



**ICELANDAIR GROUP HF**  
**PRESENTATION OF Q3 2012 RESULTS | NOVEMBER 1<sup>ST</sup> 2012**





# FINANCIALS

BOGI NILS BOGASON | CFO

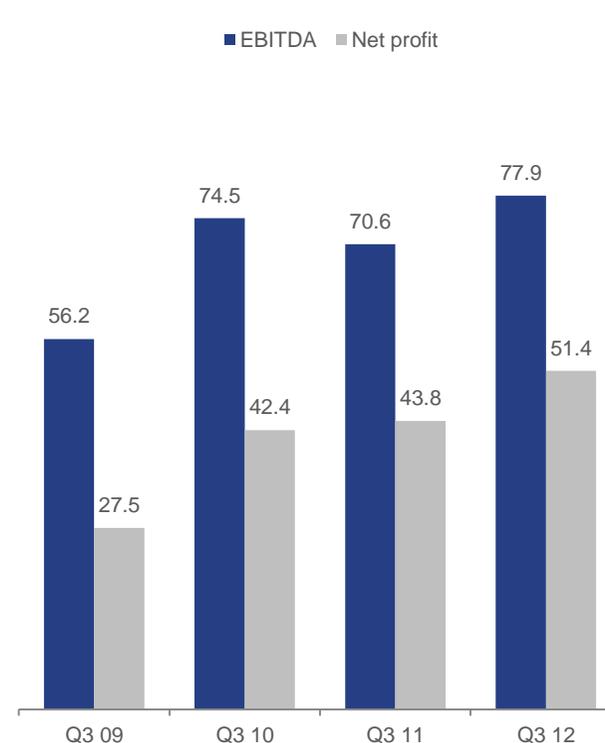
# INCOME STATEMENT

## Q3 RESULTS

USD million	Q3 2012	Q3 2011	% Chg.
<b>Operating Income</b>	<b>317.4</b>	<b>292.6</b>	<b>8%</b>
Salaries and related expenses	54.5	48.5	12%
Aircraft fuel	73.6	63.3	16%
Aircraft and aircrew lease	20.2	23.7	-15%
Aircraft handling, landing and comm.	23.6	21.2	11%
Aircraft maintenance expenses	14.8	16.8	-12%
Other expenses	52.7	48.6	8%
<b>EBITDA</b>	<b>77.9</b>	<b>70.6</b>	-
<b>EBIT</b>	<b>61.1</b>	<b>57.8</b>	-
<b>EBT</b>	<b>64.8</b>	<b>54.1</b>	-
<b>Profit for the period</b>	<b>51.4</b>	<b>43.8</b>	-
<b>EBITDA ratio</b>	<b>24.6%</b>	<b>24.1%</b>	-
<b>EBITDAR</b>	<b>92.7</b>	<b>86.5</b>	-
<b>EBITDAR ratio</b>	<b>29.2%</b>	<b>29.6%</b>	-

## EBITDA and net profit (like-for-like\*)

USD million



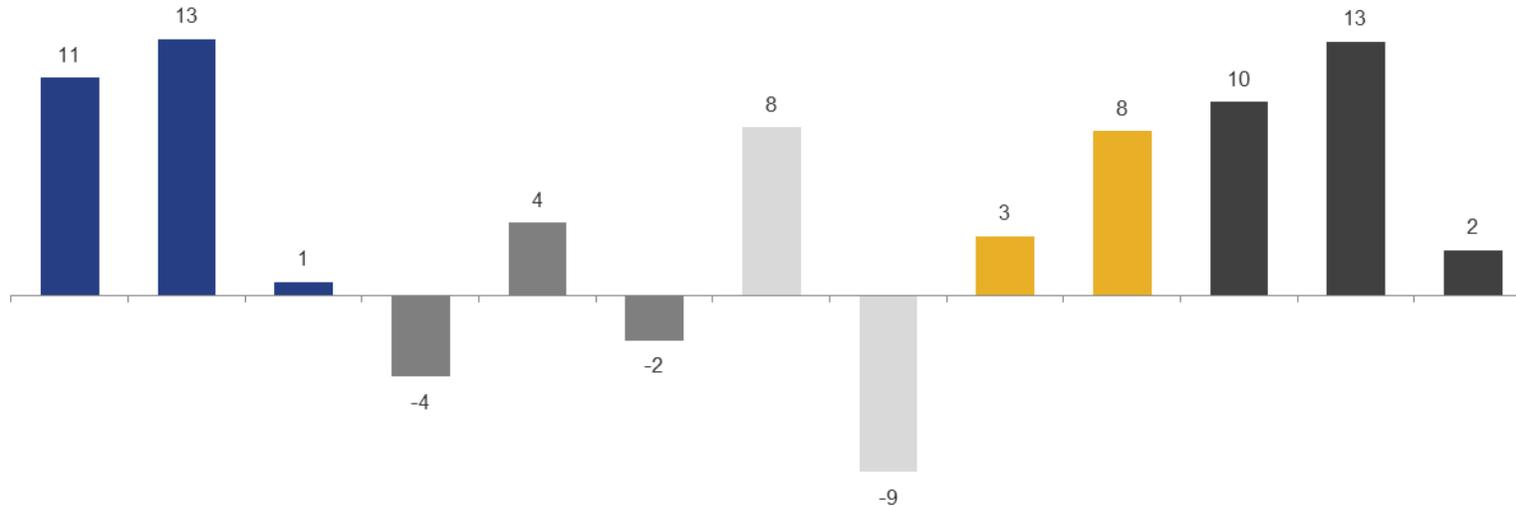
\* not incl. figures for Bluebird in 2009 and 2010

# TRAFFIC FIGURES

Q3 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



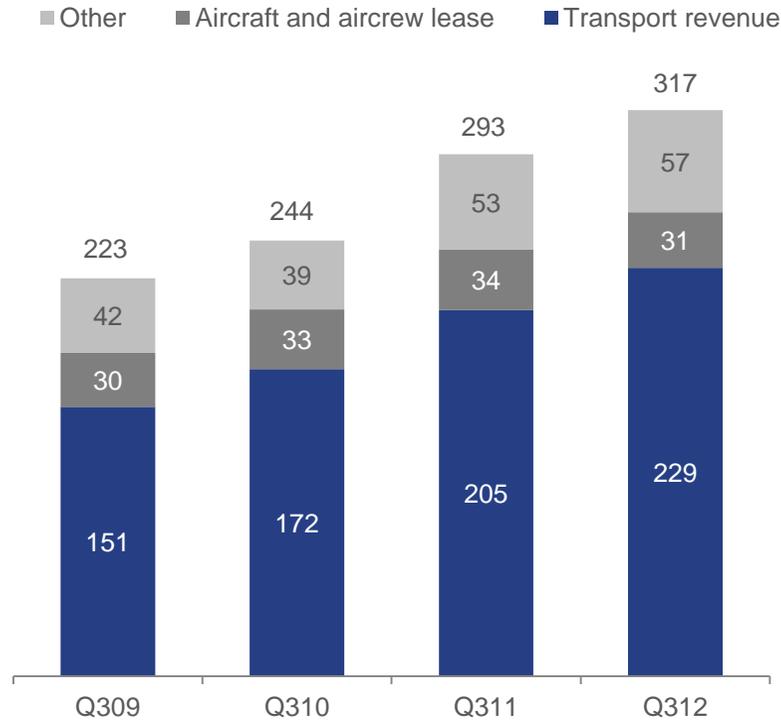
Icelandair Hotels  
www.icelandairhotels.com

# PROFITABLE ORGANIC GROWTH

## DRIVEN BY OUR CORE OPERATIONS: THE ROUTE NETWORK

### Operating revenue (like-for-like\*)

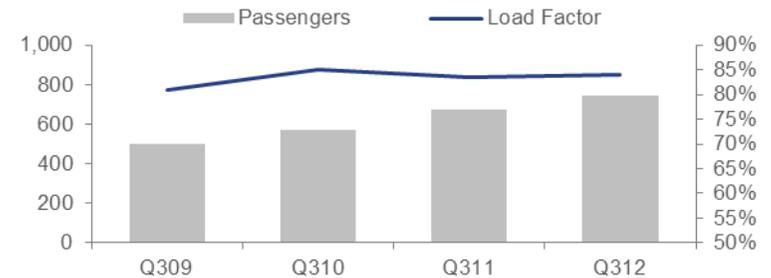
USD million



\* not incl. figures for Bluebird in 2009 and 2010

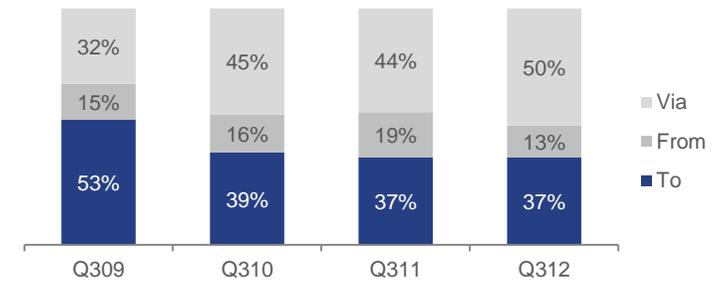
### Load factor and number of passengers

International flights



### Passenger mix

International flights



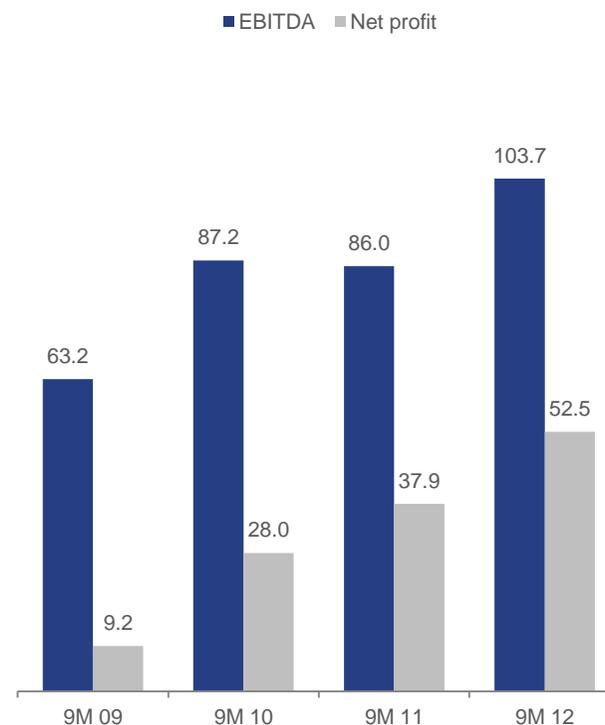
# INCOME STATEMENT

## 9M RESULTS

USD million	9M 2012	9M 2011	% Chg.
<b>Operating Income</b>	<b>709.4</b>	<b>627.4</b>	<b>13%</b>
Salaries and related expenses	150.4	137.1	10%
Aircraft fuel	170.4	140.3	21%
Aircraft and aircrew lease	58.5	65.2	-10%
Aircraft handling, landing and comm.	51.9	46.6	11%
Aircraft maintenance expenses	39.5	44.0	-10%
Other expenses	135.1	108.2	25%
<b>EBITDA</b>	<b>103.7</b>	<b>86.0</b>	-
<b>EBIT</b>	<b>58.9</b>	<b>51.2</b>	-
<b>EBT</b>	<b>65.9</b>	<b>42.6</b>	-
<b>Profit / loss for the period</b>	<b>52.5</b>	<b>37.9</b>	-
<b>EBITDA ratio</b>	<b>14.6%</b>	<b>13.7%</b>	-
<b>EBITDAR</b>	<b>146.7</b>	<b>131.2</b>	-
<b>EBITDAR ratio</b>	<b>20.7%</b>	<b>20.9%</b>	-

### EBITDA and net profit (like-for-like\*)

USD million



\* not incl. figures for Bluebird in 2009 and 2010

# FUEL PRICE REMAINS HIGH

28% OF THE PROJECTED USE FOR THE NEXT 6 MONTHS HEDGED

## Hedging position

October 2012 – March 2013

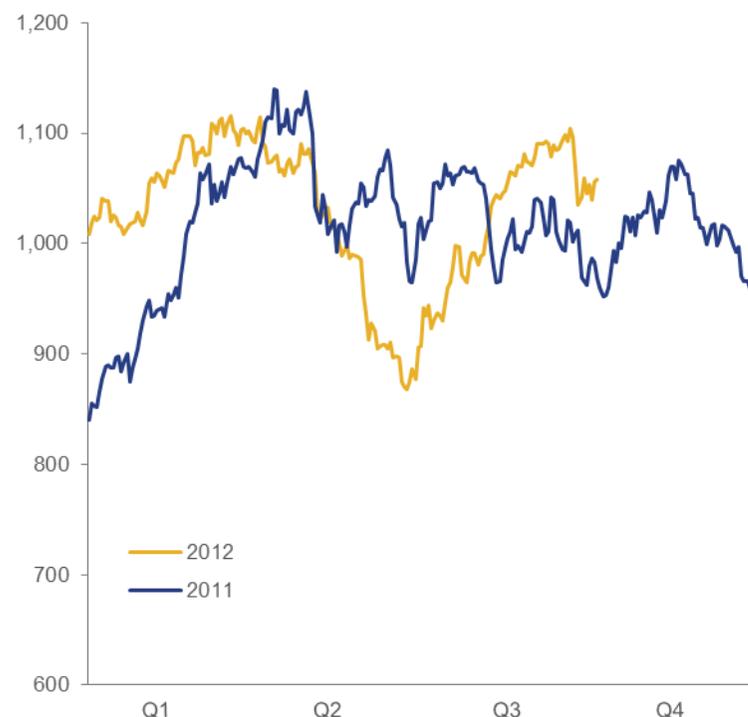
	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	%hedged
Oct '12	16,749	8,250	1,035	49%
Nov '12	13,648	6,250	1,046	46%
Dec '12	12,909	3,250	1,030	25%
Jan '13	10,627	1,000	984	9%
Feb '13	9,594	1,000	1,059	10%
Mar '13	11,294	1,000	1,023	9%
<b>Total</b>	<b>74,821</b>	<b>20,750</b>	<b>1,036</b>	<b>28%</b>

| 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

## Fuel price in USD per Tonne

2012 vs. 2011



# STRONG BALANCE SHEET

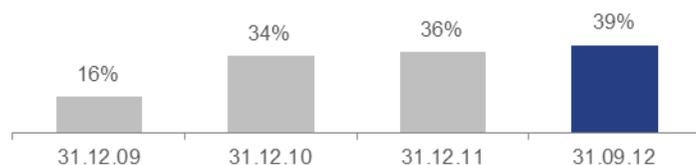
## 39% EQUITY RATIO

| Cash, cash equivalents and marketable securities USD 167.7 million

| Interest-bearing debt USD 158.1 million

USD million	30.09 2012	31.12 2011
<b>Assets</b>		
Operating Assets	280.9	276.2
Intangible assets	176.3	176.7
Other non-current assets	21.5	30.2
<b>Total non-current assets</b>	<b>478.8</b>	<b>483.1</b>
Other current-assets	148.2	140.0
Markatable securities	16.1	27.3
Cash and cash equivalents	151.6	79.4
<b>Total current assets</b>	<b>315.9</b>	<b>246.7</b>
<b>Total assets</b>	<b>794.7</b>	<b>729.7</b>

### Equity ratio – Development 2009-2012



USD million	30.09 2012	31.12 2011
<b>Equity and liabilities</b>		
<b>Stockholders equity</b>	<b>306.4</b>	<b>263.4</b>
Loans and borrowings non-current	126.7	163.1
Other non-current liabilities	44.3	33.5
<b>Total non-current liabilities</b>	<b>171.0</b>	<b>196.6</b>
Loans and borrowings current	31.4	33.7
Trade and other payables	173.3	135.0
Deferred income	112.6	101.0
<b>Total current liabilities</b>	<b>317.3</b>	<b>269.8</b>
<b>Total equity and liabilities</b>	<b>794.7</b>	<b>729.7</b>
Equity ratio	39%	36%
Current ratio	1.00	0.91
Net interest bearing debt	-9.5	90.2
Interest bearing debt	158.1	196.9

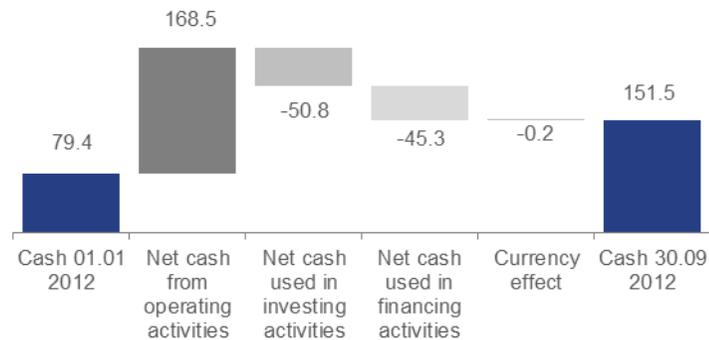
# CASH FLOW

## LIQUIDITY POSITION REMAINS STRONG

USD million	Q3 2012	Q3 2011
Working capital from operations	89,771	76,229
Net cash from operating activities	10,106	-5,280
Net cash used in investing activities	-21,489	-16,909
Net cash used in financing activities	-9,401	-19,315
<b>Increase in cash and cash equivalents</b>	<b>-20,784</b>	<b>-41,504</b>
<b>Cash and cash equivalents end of period</b>	<b>151,552</b>	<b>82,553</b>

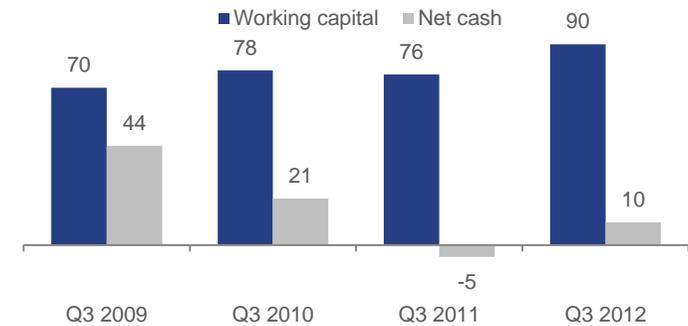
### Changes in Cash in January – September 2012

USD million



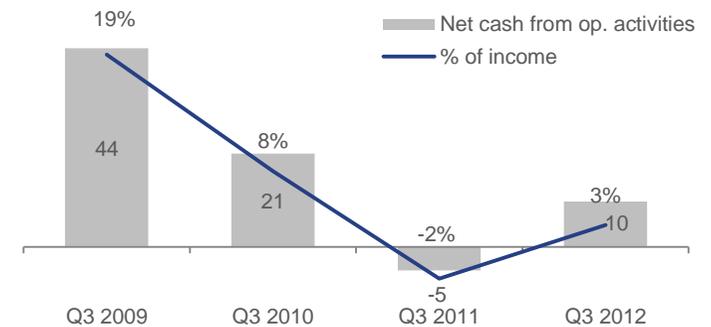
### Working capital and net cash from operations

USD million



### Net cash from operating activities

USD million



# CAPEX

USD 66.6 MILLION IN JANUARY - SEPTEMBER 2012

Operating assets	Long term cost	Intangible assets
<ul style="list-style-type: none"><li>  Total investments in operating assets USD 44.3 million<ul style="list-style-type: none"><li>  Aircraft, components and introduction cost USD 26.1 million</li><li>  Engine overhaul of own aircraft USD 8.9 million</li></ul></li></ul>	<ul style="list-style-type: none"><li>  Total investment in long term cost USD 21.3 million<ul style="list-style-type: none"><li>  Engine overhaul of leased aircraft</li></ul></li><li>  Expensed long term cost USD 20.5 million</li></ul>	<ul style="list-style-type: none"><li>  Investment in intangible assets USD 1.1 million</li></ul>

# OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

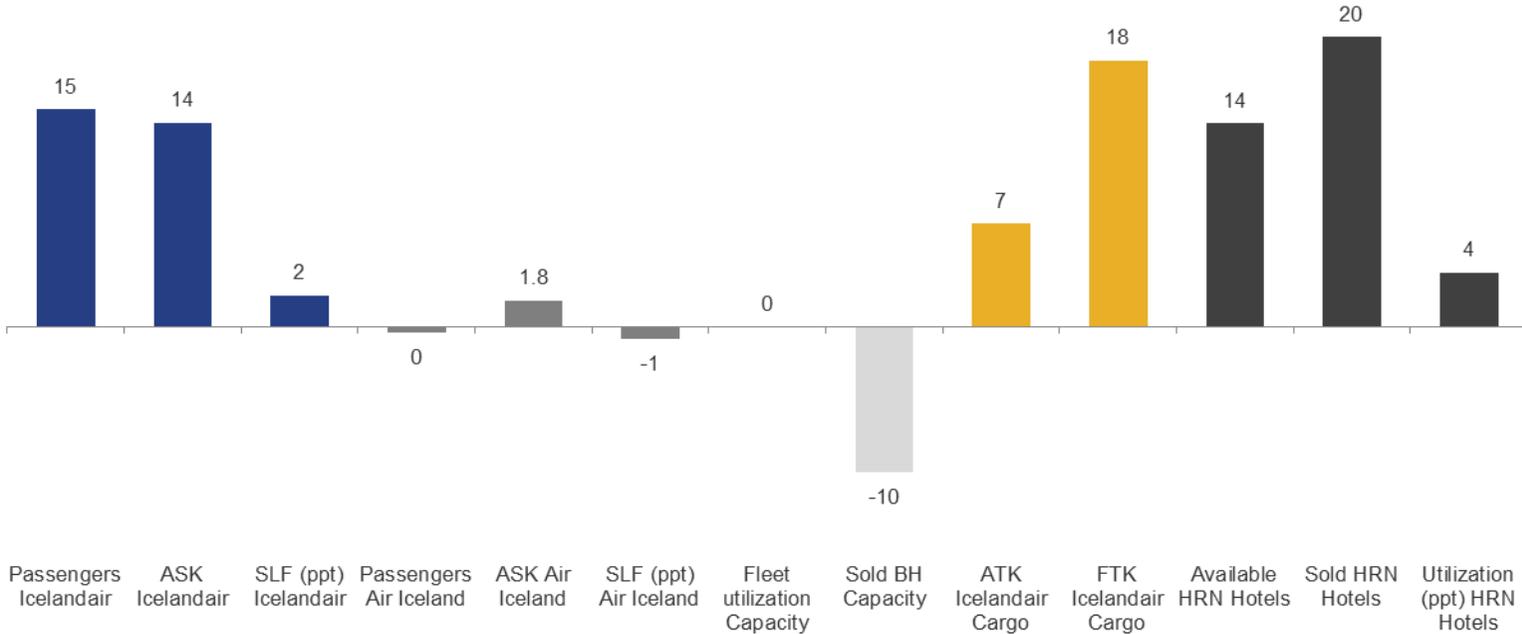


# ORGANIC GROWTH IN 2012

## TRAFFIC FIGURES JANUARY – SEPTEMBER 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

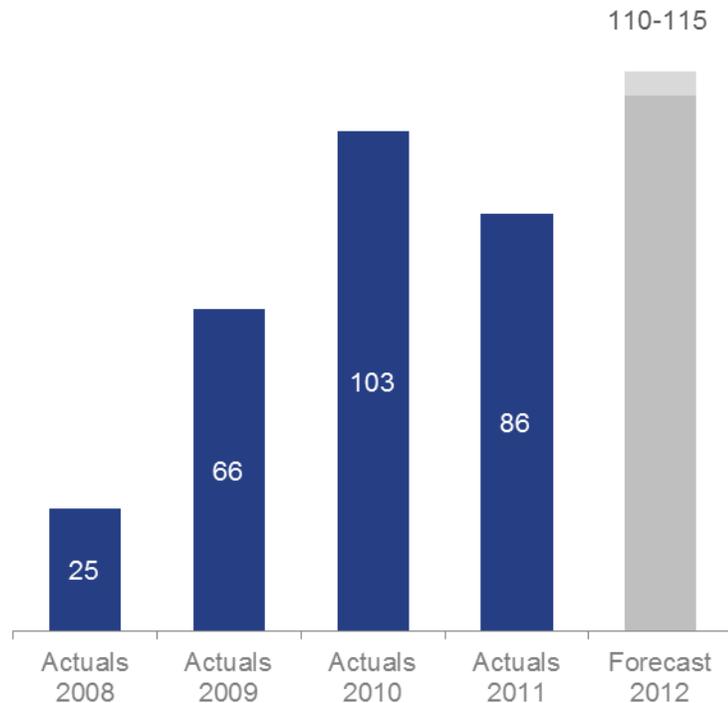


# OUTLOOK FOR 2012

## EBITDA FORECAST FOR USD 110-115 MILLION

### EBITDA development

2008-2012 in USD million



- | Main forecast assumptions:
  - | EUR/USD exchange rate 1.25
  - | Fuel price (excluding hedging): October actual price per ton, November 1,050 USD per ton and in September – December 1,000 USD per ton
  - | 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 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

# LONG-TERM FLEET STRATEGY

## TWO OPTIONS UNDER CONSIDERATION

- | Work still in progress on a long-term strategy for Icelandair Group's fleet
- | A decision on the future fleet will be announced soon
- | Options being evaluated:

**01** Single fleet of Boeing 757 aircraft

**02** Mixed fleet of Boeing 757 and smaller aircraft

# OUR ROUTE NETWORK EXPANDS IN 2013

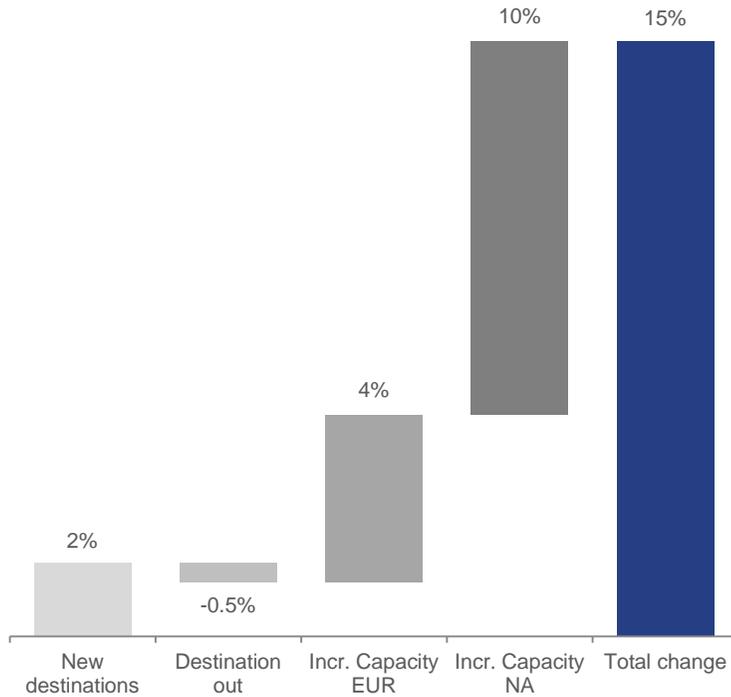


# CAPACITY INCREASE NEXT YEAR PROJECTED 15%

## DRIVEN BY GREATER FREQUENCY TO CURRENT DESTINATIONS

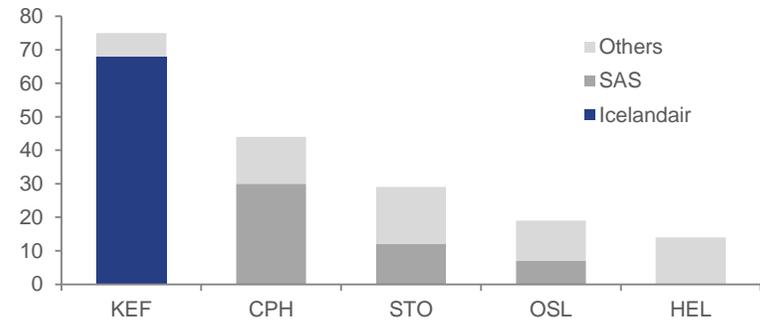
### ASK change

Breakdown 2013 vs. 2012



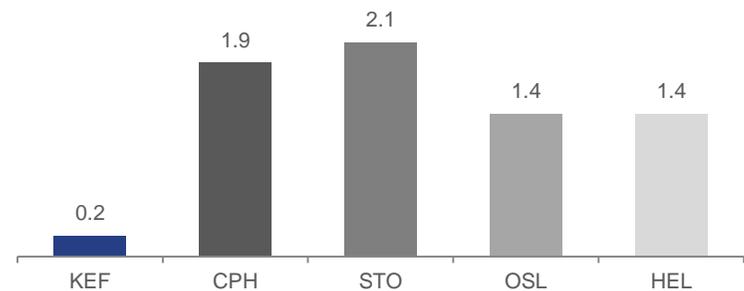
### No. of flights from USA and Canada to Nordic Countries

Summer 2013



### Catchment area population

In millions

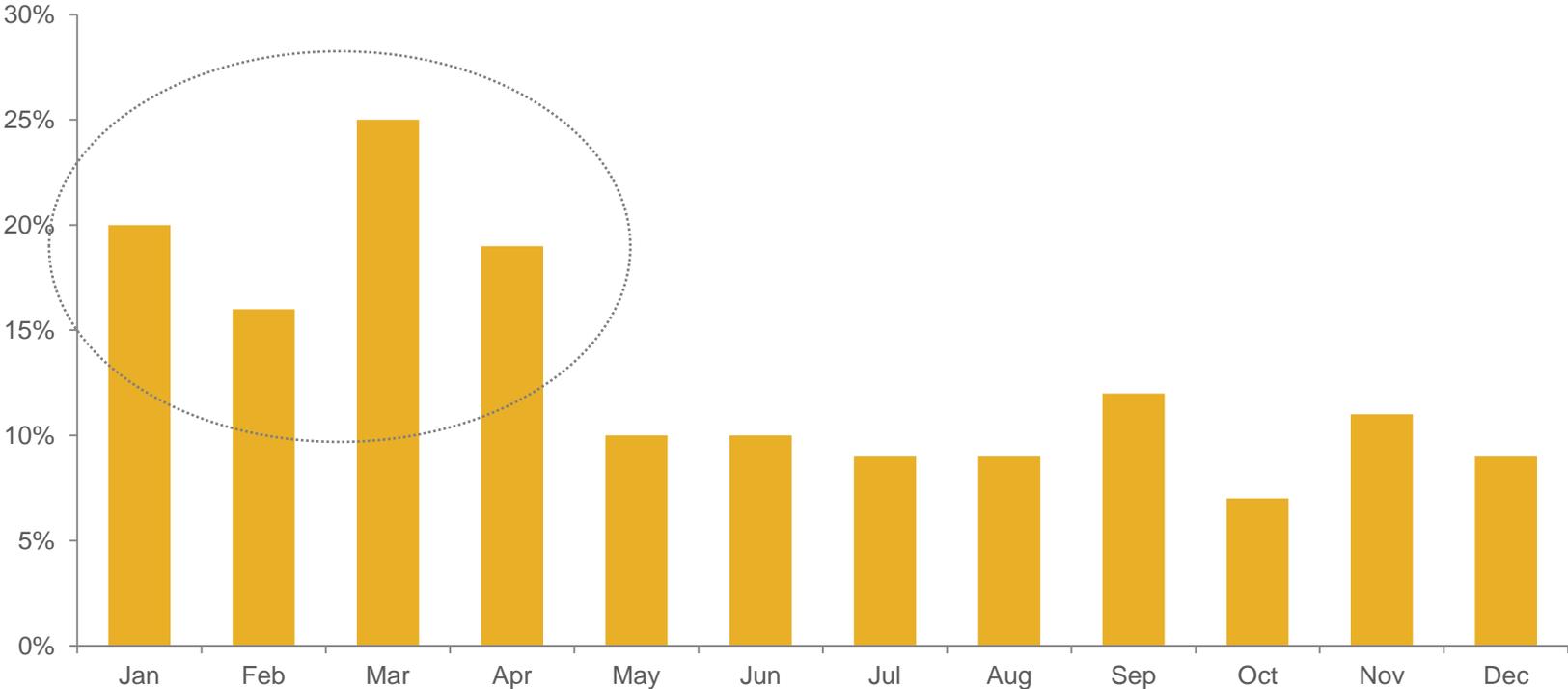


# INCREASED FOCUS ON WINTER TRAFFIC IN 2013

## IN ACCORDANCE WITH OUR STRATEGY

### Available seats

Year-on-Year change in % per month

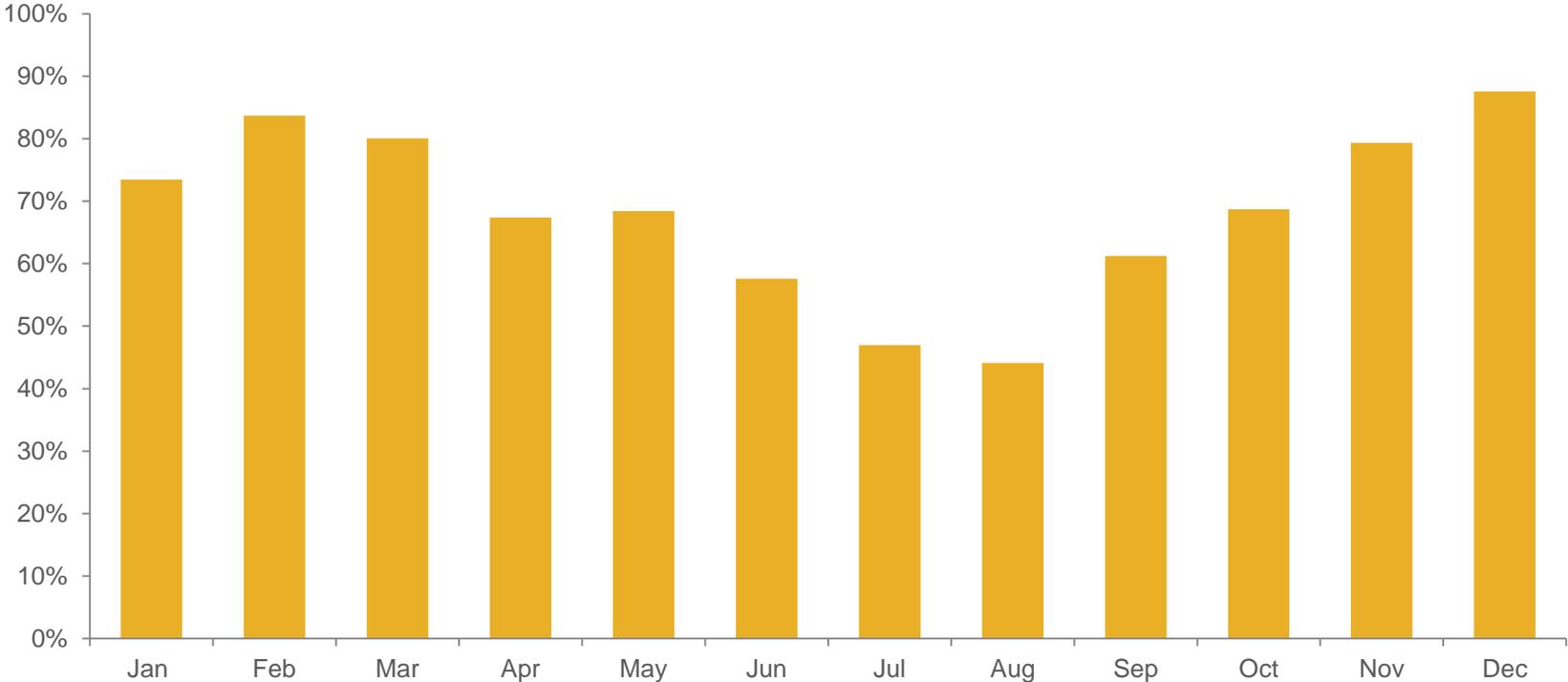


# ICELAND – A YEAR-ROUND DESTINATION

## ICELANDAIR GROUP A LEADER IN THE BUILD-UP

### Icelandair marketshare at Keflavik Airport

In % per month



# UNCERTAINTY IN EXTERNAL ENVIRONMENT

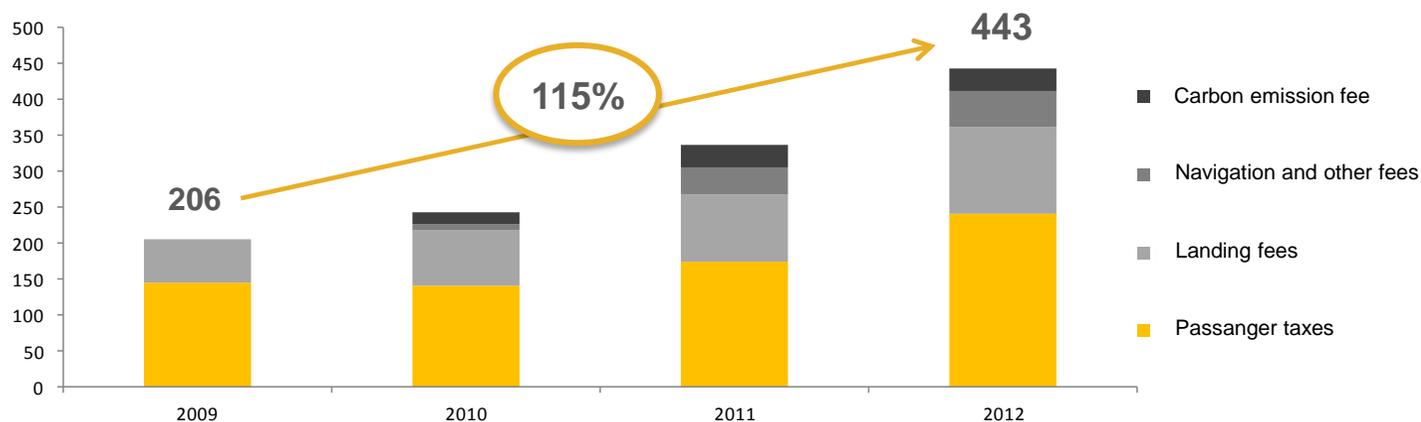
## THE TO MARKET IS SENSITIVE TO TAX CHANGES

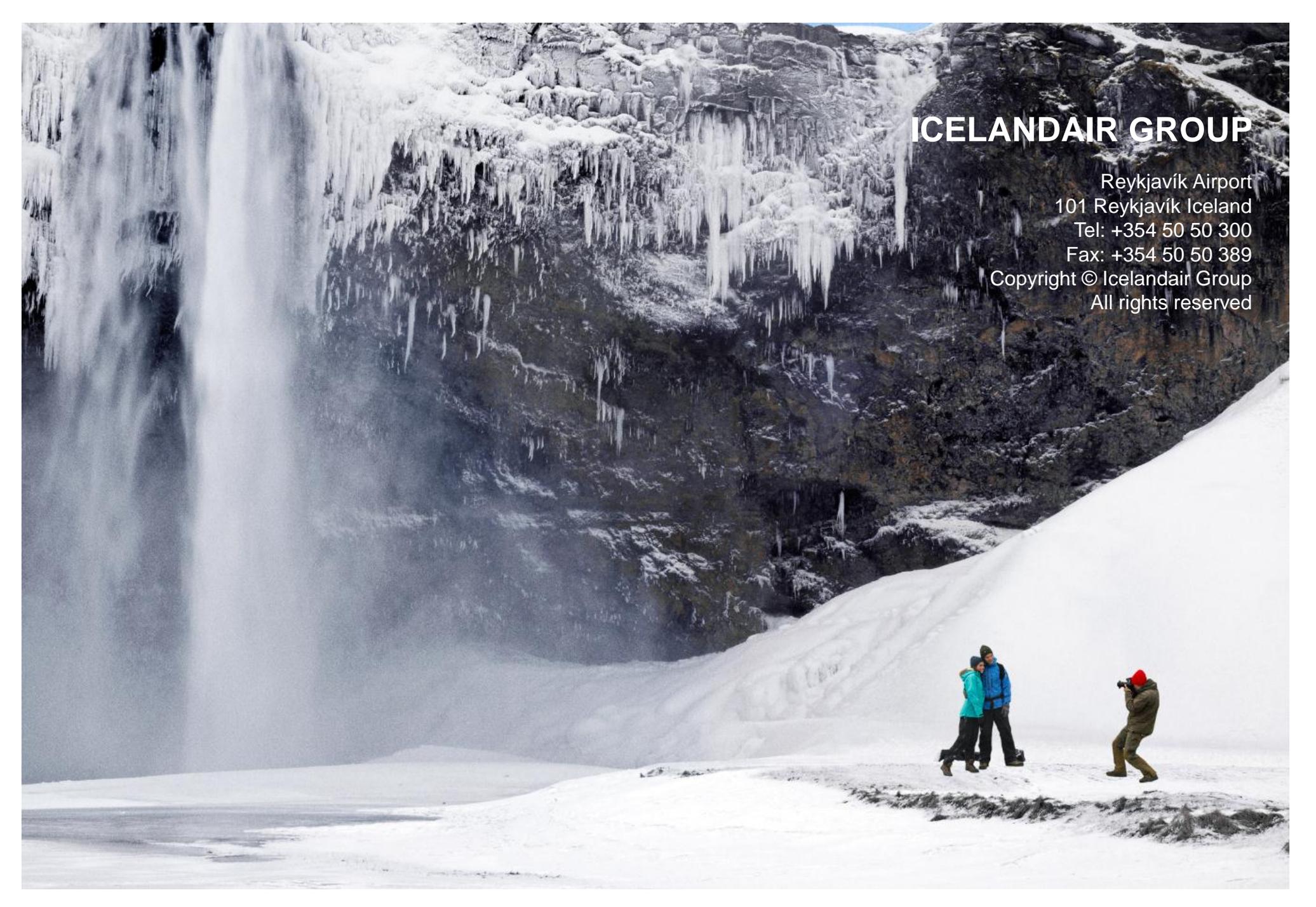
01

Announced VAT tax changes in 2013 can have negative ripple effects into the Icelandic tourist market – especially on the TO market seeded from European tour operators

02

From 2009, Air Iceland has faced significant tax increases in addition to increased fees in terms of landing fees etc. In 2009 the company paid ISK 200 million in taxes and service fees but will pay around ISK 450 million in 2012 – an increase of 115%





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