



ICELANDAIR GROUP HF
PRESENTATION OF Q2 2014 RESULTS | 31 JULY 2014



FINANCIAL RESULTS

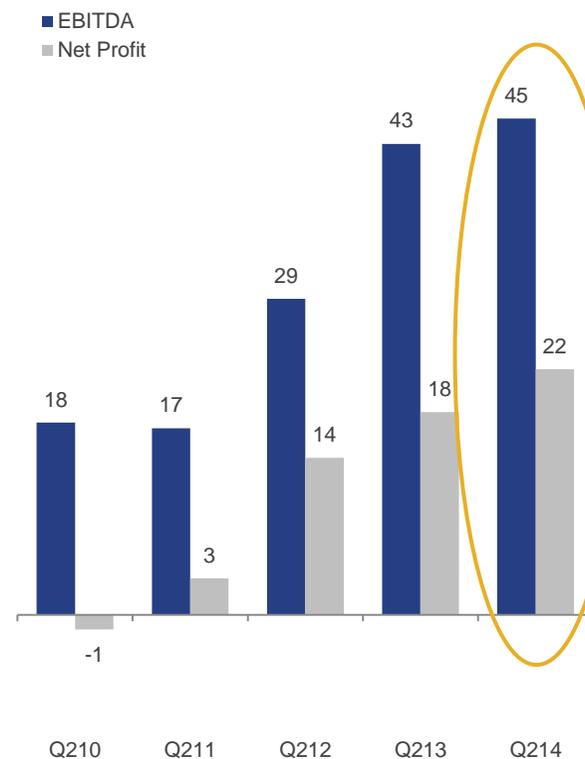
BOGI NILS BOGASON | CFO

INCOME STATEMENT Q2

USD thousand	Q2 2014	Q2 2013	% Chg.
Operating Income	297.8	265.6	12%
Salaries and related expenses	77.4	63.5	22%
Aircraft fuel	74.6	64.4	16%
Aircraft lease	7.0	8.5	-17%
Aircraft handling, landing and comm.	22.2	19.5	14%
Aircraft maintenance expenses	16.7	19.3	-13%
Other expenses	54.5	47.4	15%
EBITDA	45.2	42.9	-
EBIT	25.9	24.8	-
EBT	24.8	23.3	-
Profit from continuing operations	19.8	18.5	-
Profit for the period	22.4	18.5	-
EBITDA ratio	15.2%	16.2%	-1.0 ppt
EBITDAR	54.9	54.6	-
EBITDAR ratio	18.4%	20.6%	-2.1 ppt

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

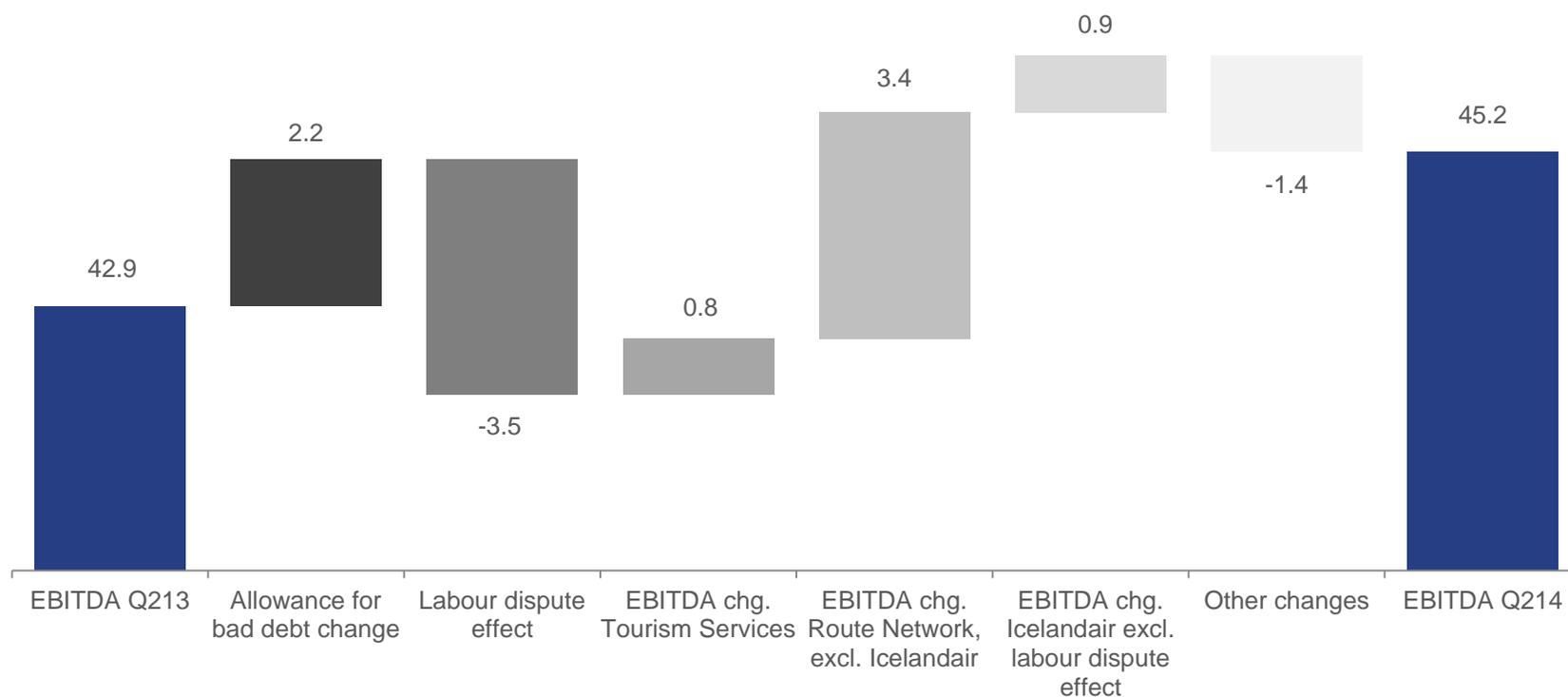
USD million



* not incl. figures for Bluebird in 2010

MAIN CHANGES IN EBITDA

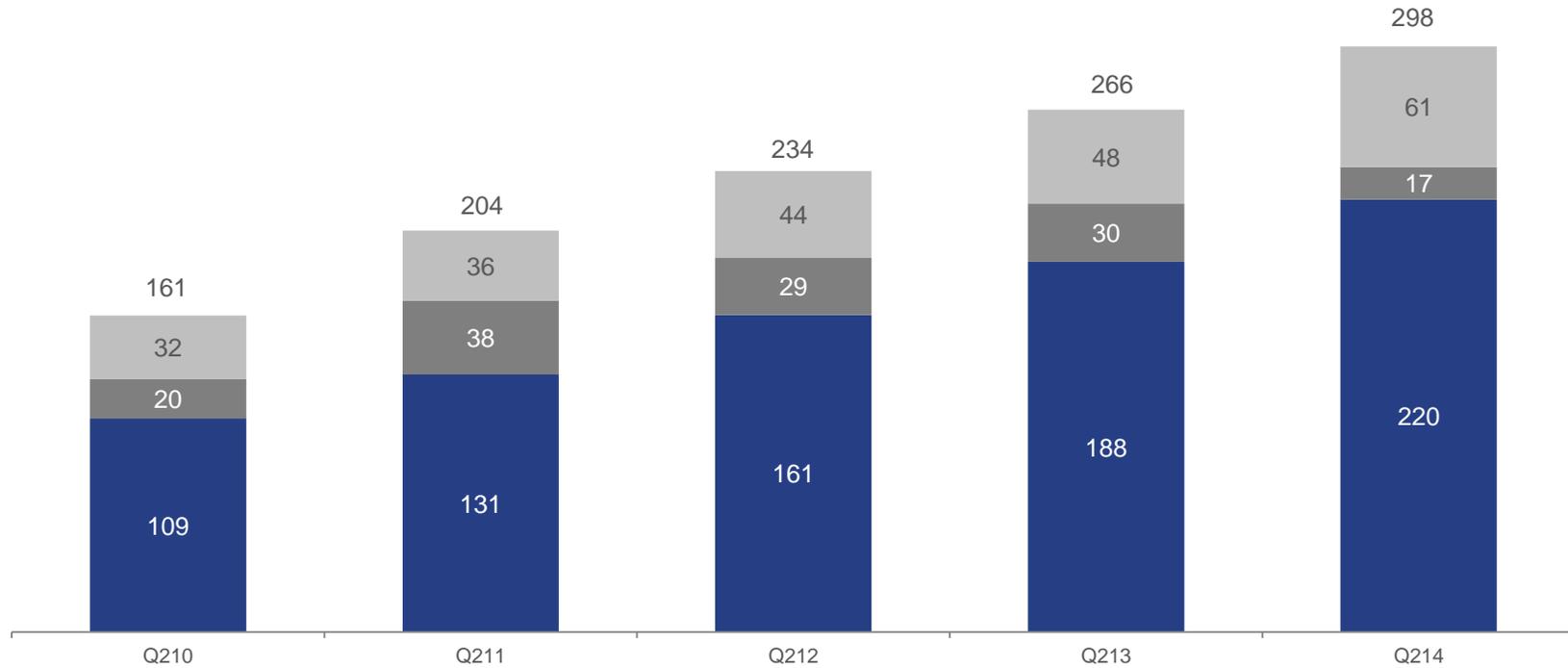
Q214 VS Q213 IN USD MILLIONS



REVENUE INCREASED BY 12% FROM LAST YEAR

Operating revenue (like-for-like)*
in USD million

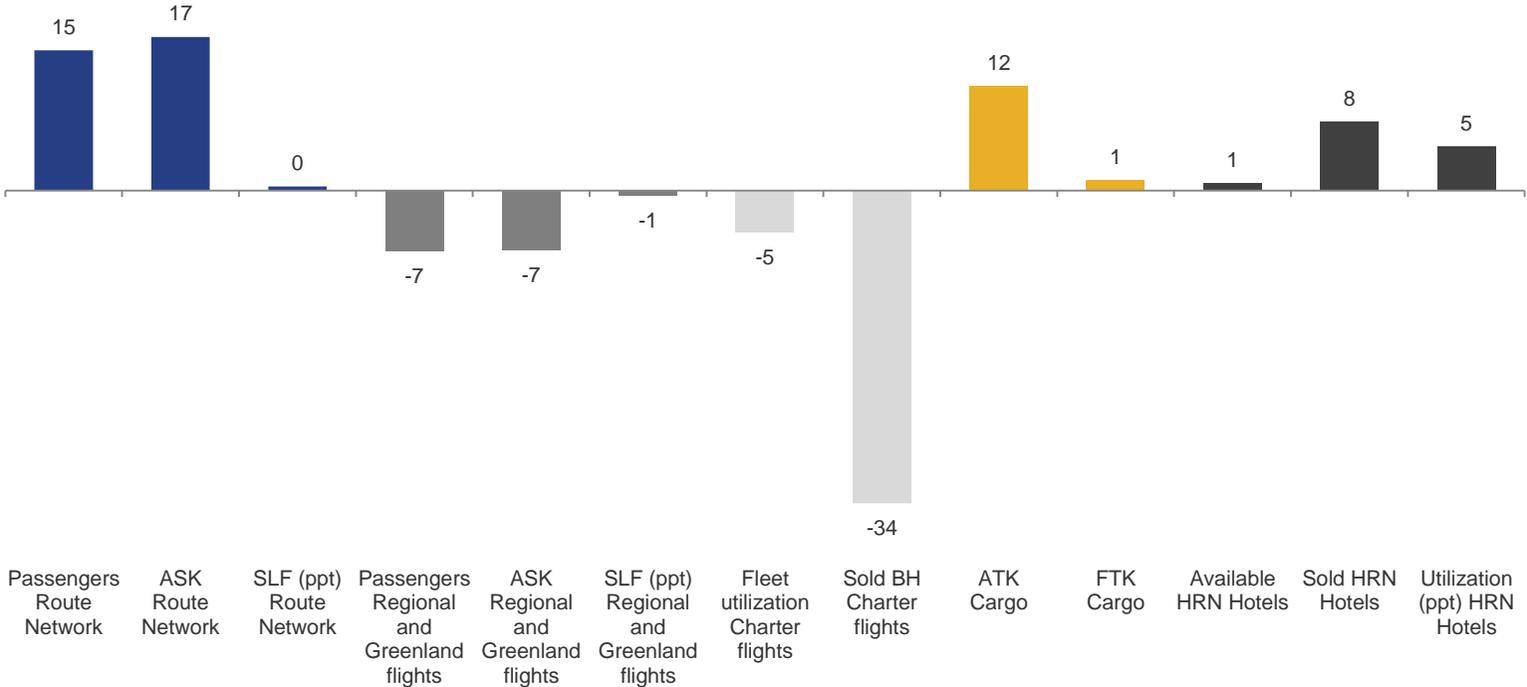
■ Other revenues ■ Aircraft and aircrew lease ■ Transport revenue



* not incl. figures for Bluebird in 2010

TRAFFIC DATA IN Q2

Year-on-year change in %

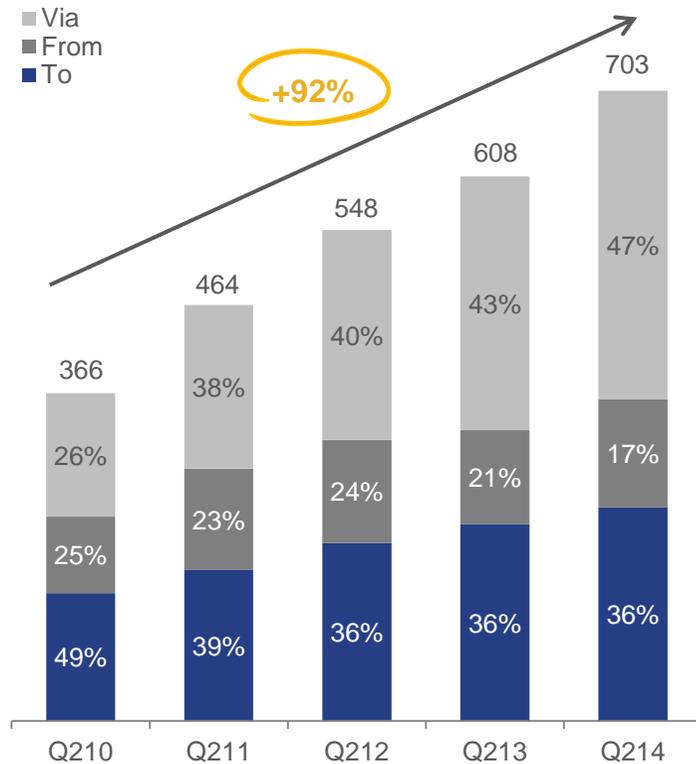


703 THOUSAND PASSENGER CARRIED IN Q2 2014

INTERNATIONAL ROUTE NETWORK

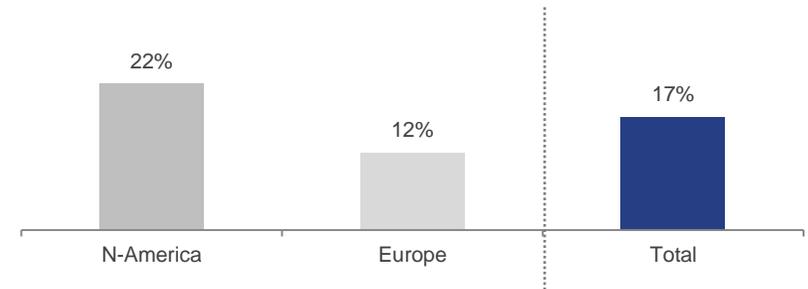
Passengers and passenger mix

Route Network in thousands



Changes in Available Seat Kilometers (ASK)

Route Network YoY in %



Available seat kilometers (ASK) and Load factor (LF)

Route Network Q1 2010-Q1 2014



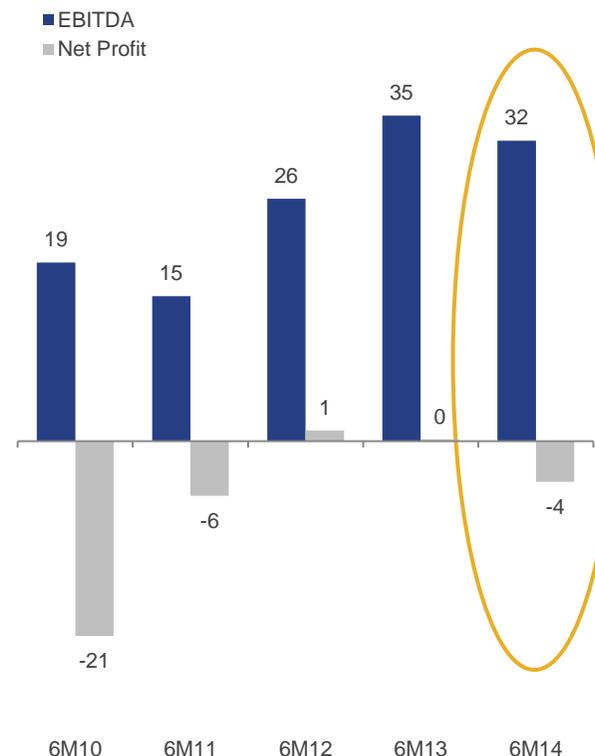
* not incl. figures for Bluebird in 2010

INCOME STATEMENT JANUARY - JUNE

USD thousand	6M 2014	6M 2013	% Chg.
Operating Income	489.1	438.6	11%
Salaries and related expenses	138.3	115.8	19%
Aircraft fuel	122.6	108.0	13%
Aircraft lease	13.0	18.1	-28%
Aircraft handling, landing and comm.	36.6	32.2	14%
Aircraft maintenance expenses	37.8	37.7	0%
Other expenses	108.8	92.2	18%
EBITDA	31.9	34.6	-
EBIT	-4.8	1.8	-
EBT	-8.6	0.4	-
Loss / Profit from continuing operations	-6.9	0.2	-
Loss / Profit for the period	-4.3	0.2	-
EBITDA ratio	6.5%	7.9%	-1.4 ppt
EBITDAR	51.8	58.7	-
EBITDAR ratio	10.6%	13.4%	-2.8 ppt

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

USD million



* not incl. figures for Bluebird in 2010

BALANCE SHEET

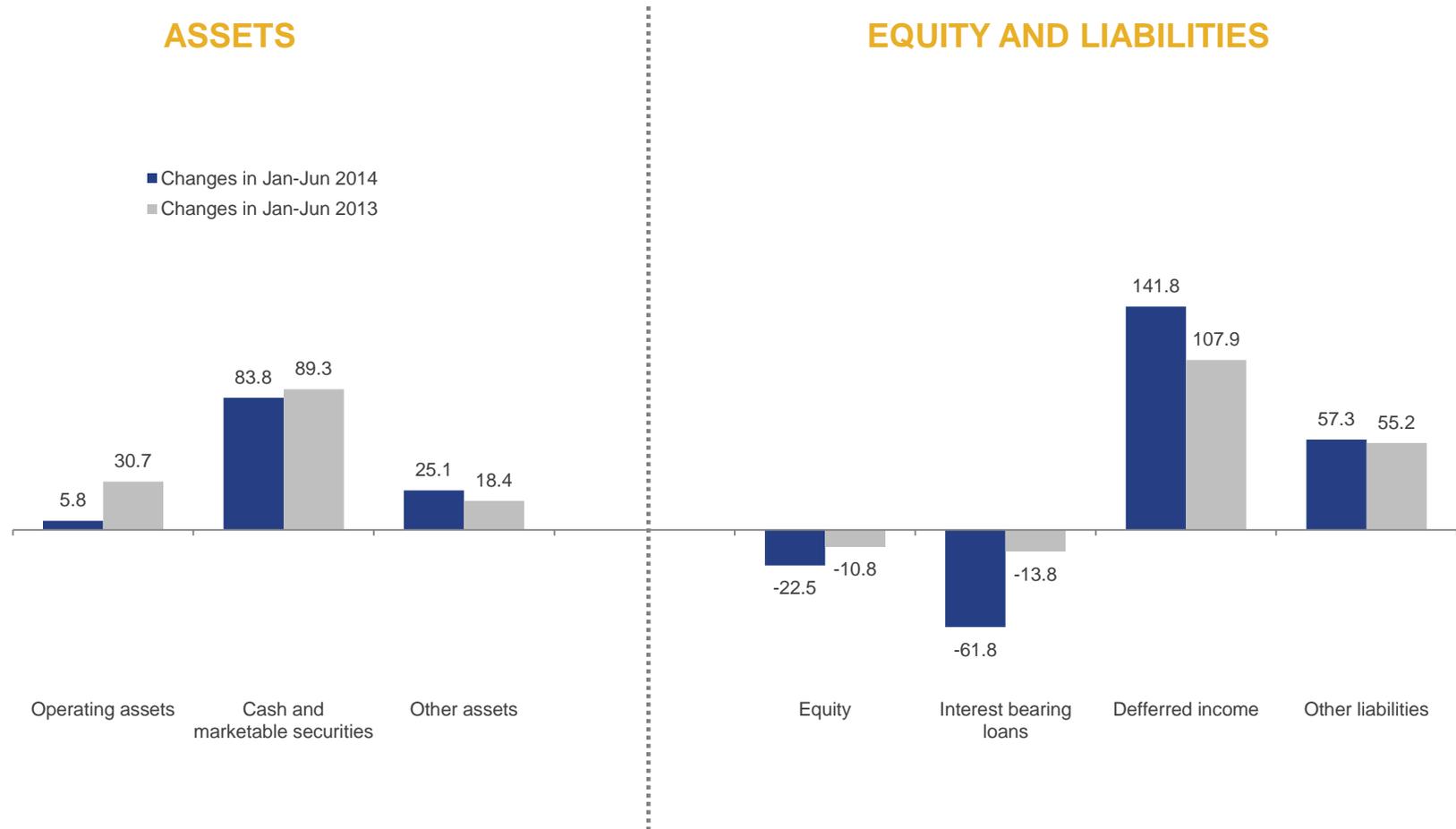
EQUITY RATIO 34%

USD million	30.06 2014	31.12 2013
Assets		
Operating Assets	303.7	299.2
Intangible assets	179.3	179.7
Other non-current assets	19.7	18.1
Total non-current assets	502.8	497.0
Other current-assets	161.5	136.4
Marketable securities	16.3	8.0
Cash and cash equivalents	267.0	191.5
Total current assets	444.8	335.9
Total assets	947.6	832.9

USD million	30.06 2014	31.12 2013
Equity and liabilities		
Stockholders equity	323.5	346.1
Loans and borrowings non-current	46.6	78.5
Other non-current liabilities	52.1	51.7
Total non-current liabilities	98.7	130.2
Loans and borrowings current	13.7	43.5
Trade and other payables	216.4	159.5
Deferred income	295.3	153.5
Total current liabilities	525.4	356.6
Total equity and liabilities	947.6	832.9
Equity ratio	34%	42%
Current ratio	0.85	0.94
Net interest bearing debt	-223.1	-77.5
Interest bearing debt	60.2	122.0

BALANCE SHEET CHANGES

TOTAL ASSETS UP BY USD 114.7 MILLION FROM YEAR-END 2013



CASH FLOW

NET CASH FROM OPERATIONS USD 83.6 MILLION

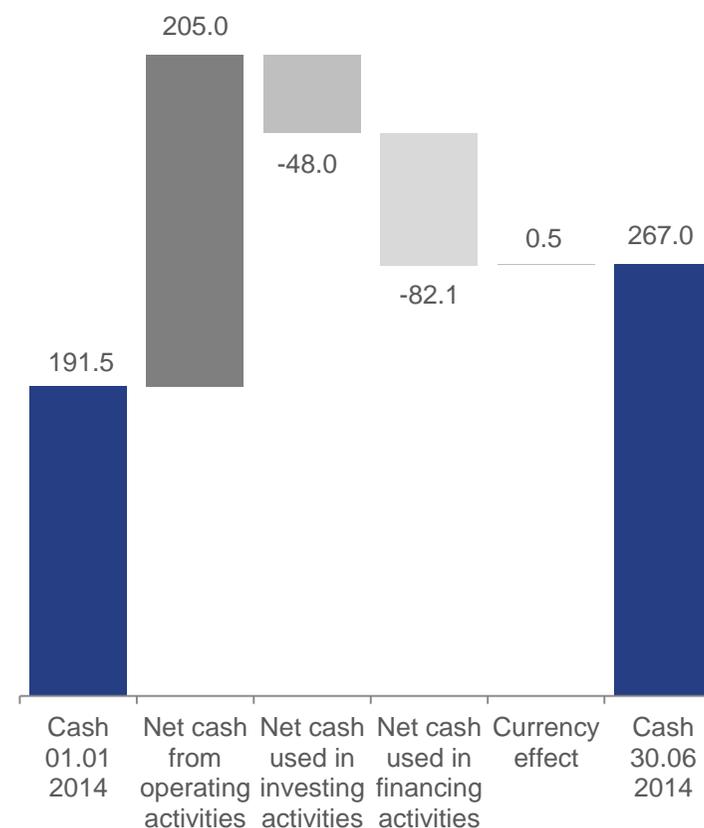
USD million	Q2 2014	Q2 2013
Working capital from operations	50.3	48.2
Net cash from operating activities	83.6	106.4
Net cash used in investing activities	-14.0	-15.5
Net cash used in financing activities	-52.9	-15.7
Increase in cash and cash equivalents	16.7	75.3
Effect of exchange rate fluctuations on cash held	0.1	0.1
Cash and cash equivalents at the beginning of the period	250.2	144.0
Cash and cash equivalents at 30 June	267.0	219.3

Comments

- | Total Capex in Q2 2014 USD 10.7 million
- | Dividend payment USD 19.0 million
- | Repayment of long term loans USD 33.9 million

Changes in Cash in January - June 2014

USD million



JET FUEL HEDGING POSITION

Fuel hedge positions end of June
Icelandair Group total

Period	Estimated usage (tons)	Option volume	Swap volume	Total swap and option contracts	% hedged	Av. Hedge price USD	Bought call strike	Sold put strike
Jul 14	31,333	4,000	11,400	15,400	49%	977	1,000	924
Aug 14	31,312	9,000	6,400	15,400	49%	970	1,000	928
Sep 14	26,087	8,000	5,200	13,200	51%	997	1,000	932
Oct 14	20,839	6,000	4,200	10,200	49%	990	1,000	937
Nov 14	17,639	3,000	5,200	8,200	46%	972	990	908
Dec 14	16,393	3,000	5,200	8,200	50%	964	1,000	932
Jan 15	13,958	3,000	3,000	6,000	43%	947	1,000	929
Feb 15	12,029	0	2,000	2,000	17%	960		
Mar 15	16,147	0	3,000	3,000	19%	993		
Apr 15	17,204	0	0	0	0%	0		
May 15	23,730	0	0	0	0%	0		
Jun 15	29,232	0	0	0	0%	0		
Total	255,903	36,000	45,600	81,600	32%	-	-	-

OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

WAGE AGREEMENTS

Icelandic Airline Pilots Association

Wage agreement
valid until
30 September 2014

Icelandic Cabin Crew Association

Wage agreement
valid until
31 August 2015

Icelandic Aircraft Maintenance Technicians Association

Wage agreement
valid until
31 August 2017

OUTLOOK IN MAIN BUSINESSES

Route Network

The outlook has improved since the labour disputes with unions in May and June

Slow down of bookings in May and June has largely recovered

Booking outlook for the remainder of the year in line with capacity increase

Regional & Greenland

The domestic operation facing a challenging environment

Demand from Icelanders not recovered since 2008

Efforts being made to increase the number of foreign tourist on domestic flights

Charter

Prospects for the charter operations favourable

Six aircraft assigned in charter projects

The Company has withdrawn from freight charter operations

Cargo

Improved results in cargo operations

Two cargo aircraft used on scheduled routes

Additionally the cargo operations has 38 destinations in Europe and N-America through the international passenger network

Hotels

The booking status for the summer is good, but bookings are arriving with shorter notice than in recent years

Icelandair Hotel Reykjavik Marina is currently being enlarged. The new hotel extension will open in May 2015

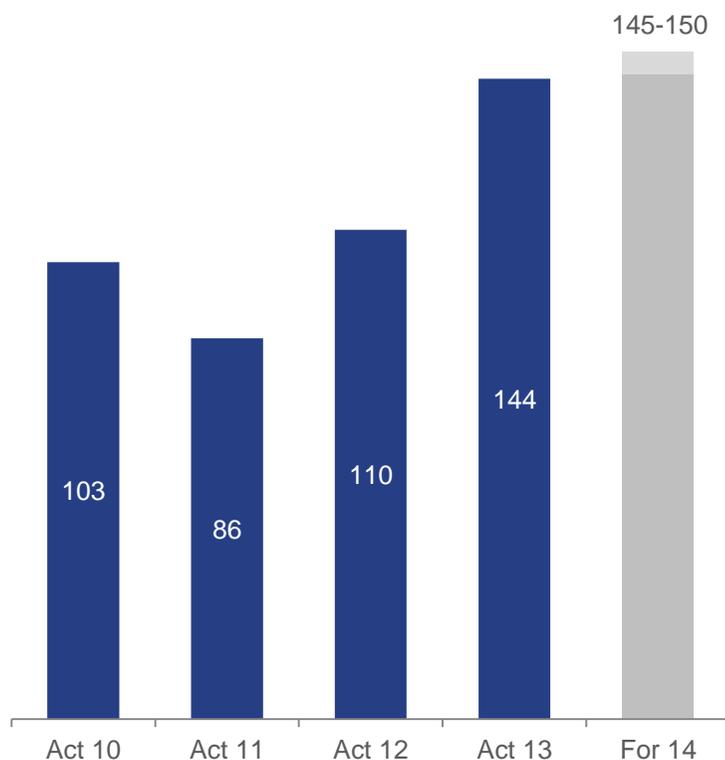
New hotel opened downtown Reykjavik in 2016

EBITDA FORECAST

UP TO USD 145-150 MILLION

EBITDA development

2010-2014 in USD million



- | Assumptions:
 - | EUR/USD exchange rate 1.35
 - | Fuel price (excluding hedging): USD 978/ton in July and 1,000/ton for the period August-December
- | Prospects in international flights better than in spring and early summer during the labour dispute
- | Booking status in the international flight operation for the remainder of the year in line with the capacity increase
- | Operations in tourist-related services are showing good results
- | Prospects for cargo and charter operation favourable
- | The improved collecting on claims in charter operations is a significant factor in the increased EBITDA forecast

ICELANDAIR GROUP

Reykjavík Airport
101 Reykjavík Iceland
Tel: +354 50 50 300
Fax: +354 50 50 389
info@icelandairgroup.is
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