK 8.9 billion
- | Revenues **15%** higher than in Q3 2010
 - | Passenger revenue grew **22%**
- | Average world fuel price **46%** higher in Q3 2011 than Q3 2010 – cost increase **ISK 2.2 billion**
- | Net finance cost **ISK 0.7 billion** lower in 2011 as a result of the financial restructuring in 2010 resulting in a new and improved capital structure

EBITDAR AND EBITDA

EBITDAR ISK million and EBITDAR margin

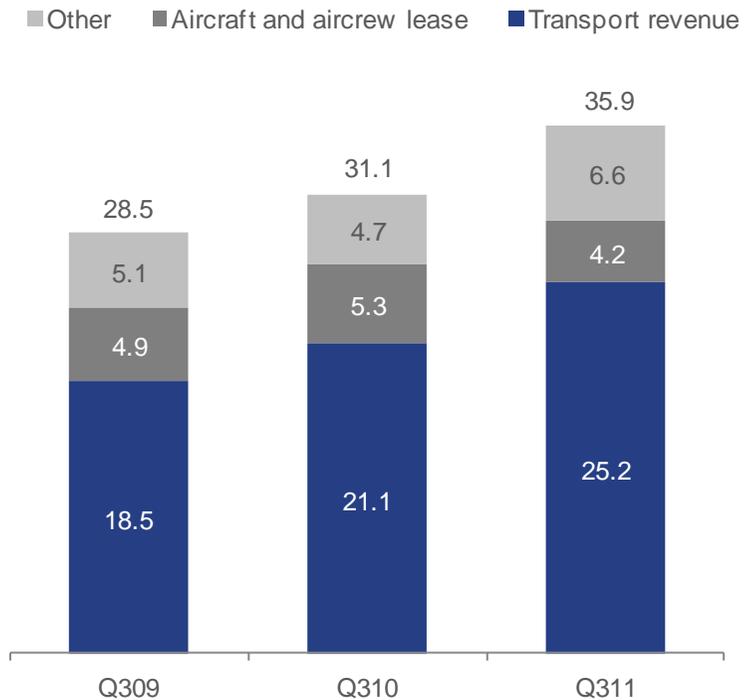


EBITDA ISK million and EBITDA margin

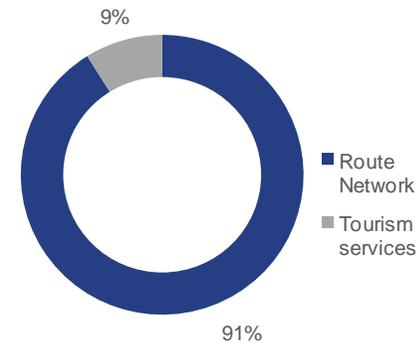


REVENUE DEVELOPMENT

Revenue ISK million



Revenue split



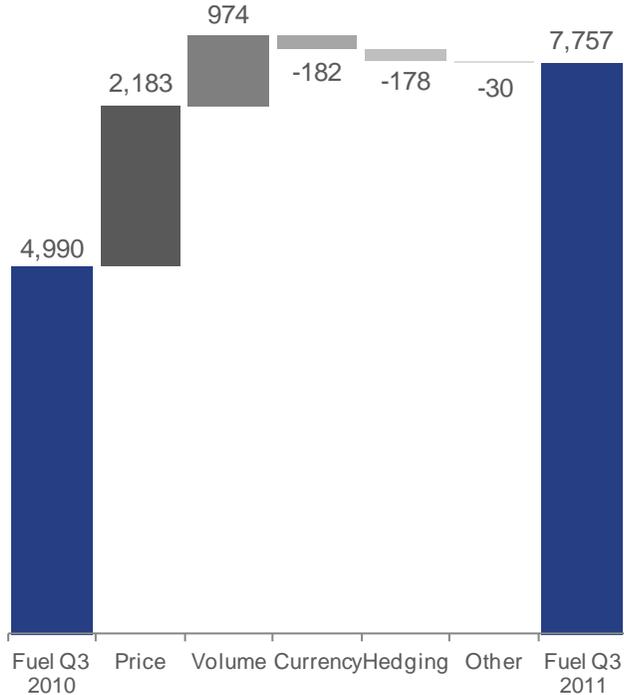
Comments

- | Increase in total revenue, excluding companies that exited the Group at the turn of the year 2010, is **20%**
- | Transport revenue **19%** higher in Q3 2011 than in Q3 2010
- | Higher transport revenues driven by larger flight schedule and increased passenger numbers
- | Transport revenues **70%** of total revenues

HIGH FUEL PRICE CONTINUES TO SQUEEZE MARGINS

Fuel cost deviation

Q3 2011 vs. Q3 2010 ISK million



Fuel hedge positions end of September

Icelandair Group total

2011	Estimated usage (tons)	Hedge contracts	Av. Hedge price USD	% hedged
October	14,267	5,250	1,046	37%
November	11,221	3,200	1,015	29%
December	10,701	1,200	1,025	11%
Total	36,189	9,650	1,033	27%

1,021

Average fuel price
Q3

1,023

Average fuel price
January - September

46%

Change YOY
Q3

46%

Change YOY
January - September

INCOME STATEMENT

9M RESULTS

ISK billion	9M 2011	9M 2010	% Chg.
Operating Income	76.9	69.3	11%
Salaries and related expenses	16.8	15.1	11%
Aircraft fuel	17.2	11.6	48%
Aircraft and aircrew lease	8.0	9.4	-15%
Aircraft servicing, handling and comm.	5.7	5.0	14%
Aircraft maintenance expenses	5.4	5.2	4%
Other expenses	13.3	11.5	15%
EBITDA	10.5	11.5	-
EBIT	6.3	7.2	-
EBT	5.2	4.3	-
Net profit from continuing operations	4.7	3.6	-
Loss from discontinuing operations	0.0	-0.4	-
Profit for the period	4.7	3.2	-
EBITDA ratio	13.7%	16.6%	-
EBITDAR	16.1	18.3	-
EBITDAR ratio	20.9%	26.4%	-

Commentary

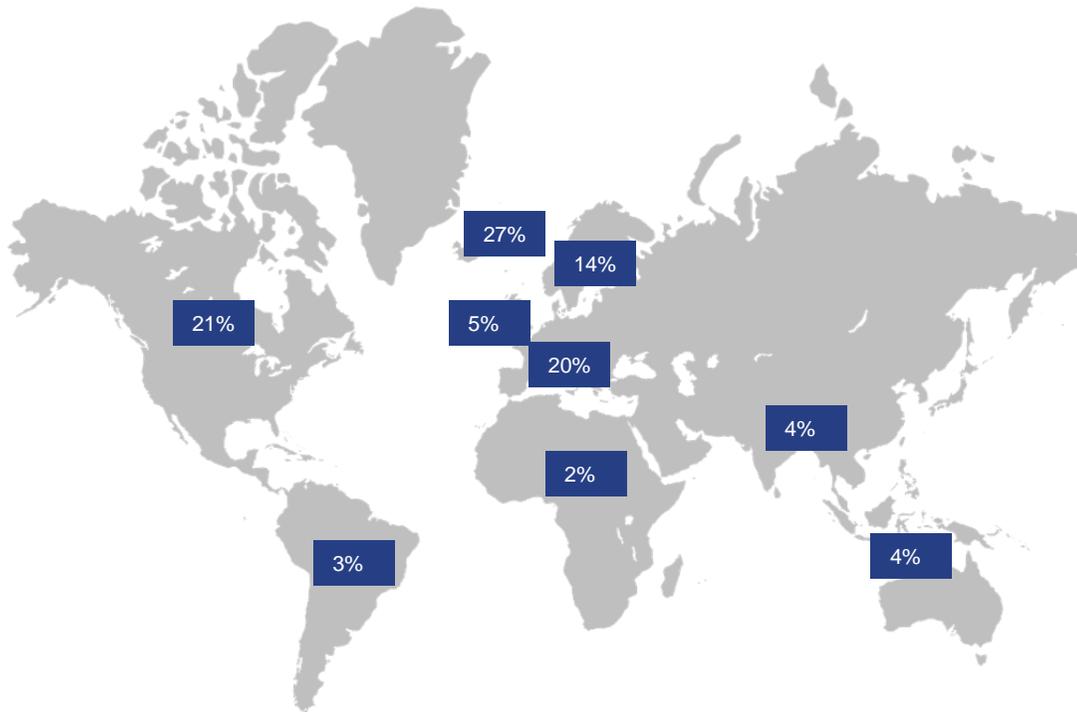
- | EBITDA **ISK 10.5 billion** vs. EBITDA of ISK 11.5 billion in 2010
- | Total revenue **11%** higher than in the first six months 2010
 - | Increase in revenue excluding revenue from companies who were sold in 2010 is **17%**
 - | Increased capacity and passenger numbers at Icelandair drive up the revenue
- | High fuel price main reason for lower EBITDA – cost increase **ISK 4.7 billion**
- | EBITDA of companies that exited the Group at the turn of the year 2010 was **ISK 1.1 billion** in the first nine months 2010
- | Net finance cost **ISK 1.9 billion** lower in 2011 as a result of the financial restructuring at yearend in 2010

REVENUE AND EXPENSES

SPLIT BY CURRENCY AND LOCATION

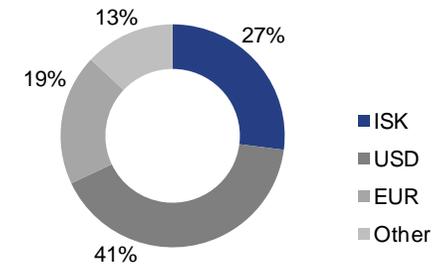
Total revenue

Split by location for the first 9 months 2011



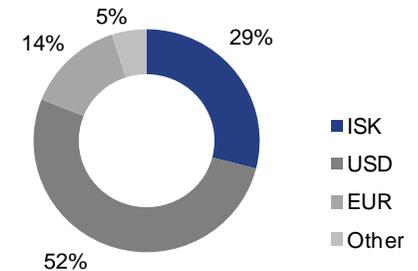
Total revenue

Currency split



Total expenses

Currency split



HEALTHY BALANCE SHEET

36.4% EQUITY RATIO

- | Net interest-bearing debt ISK 6.3 billion
- | Total interest bearing debt amounting to ISK 19.8 billion

ISK billion	30.09 2011	31.12 2010
Assets		
Operating Assets	31.3	27.6
Intangible assets	21.4	21.2
Other non-current assets	2.7	2.5
Total non-current assets	55.4	51.3
Assets classified as held for sale	2.8	2.8
Other current-assets	19.9	17.1
Marketable securities	3.2	1.3
Cash and cash equivalents	10.1	11.7
Total current assets	36.0	32.9
Total assets	91.4	84.2

ISK billion	30.09 2011	31.12 2010
Equity and liabilities		
Stockholders equity	33.3	28.4
Loans and borrowings non-current	16.1	21.4
Other non-current liabilities	6.1	6.0
Total non-current liabilities	22.2	27.4
Loans and borrowings current	3.4	3.2
Trade and other payables	19.9	14.0
Deferred income	10.8	8.8
Liabilities held for sale	1.8	2.4
Total current liabilities	35.9	28.4
Total equity and liabilities	91.4	84.2
Equity ratio	36.4%	33.7%
Current ratio	1.00	1.16
Net interest bearing debt	6.3	12.1
Interest bearing debt	19.8	25.1

STRONG CASH FLOW

HIGH LIQUIDITY POSITION

- | Net cash from operating activities ISK 13.2 billion
- | CAPEX in January - September 2011 ISK 8.7 billion
- | Main investments in operating assets:
 - | Icelandair purchased two B757 aircraft (ISK 3.0 billion)
 - | Air Iceland purchased two Dash-200 aircraft (ISK 0.6 billion)
 - | Engine overhaul amounted to ISK 1.4 billion
- | Repayment of long term borrowings amounted to ISK 7.3 billion

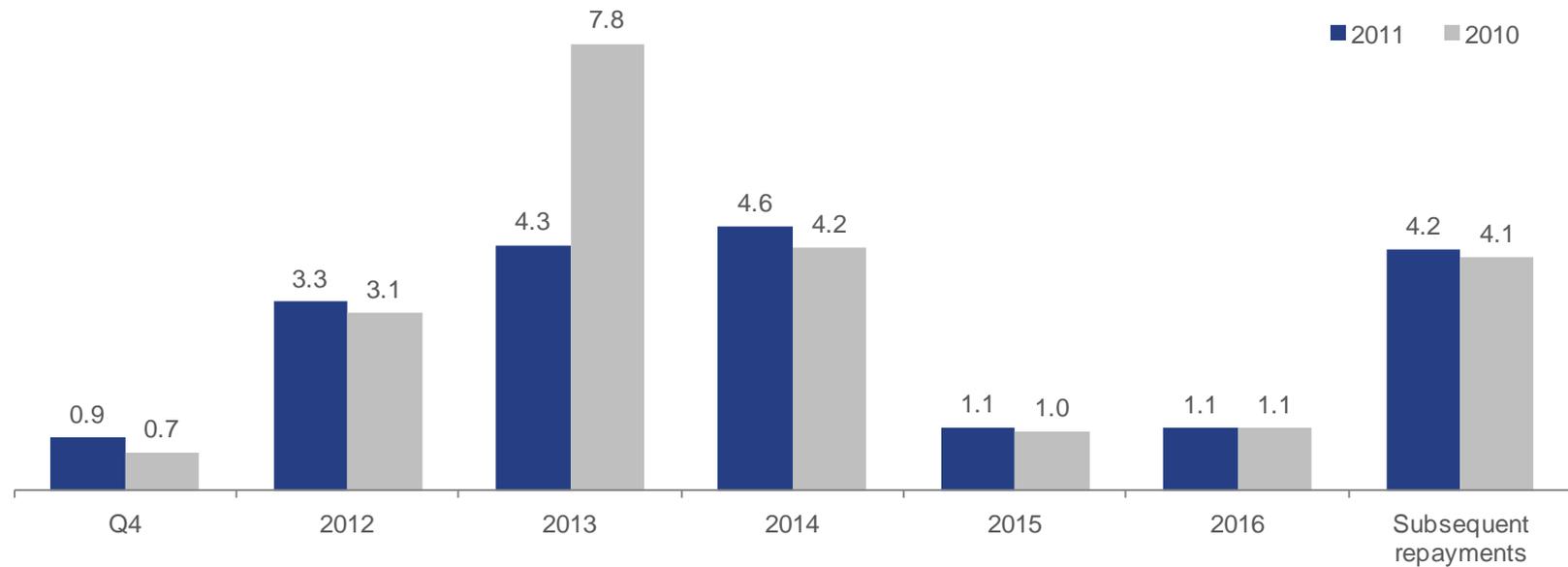
ISK billion	9M 2011	9M 2010
Working capital from operations	11.8	11.3
Net cash from operating activities	13.2	11.9
Net cash used in investing activities	-10.1	-2.8
Net cash used in financing activities	-4.7	-3.4
Increase in cash and cash equivalents	-1.6	5.7
Cash and cash equivalents at 1 January	11.7	1.9
Cash and cash equivalents at 30 September	10.1	7.4

MATURITY PROFILE

TOTAL INTEREST BEARING DEBT ISK 19.8 BILLION

Contractual repayments

ISK billion



Q & A

ICELANDAIR

