



ICELANDAIR GROUP HF
PRESENTATION OF Q2 2012 RESULTS | 10 AUGUST 2012



HIGHLIGHTS Q2 2012

Profitable organic growth

- | EBITDA USD 28.8 million, USD 11.8 million better than Q2 2011
 - | Net profit USD 14.3 million as compared to USD 3.3 million last year
 - | Strong underlying operations to meet robust demand
-

Revenue increase across the business

- | Operating income up by 15%
 - | Passengers on international flights up by 18%, on regional flights up by 3%
 - | Sold hotel room nights up 23% from Q2 2011
-

Strong financial position

- | Equity ratio 31%
 - | Cash and cash equivalents and marketable securities USD 189.1 million
 - | Interest bearing debt USD 167.1 million
-

FINANCIALS

BOGI NILS BOGASON | CFO

INCOME STATEMENT

Q2 RESULTS

USD million	Q2 2012	Q2 2011	% Chg.
Operating Income	234.4	204.2	15%
Salaries and related expenses	52.8	50.1	5%
Aircraft fuel	58.7	48.4	21%
Aircraft and aircrew lease	19.7	23.4	-16%
Aircraft handling, landing and communication	17.5	15.9	10%
Aircraft maintenance expenses	12.5	15.1	-17%
Other expenses	44.4	34.2	30%
EBITDA	28.8	17.0	-
EBIT	14.5	5.1	-
EBT	17.8	3.7	-
Profit for the period	14.3	3.3	-
EBITDA ratio	12.3%	8.3%	-
EBITDAR	42.9	31.7	-
EBITDAR ratio	18.3%	15.5%	-

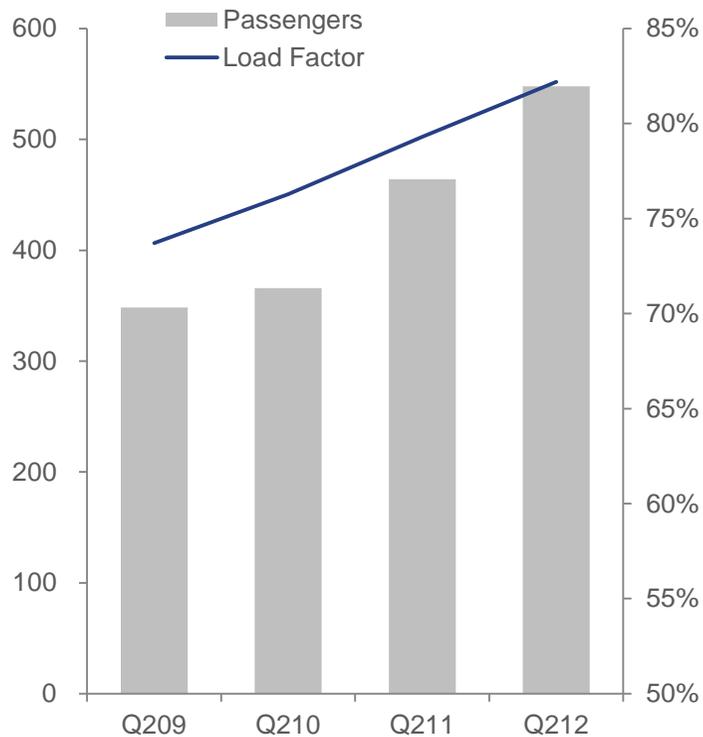
Commentary

- | EBITDA USD 28.8 million, increase year-on-year USD 11.8 million
- | Higher revenue main reason for the increase in EBITDA:
 - | Growth in passenger revenue 24%
 - | Increase in passenger numbers and record load factor
 - | Growth in revenue from tourism 30%
- | Net finance cost USD 4.8 million lower in Q2 2012 than in Q2 2011 mainly due to positive currency effect
- | All 2011 figures translated into USD at year-end 2011 exchange rate of ISK 122.6

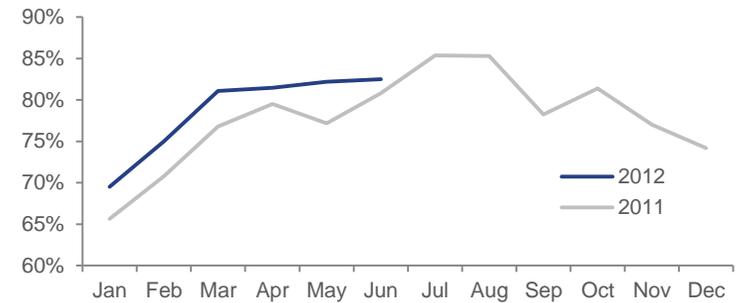
RECORD LOAD FACTOR OF 82.2% IN Q2

INTERNATIONAL ROUTE NETWORK

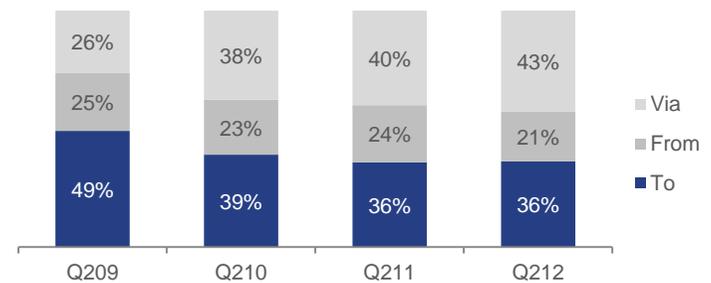
Load factor and number of passengers
in thousand



Load factor per month
2011 vs. 2012



Passenger mix



INCOME STATEMENT

6M RESULTS

USD million	6M 2012	6M 2011	% Chg.
Operating Income	392.1	334.8	17%
Salaries and related expenses	95.9	88.6	8%
Aircraft fuel	96.8	77.0	26%
Aircraft and aircrew lease	38.3	41.5	-8%
Aircraft handling, landing and communication	28.3	25.4	11%
Aircraft maintenance expenses	24.7	27.2	-9%
Other expenses	82.4	59.7	38%
EBITDA	25.8	15.4	-
EBIT	-2.2	-6.6	-
EBT	1.2	-11.5	-
Profit / loss for the period	1.1	-5.8	-
EBITDA ratio	6.6%	4.6%	-
EBITDAR	54.0	44.6	-
EBITDAR ratio	13.8%	13.3%	-

Commentary

- | EBITDA USD 25.8 million, increase year-on-year USD 10.4 million
- | Higher revenue main reason for the increase in EBITDA:
 - | Growth in passenger revenue 27%
 - | Increase in passenger numbers and record load factor
 - | Growth in revenue from tourism 45%
- | Net finance cost USD 8.4 million lower in 6M 2012 than in 6M 2011 mainly due to positive currency effect

HEDGING POSITION

JULY - DECEMBER

- | 39% of the projected use in July-December 2012 has been hedged
- | In addition to contractual hedging, the Company has defined the interaction of EUR/USD and fuel price as an internal hedge
- | Natural hedge is estimated to be on average 13% in 2012

2012	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	%hedged	Option contracts	Price ceiling USD
July	23,953	11,800	1,066	49%	4,500	1,150
August	23,928	11,800	1,068	49%	4,500	1,150
September	18,790	9,200	1,015	49%	3,000	1,150
October	16,749	5,000	1,050	30%	-	-
November	13,648	3,000	1,013	22%	-	-
December	12,909	2,000	1,006	15%	-	-
Total	109,977	42,800	1,053	39%	12,000	1,150

STRONG BALANCE SHEET

31% EQUITY RATIO

| Cash, cash equivalents and marketable securities USD 189.1 million

| Interest-bearing debt USD 167.1 million

USD million	30.06 2012	31.12 2011
Assets		
Operating Assets	287.7	276.2
Intangible assets	176.1	176.7
Other non-current assets	25.7	30.2
Total non-current assets	489.5	483.1
Other current-assets	143.0	140.0
Markatable securities	17.0	27.3
Cash and cash equivalents	172.1	79.4
Total current assets	332.1	246.7
Total assets	821.7	729.7

USD million	30.06 2012	31.12 2011
Equity and liabilities		
Stockholders equity	253.7	263.4
Loans and borrowings non-current	136.7	163.1
Other non-current liabilities	34.9	33.5
Total non-current liabilities	171.6	196.6
Loans and borrowings current	30.4	33.7
Trade and other payables	172.2	135.0
Deferred income	193.8	101.0
Total current liabilities	396.4	269.8
Total equity and liabilities	821.7	729.7
Equity ratio	31%	36%
Current ratio	0.84	0.91
Net interest bearing debt	-22.0	90.2
Interest bearing debt	167.1	196.9

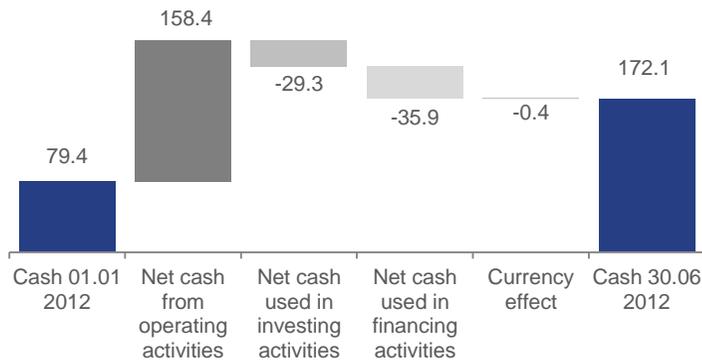
CASH FLOW

STRONG CASH GENERATION IN Q2 2012

USD million	Q2 2012	Q2 2011
Working capital from operations	38.4	25.2
Net cash from operating activities	72.2	42.9
Net cash used in investing activities	-16.8	-13.0
Net cash used in financing activities	-10.2	-28.0
Increase in cash and cash equivalents	45.2	1.9
Cash and cash equivalents end of period	172.1	123.8

Changes in Cash in January – June 2012

USD million

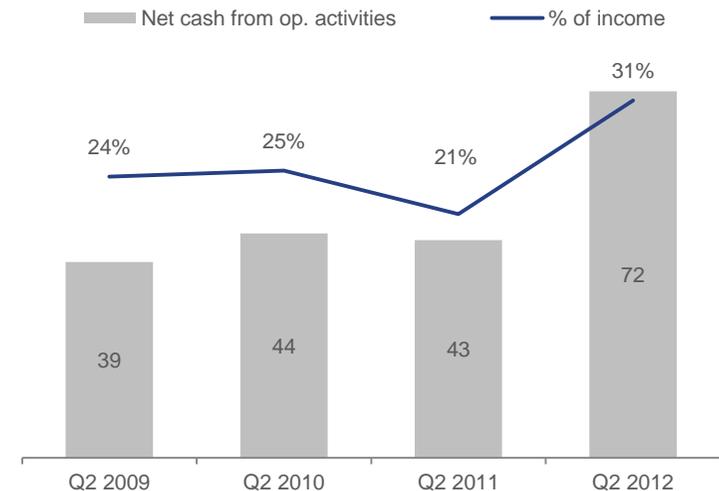


Commentary

- Working capital inflows due to ticket purchases in advance of the high season
- Payment of long term borrowings amounted to USD 3.9 million in Q2 2012

Net cash from operating activities

USD million



CAPEX

USD 43.7 MILLION IN JANUARY – JUNE 2012

Operating assets

| Total investments in operating assets
USD 37.7 million

- | Aircraft, components and introduction cost
USD 25.8 million
- | Engine overhaul own aircraft
USD 7.2 million

Long term cost

| Total investment in long term cost
USD 5.6 million

- | Engine overhaul leased aircraft
- | Expensed long term cost
USD 14.0 million

Intangible assets

| Investment in intangible assets
USD 0.4 million

INTEREST BEARING DEBT

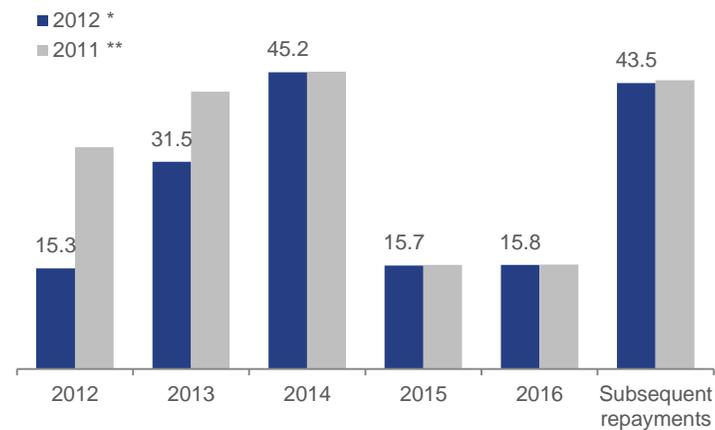
DOWN TO USD 167.1 MILLION END OF Q2 2012

USD million	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Ch. From Q2 2011
Non-current loans and borrowings	147.6	131.3	163.1	140.8	136.7	-10.9
Current loans and borrowings	26.2	27.9	33.7	30.3	30.4	4.2
Interest bearing debt	173.8	159.2	196.9	171.2	167.1	-6.7
Cash and cash equivalents and marketable securities	149.9	109.0	106.7	145.6	189.1	39.2
Net interest bearing debt	23.8	50.2	90.2	25.6	-22.0	-45.8

Net Interest bearing debt
USD million



Maturity profile
USD million



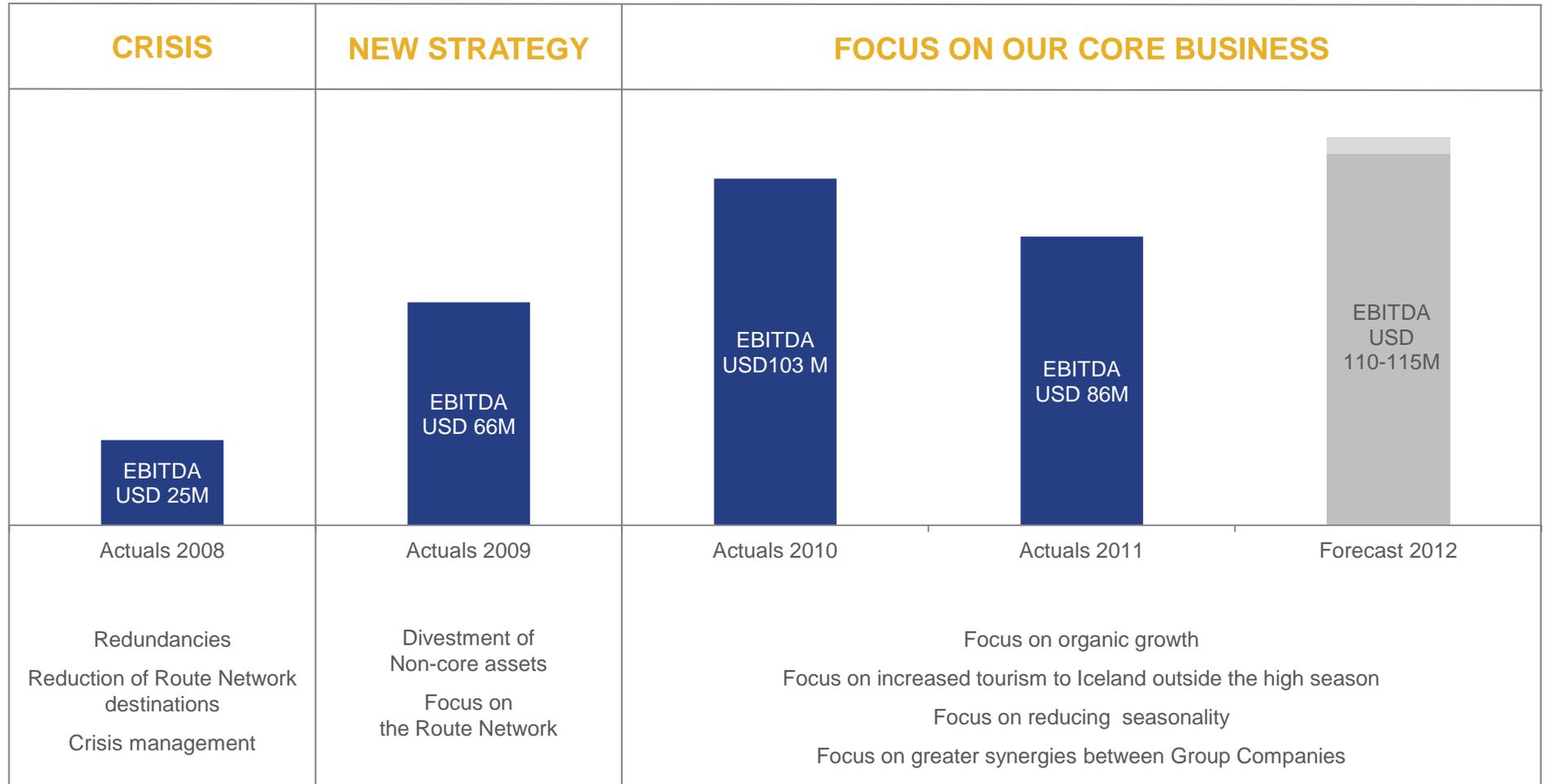
2012* - 30 June 2012
2011** - Year end 2012

SUCCESSFUL STRATEGY

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

NEW STRATEGY IN 2009 AND CHANGED FOCUS

DIRECT IMPACT ON OUR FINANCIAL METRICS

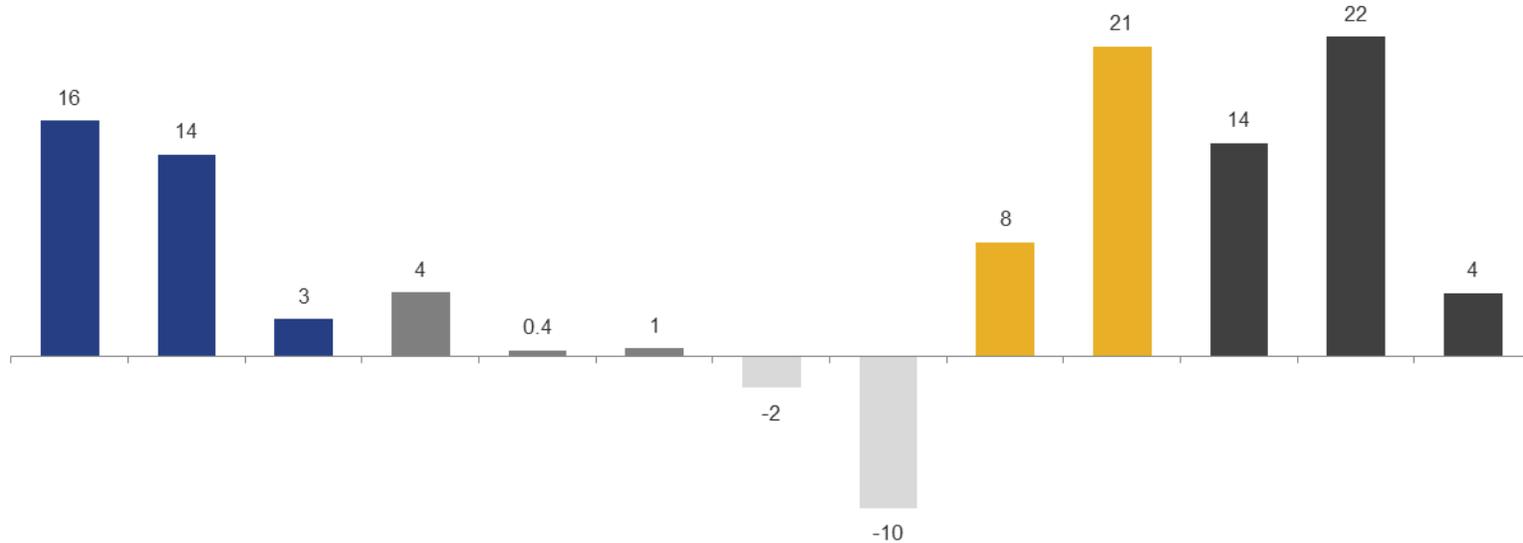


ORGANIC GROWTH IN ALL MAIN BUSINESSES

TRAFFIC FIGURES JANUARY – JULY 2012

Traffic data

Year-on-Year change in %



Passengers Icelandair ASK Icelandair SLF (ppt) Icelandair Passengers Air Iceland ASK Air Iceland SLF (ppt) Air Iceland Fleet utilization Capacity Sold BH Capacity ATK Icelandair Cargo FTK Icelandair Cargo Available HRN Hotels Sold HRN Hotels Utilization (ppt) HRN Hotels



LONG-TERM FLEET STRATEGY

TWO OPTIONS CURRENTLY UNDER CONSIDERATION

- | Work in progress on a long-term strategy for Icelandair Group's fleet
- | The work done in close co-operation with the manufacturers Boeing and Airbus
- | Other aircraft manufacturer are also being monitored
- | A decision on the future fleet will be made in near future
- | Options being evaluated:

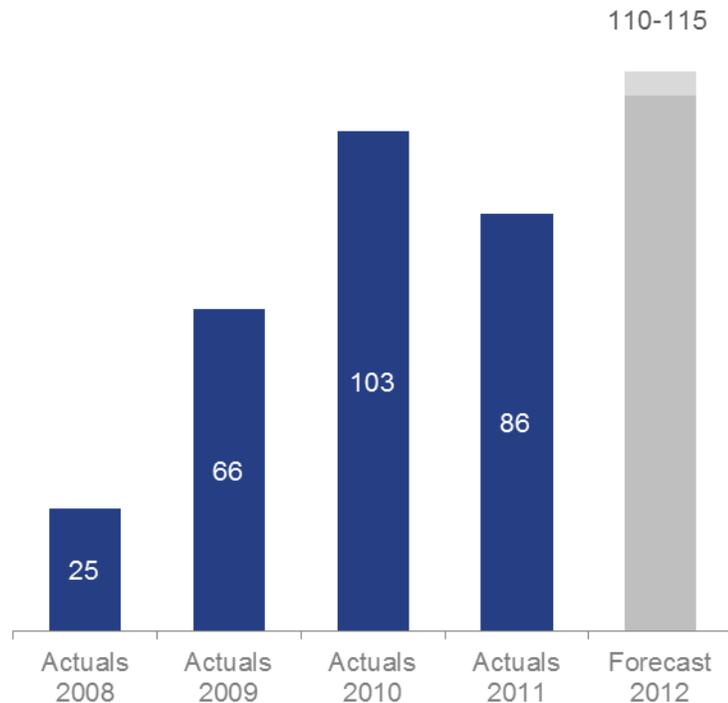
01 Single fleet of Boeing 757 aircraft until 2022

02 Mixed fleet of Boeing 757 and smaller aircraft

OUTLOOK FOR 2012

EBITDA FORECAST INCREASED

EBITDA development 2008-2012 in USD million



- | EBITDA forecast updated to USD 110-115 million
- | Main forecast assumptions:
 - | EUR/USD exchange rate 1.25
 - | Fuel price (excluding hedging): July actual price per tonne, August 950 USD per tonne and in September – December 1,000 USD per tonne
 - | Bookings on international flights are strong for the remainder of the year
 - | Improved outlook in our Cargo business
 - | Increase in the number of tourists to Iceland has positive effect on our domestic businesses
- | 2012 will be challenging for the global aviation industry
 - | High fuel cost
 - | Uncertainty in the world economy
- | Icelandair Group well positioned to face external challenges given its unique business model and strong balance sheet

A large geyser erupts with a thick column of white steam and water against a blue sky with scattered clouds. In the foreground, a sandy area is where several people are gathered. One man in a light blue shirt and green shorts stands to the left, another in a blue shirt and green pants stands closer to the geyser. In the bottom right, the back of a person in a yellow shirt is visible. The background shows a green valley with some buildings and distant hills.

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