



ICELANDAIR GROUP hf.

Presentation of Q4 and Annual Results 2009

Björgólfur Jóhannsson – President and CEO of Icelandair Group | 30 April 2010



AGENDA

- + Activities of Icelandair Group
- + Icelandair Group: Q4 and Annual Results
- + Icelandair: Q4 and Annual Results
- + Outlook and Q&A

Two Business Segments of Icelandair Group

- + Icelandair Group is an operational company with focus on international route network and tourism.
- + Icelandair Group comprises two business segments.

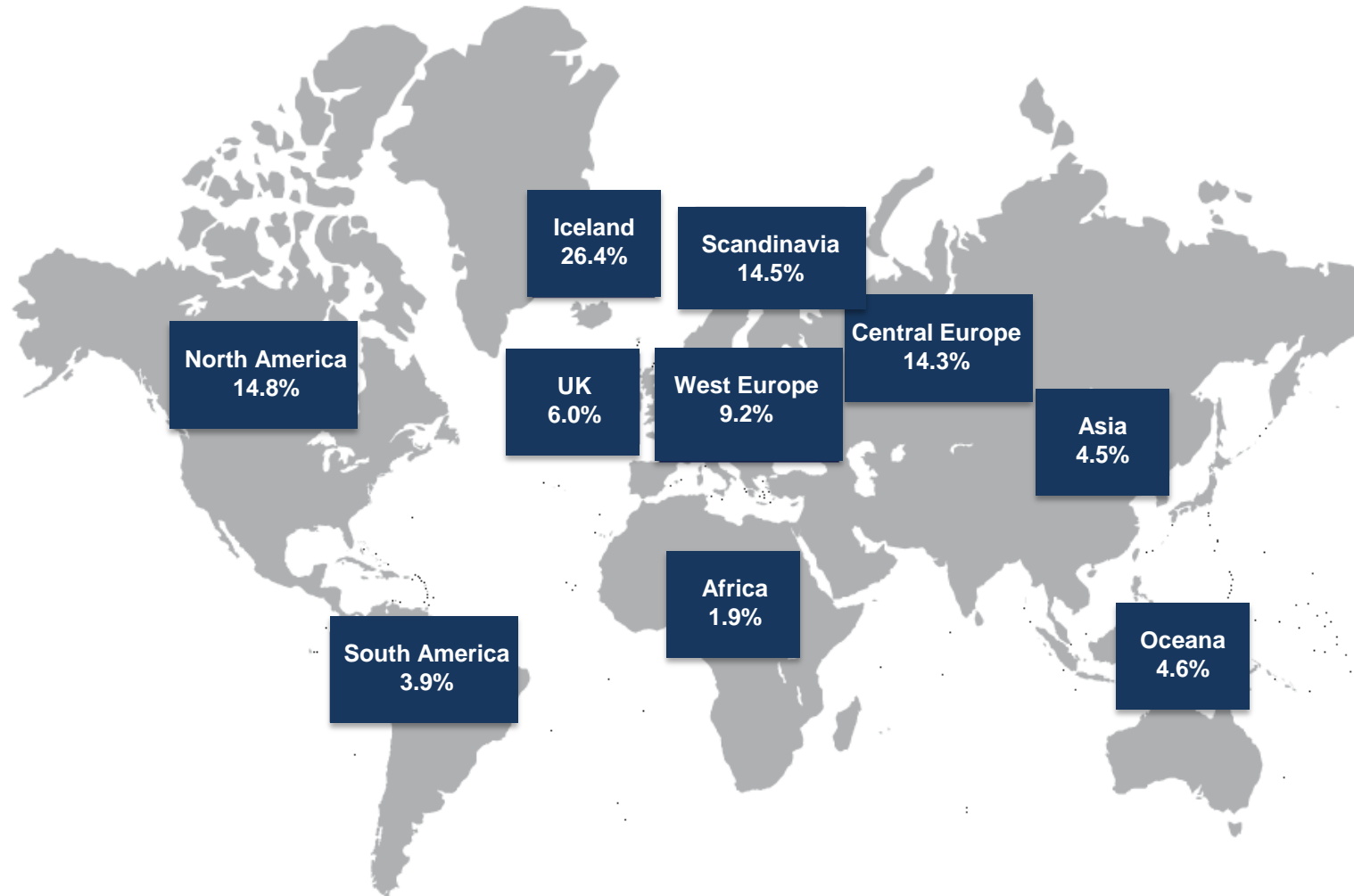
Icelandair Group



- + Icelandair Group's mission is to operate an integrated network of companies within air travel and related services, providing quality service building on over 70 years' experience and knowledge.
- + The Group is moving from being a holding company and has redefined itself as an operating company with subsidiaries focused on the international airline and tourism sectors.
- + This marks a strategic shift for the Group going forward.
- + Icelandair is by far the largest contributor to the Group, representing around 55% of total revenues.

Revenue Distribution in 2009 by World Regions

+ Out of total revenue, foreign origination accounts for 74% in 2009.



Structural Highlights of Q4

+ Icelandair Group signed an agreement in November 2009 regarding the sale of 20% of its share in the Czech airline, Travel Service. After the transaction Icelandair Group holds a 30% share in Travel Service.

- + After the sale Travel Service becomes an affiliated company instead of being a subsidiary.
- + The effects of the sale on the income statement are negative by ISK 0.7 billion and equity decreases by ISK 1.5 billion.
- + The Group's total assets decrease by ISK 12 billion.

+ Financial Restructuring Underway

- + The financial restructuring is expected to be concluded in Q2 2010 and is centered on debt restructuring and share capital increase.
- + Discussed in more detail later in the presentation.

+ Board decision to simplify the business model going forward

- + The Board of Icelandair Group has decided to simplify the business model in order to reflect a change in the business environment.
- + The future focus of Icelandair Group will be on the operations of Icelandair, Icelandic Tourism and the Hub and Spoke concept that has been a pivotal part of Icelandair's business model for decades, as well as related services.
- + Under the new plan, non-core operations will be divested.



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Overview of Q4 Results

- + Icelandair Group is reporting a net loss of ISK 9.6 Bn in fourth quarter. The single largest factor effecting the net result is a ISK 2.4 Bn of write-downs and losses due to SmartLynx.
- + Net loss from continuing operations amounts to ISK 5.1 Bn in Q4 2009.

Group Net Loss Q4 2009

ISK 9.6 Bn



- + Core operations outperformed budget but finance expenses amounted to ISK 5.9 Bn.
- + Losses and write-offs due to SmartLynx amounted to ISK 2.4 Bn.
- + Impairment of assets amounted to ISK 2.0 billion.

Group Revenue Q4 2009

ISK 18.2 Bn



- + Total revenue increased by 4% as compared to Q4 2008 and outperformed budget.
- + Thereof, transport revenue increased by 8% while other revenue declined by 7%.

Group EBITDA Q4 2009

ISK -0.2 Bn



- + Q4 EBITDA improved by ISK 675 million as compared to Q4 2008.
- + Salaries and fuel expenses reduced significantly but aircraft leases increased by 45%.

Group EBITDAR Q4 2009

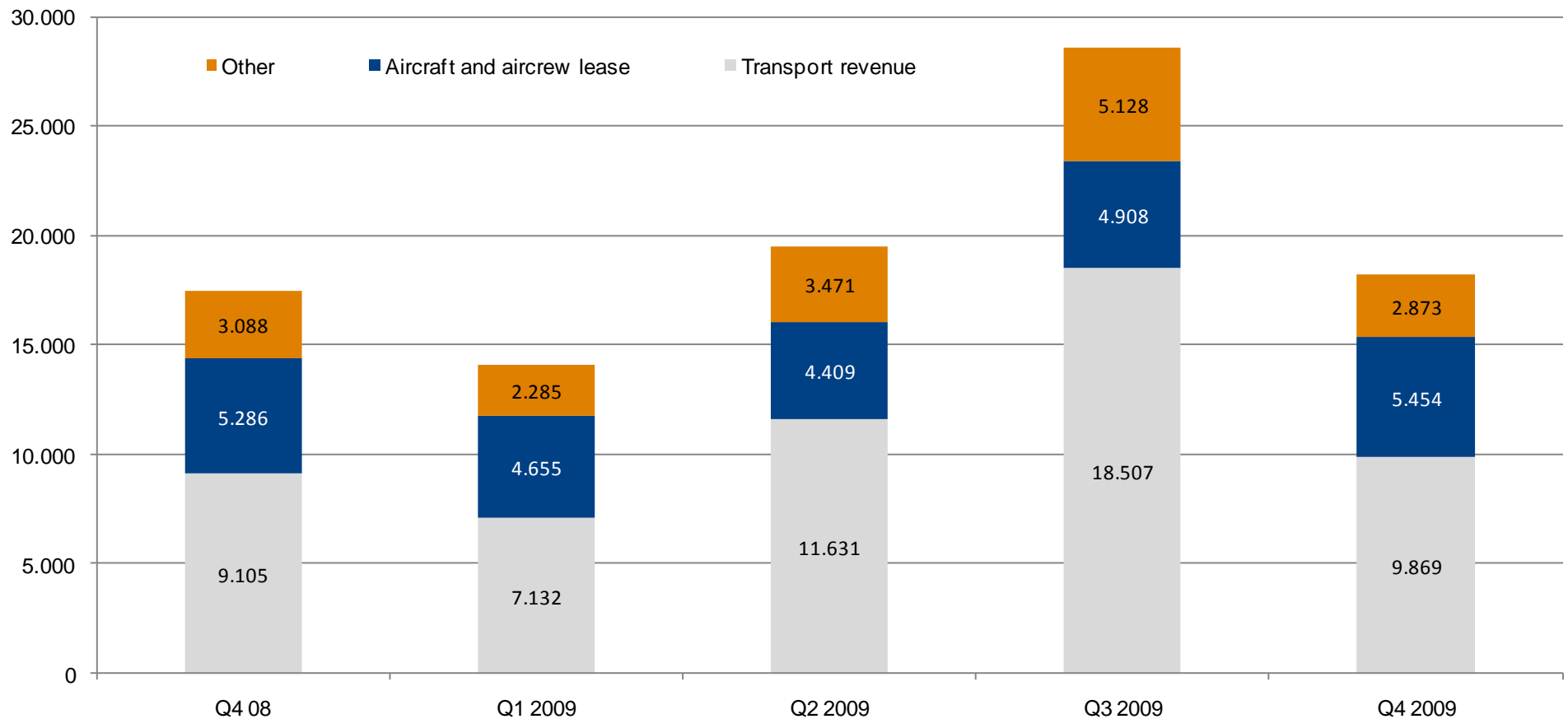
ISK 1.768 Bn



- + Q4 EBITDAR increased by ISK 513 million (41%) as compared to Q4 2008.

Revenue Breakdown of Icelandair Group

+ Transport revenue increased by 8% and total revenue increased by 4% from Q4 2008



Income Statement Q4

Financial Highlights of Q4 2009 and Q4 2008

	Q4 09	Q4 08
Transport revenue	9.869	9.105
Aircraft and aircrew lease	5.454	5.286
Other	2.873	3.088
Operating Income	18.196	17.479
Salaries and related expenses	4.894	5.208
Aircraft fuel	2.816	3.953
Aircraft and aircrew lease	3.706	2.564
Aircraft servicing, handling and comm.	1.236	1.285
Aircraft maintenance	2.100	1.727
Other	3.663	3.635
EBITDA	-219	-895
EBIT	-2.941	-8.672
EBT from continuing operations	-5.834	-9.303
Net Loss from continuing operations	-5.126	-9.398
Loss from discontinuing operations	-4.520	-1.172
Loss for the year	-9.646	-10.570
EBITDAR	1.768	1.255

Overview of 2009 Annual Results

- + Despite healthy operations from its core activities, the Group is reporting a net loss of ISK 10.7 Bn, which is largely due to adverse balance sheet movements and write-downs.

Group Net Loss 2009

ISK 10.7 Bn



- + Net loss amounted to ISK 10.7 Bn for the year 2009.
- + Net loss from continuing operations amounted to ISK 4.0 Bn in 2009.

Group Revenue 2009

ISK 80.3 Bn



- + Total revenue in 2009 increased by ISK 8.1 Bn equaling a 11% increase from 2008.
- + Transport revenue increased by 15%, aircraft and aircrew lease by 13% and other by 3%.

Group EBITDA 2009

ISK 8.1 Bn



- + EBITDA increases by 166% as compared to 2008.
- + Operating income rose by 11% while operating expenses increased by 4% in 2009.

Group EBITDAR 2009

ISK 16.3 Bn



- + EBITDAR increases by 85% as compared to 2008.
- + EBITDAR is the best measure of a the Group's operating cash flow.

Negative Contributors of the 2009 Results

+ Icelandair Group's net loss of ISK 10.7 billion is largely explained by four factors.



SmartLynx: In 2009 SmartLynx reported a loss of ISK 2.4 Bn and the Group made provisions amounting to ISK 1.8 Bn against the Group's claims and guarantees for SmartLynx.



Travel Service: The loss from Icelandair Group's stake in Travel Service amounted to ISK 1.6 Bn in 2009, which was largely due to fuel hedges and capital loss occurred in the sale.

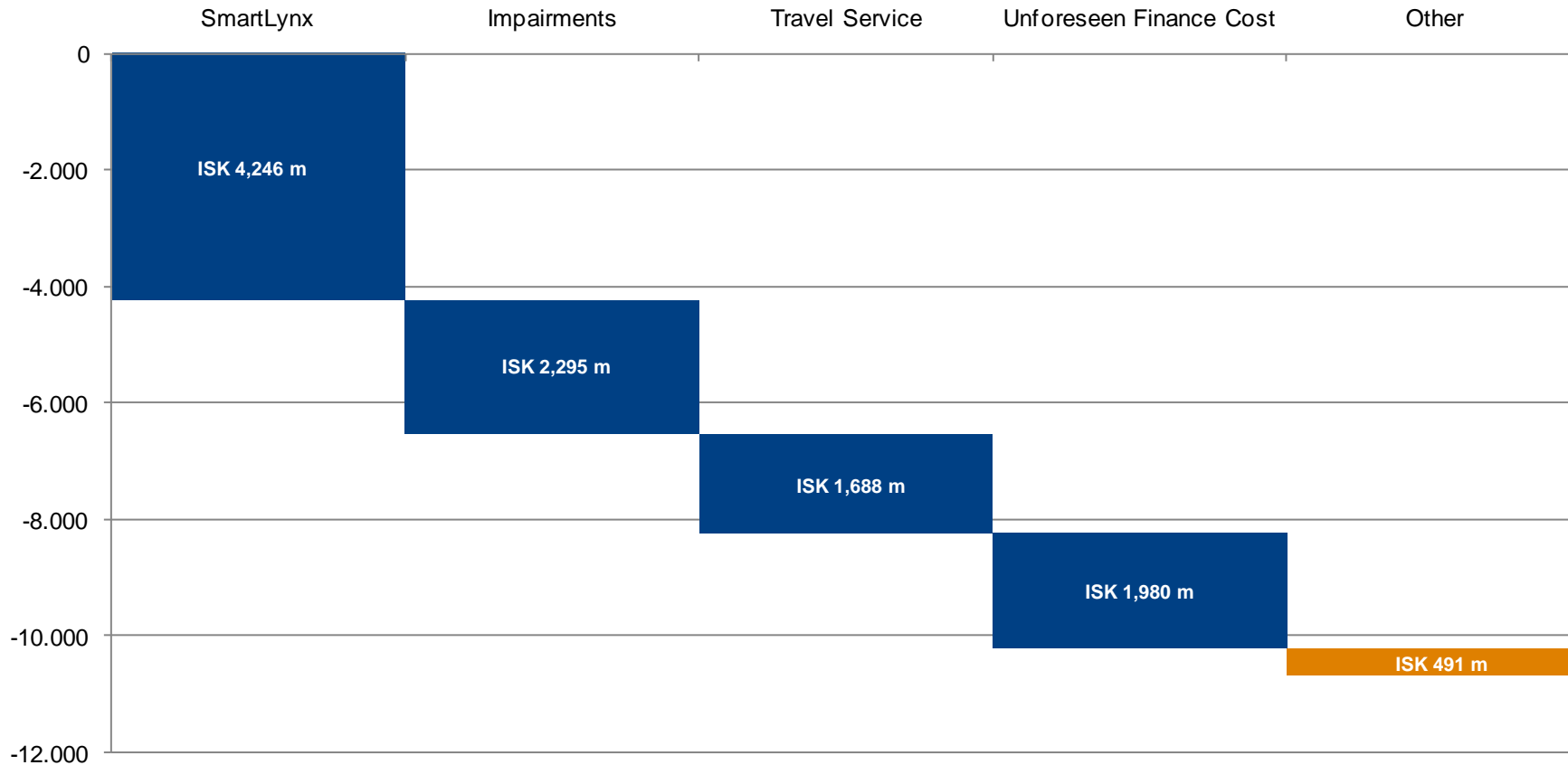


Finance expenses: Icelandair Group's financing expenses amounted to ISK 6 Bn and increased by ISK 4 Bn from 2008, largely due to currency loss.



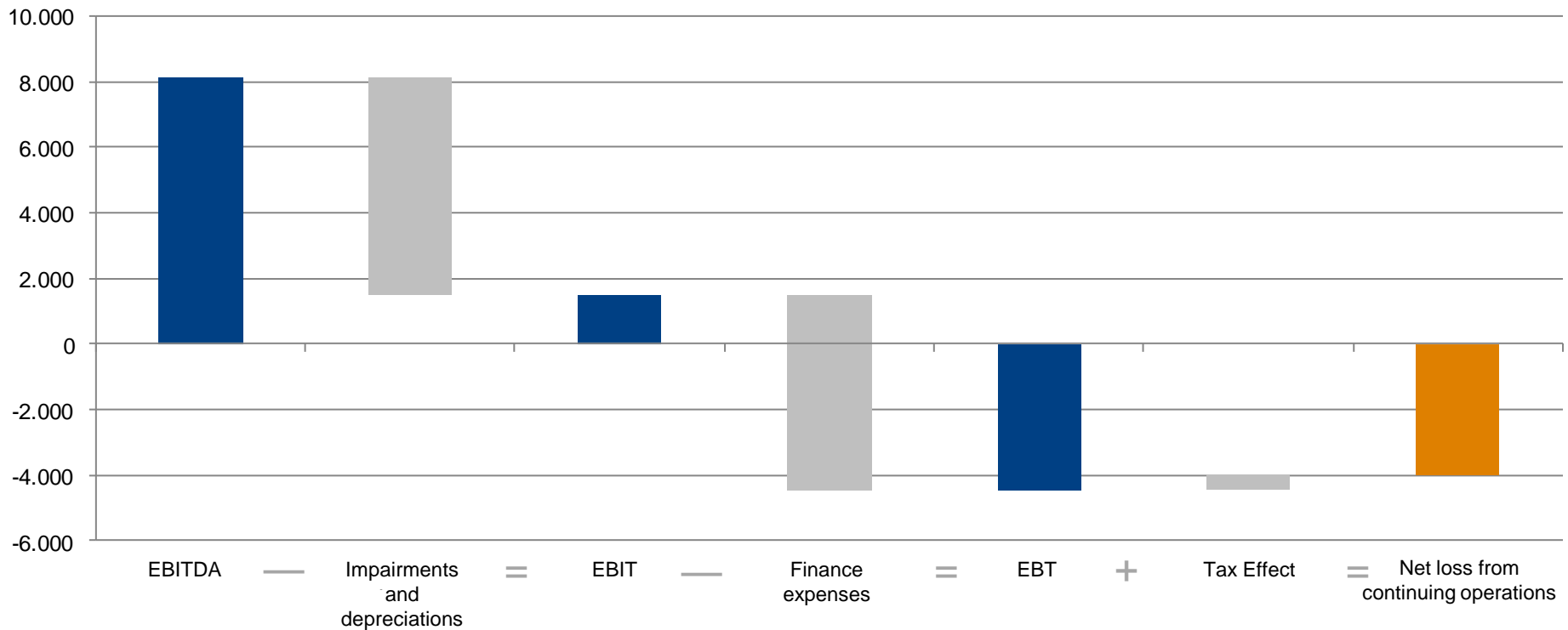
Impairments: The Group made impairments on intangible assets amounting to ISK 1 Bn in and impairments on assets held for sale amounting to ISK 0.9 Bn in 2009.

Negative Contributors of 2009 Results (cont'd)



Net Loss from Continuing Operations

+ Net loss from continuing operations is ISK 4.0 Bn



Income Statement 2009

Financial Highlights 2009 and 2008 (mISK)

	2009		2008	
Transport revenue	47.139		41.885	
Aircraft and aircrew lease	19.425		16.951	
Other	13.757		13.363	
Operating Income	80.321		72.199	
Salaries and related expenses	18.652		20.275	
Aircraft fuel	13.250		15.703	
Aircraft and aircrew lease	12.797		8.921	
Aircraft servicing, handling and comm.	5.881		5.060	
Aircraft maintenance	6.825		5.499	
Other	14.781		13.688	
EBITDA	8.135	10,1%	3.053	4,2%
EBIT	1.483		-7.351	
EBT from continuing operations	-4.469		-8.985	
Net Loss from continuing operations	-3.984		-8.905	
(Loss) Profit from discontinuing operations	-6.681		1.437	
Loss for the year	-10.665		-7.468	
EBITDAR	16.332	20,3%	8.821	12,2%

Balance Sheet 31 December 2009

Balance Sheet (mISK)	31/12/09	31/12/08	Diff.
Operating Assets.....	27.014	36.798	-9.784
Intangible assets.....	23.598	29.306	-5.708
Investment in associates.....	545	1.008	-463
Aircraft purchase prepayments.....	1.134	4.226	-3.092
Long-term receivables	3.449	3.834	-385
Long-term cost.....	1.347	2.029	-682
Cash and cash equivalents.....	1.909	4.065	-2.156
Assets held for sale.....	17.500	0	17.500
Other assets.....	12.608	18.681	-6.073
Total assets.....	89.104	99.947	-10.843
Stockholders equity.....	14.605	20.080	-5.475
Total non-current liabilities.....	19.618	27.138	-7.520
Liabilities held for sale.....	10.597	0	10.597
Other liabilities.....	44.284	52.729	-8.445
Total equity and liabilities.....	89.104	99.947	-10.843
Equity ratio	16,4%	20,1%	
Current ratio	0,34	0,43	
Net interest bearing debt	41.227	39.570	

- + Included in interest bearing loan figure at year end 2009 is financing of three aircraft amounting to ISK 3.5 Bn.
- + Lease rentals are expensed in the P&L statement for those same aircraft amounting to ISK 800 million.

Statement of Cash Flows

Statement of Cash Flow (mISK)

	2009	2008
Working capital from operations	5,373	5,795
Net cash from operating activities	8,781	4,531
Net cash used in investing activities	-7,799	-7,452
Net cash (used in) from financing activities	-3,283	3,171
(Decrease) Increase in cash and cash equivalents	-2,301	250
Effect of exchange rate fluctuations on cash held	145	1,809
Cash and cash equivalents at 1 January	4,065	2,006
Cash and cash equivalents at 31 December	1,909	4,065



AGENDA

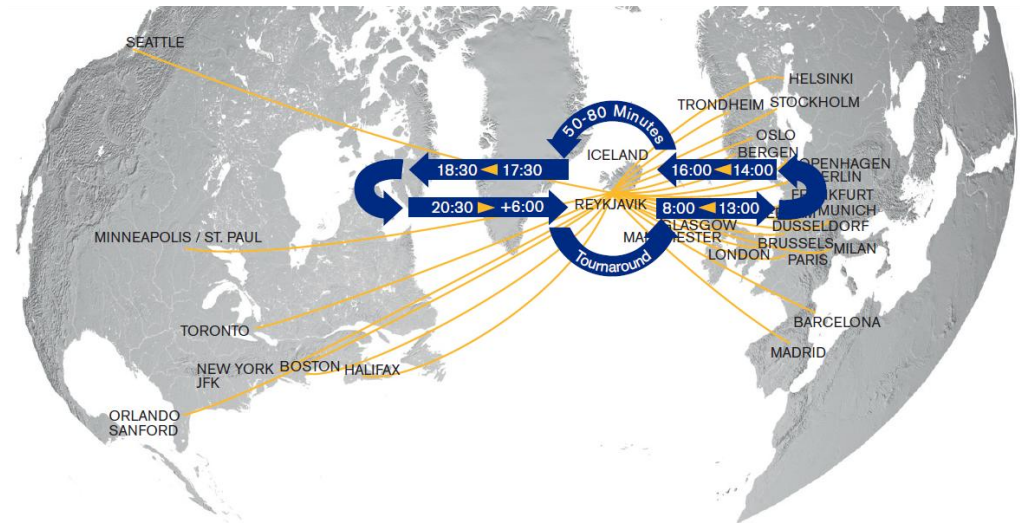
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Icelandair

+ The Icelandair business strategy is based on the geographical position of Iceland on the flight route between northern Europe and the eastern shore of the USA/Canada.

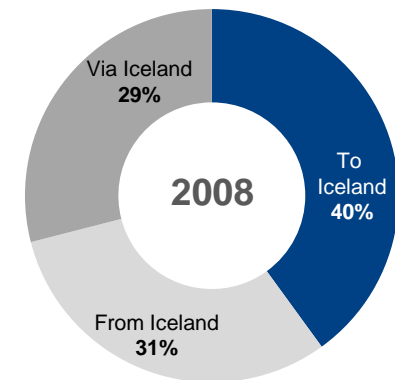
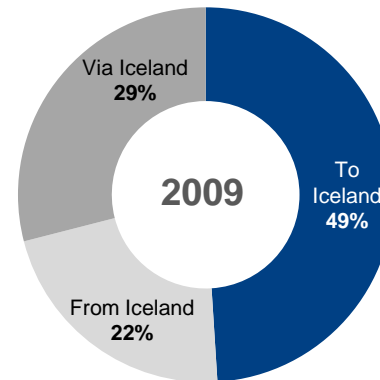
+ *Icelandair divides its customer base into three main markets:*

- + Passengers from Iceland
- + Passengers to Iceland
- + Transatlantic passengers travelling via Iceland



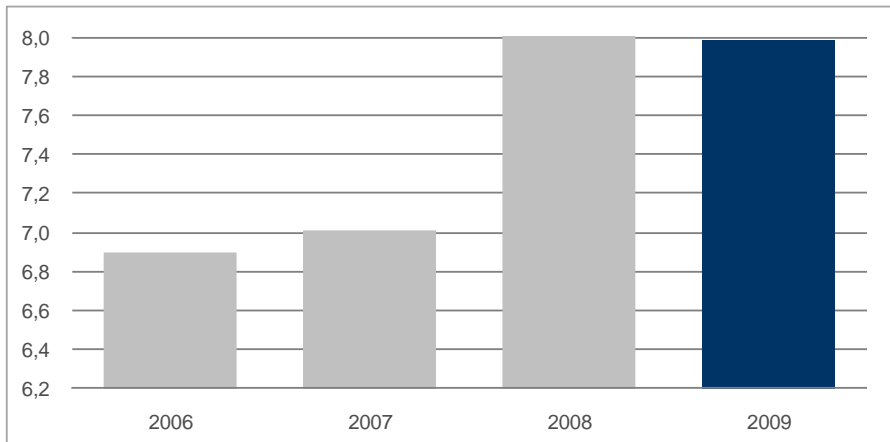
Change in passenger trends

- + From Iceland: Significant downward change in the number of Icelanders travelling abroad.
- + To Iceland: Strong marketing efforts in Europe and North America paying off and making up for decrease in from traffic.
- + Transatlantic: The transatlantic route serves as a big and stable reservoir of passengers.

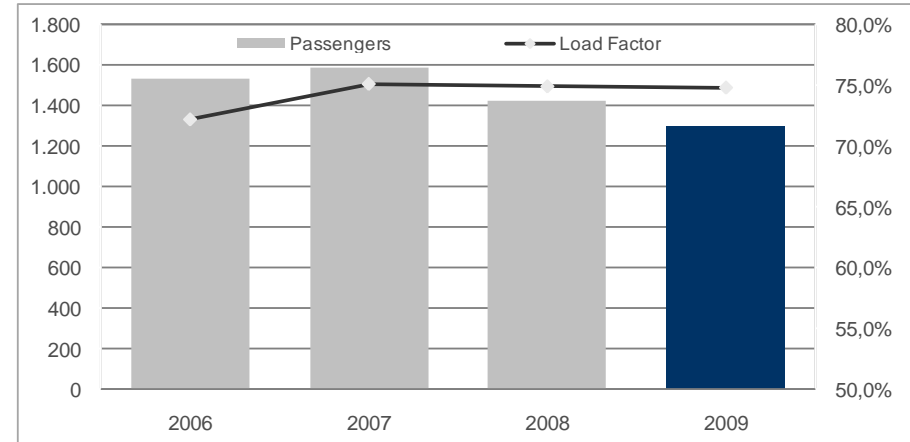


2009 Annual Results of Icelandair

- + Load factor in 2009 was 75% which was the same level as in 2008.
- + Capacity was cut by 9% from 2008 to 2009 which resulted in stable unit revenues per ASK.
- + Increased focus on sales on the TO market resulted in increased passenger sales by 23% year-on-year.
- + TO market accounts for 49% of sales in 2009 – the highest level ever recorded by Icelandair.
- + Competitors on the market TO and FROM Iceland significantly reduced their capacity and as a result Icelandair has increased its market share on the TO market significantly.
- + VIA market stable in-line with capacity changes.
- + FROM Iceland market decreases by a third - mainly due to the adverse economic environment in Iceland.



Unit Revenue Per Available Seat Kilometer – Icelandair – (ISK)



Passengers (left, thousand) and Load Factor (right, %) – Icelandair



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Financial Restructuring Underway

- + **Since the collapse of the Icelandic banking system in October 2008, Icelandair Group hf. has faced challenges servicing its near term financial obligations.**
- + The management of the Group has been engaged in discussions with its creditors over the last few months.
- + The financial restructuring entails to deleverage the Group and rationalize the business model.
- + The Group has identified core assets which it will retain, the airline with a more conservative capital structure; and non-core activities which will be organized under a holding company that the Banks would acquire and manage going forward.
- + Due to challenging market conditions the financial restructuring process has been more time-consuming than originally envisaged.
- + However, there is a broad consensus among the Group's largest creditors to largely conclude the financial restructuring process in the second quarter of 2010.

The Restructured Icelandair Group

- + The future focus of the restructured Group will be on the operations of Icelandair, Icelandic Tourism and the Hub and Spoke concept that has been a pivotal part of Icelandair's business model for two decades.



Businesses Divested in 2010

- + SmartLynx will be classified as a discontinued business and will be classified as an "asset held for sale" in the Group's accounts.
- + In addition, Travel Service, Bluebird and IG Invest are divested to the Icelandic banks as a part of the financial restructuring of the Group.



Outlook

Financials

- + As of Q1 2010 the Group is not hedged against jet fuel prices.
- + The Group projects the EBITDA for 2010 to be ISK 7.6 Bn
- + The results of 2010 will largely depend on the successful completion of the financial restructuring of the Group.
- + The effects of the volcanic eruption remains to be seen and have not yet changed the overall EBITDA goals for 2010.

Restructuring

- + Simplified business model.
- + Restructuring of Balance Sheet, with the aim to decrease leverage and strengthening equity ratio.
- + Divestment of non-core subsidiaries.
- + Expected to be largely concluded in Q2 2010.
- + Exact results of the balance sheet restructuring has not been concluded but the balance sheet of the Group will take material changes in the financial restructuring process.
- + The financial restructuring of the Group will lead to a healthy balance sheet going forward.

Industry Environment and Demand Going Forward

- + The industry is dealing with aircraft capacity overhang
- + Signs of stronger capital markets as airlines have started raising cash again.
- + Load factors for both passengers and freight seem to be back to pre-recession levels – fares and yields have been stabilizing.

General outlook

- + The Company in whole benefits from a weak ISK but future exchange rate development remains an uncertainty factor.

Q&A With the Executive Management

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