ICELANDAIR GROUP hf.

Presentation of 9M Results of Icelandair Group hf.

Björgólfur Jóhannsson – President and CEO of Icelandair Group | 17 November 2010

Key Message

Significant improvement in operating results

- EBITDA in Q3 amounts to 9.1 billion as compared to 6.9 billions in the same period last year
- The Group has revised its EBITDA forecast to 10.5 billion for the year

Financial restructuring successfully completed

- The Group has raised ISK 5.5 billion in cash in new share capital
- Interest bearing debt of the Group lowered by over ISK 14 billion

Clear focus for the future

- Moving from being a holding and investment Company to an operating Group in aviation and tourism
- The Group is focusing on its core operations going forward with emphasis on the Hub and Spoke concept

AGENDA

+ **Financials**
+ Financial restructuring
+ Outlook and Q&A

Income Statement Q3 2010

ISK billion	Q3 2010	Q3 2009	% Chg.
Operating Income	**31.1**	**28.5**	**9%**
Salaries and related expenses	5.2	4.8	10%
Aircraft fuel	5.0	4.9	2%
Aircraft and aircrew lease	3.4	3.4	0%
Aircraft servicing, handling and comm.	2.2	2.1	5%
Aircraft maintenance	1.8	1.9	-6%
Other	4.3	4.6	-6%
EBITDA	**9.1**	**6.9**	
EBIT	**7.5**	**5.4**	
EBT from continuing operations	**6.4**	**4.0**	
Net Profit from continuing operations	**5.2**	**3.4**	
Profit from discontinuing operations	**0.0**	**0.6**	
Profit for the period	**5.2**	**4.0**	
EBITDA ratio	**29.4%**	**24.1%**	
EBITDAR	**11.6**	**9.6**	
EBITDAR ratio	**37.4%**	**33.5%**	

Commentary Q3 2010

+ Significant improvement in EBITDA, 29.4% in Q3 2010 vs. 24.1% in Q3 2009
+ Total revenue increased by 9% from Q3 2009
+ Transport revenue increased by 14%
    + Load factor at Icelandair was 85%, an increase of 4.4 percentage points compared to Q3 2009
    + During the period passenger on the Via and the From market were up but the To market was down
    + Despite a drop in bookings on the To market due to the volcanic eruption no capacity reduction was made - sales focus successfully shifted towards the Via market

Income Statement 9M 2010

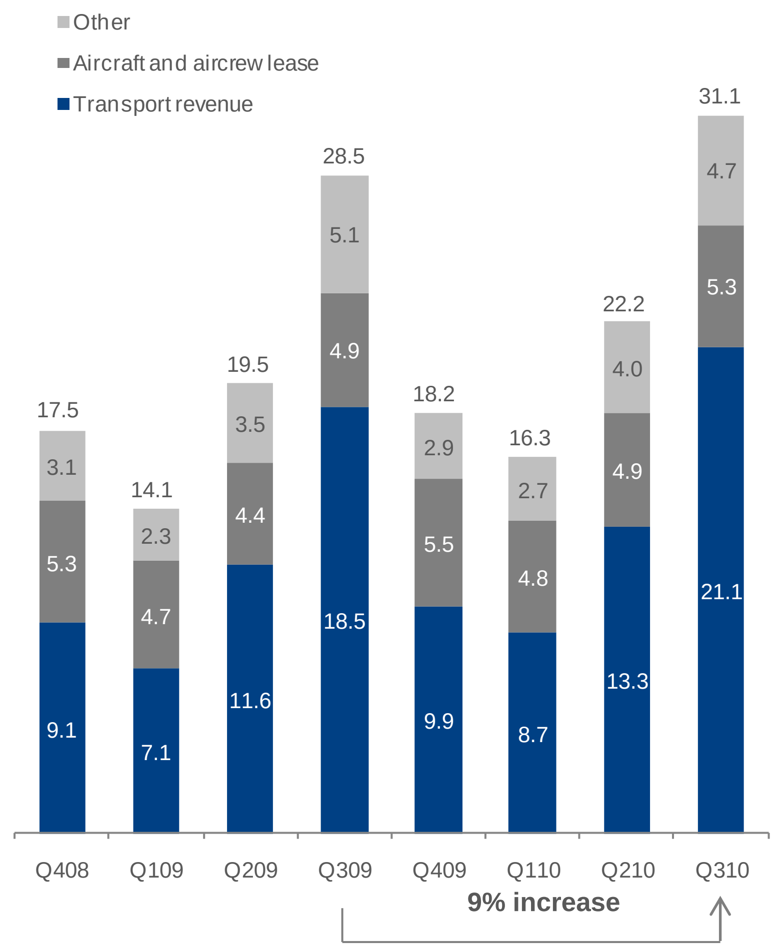
ISK billion	9M 2010	9M 2009	% Chg.
Operating Income	**69.3**	**62.1**	**11%**
Salaries and related expenses	15.1	13.8	10%
Aircraft fuel	11.6	10.4	12%
Aircraft and aircrew lease	9.4	9.1	3%
Aircraft servicing, handling and comm.	5.0	4.6	8%
Aircraft maintenance	5.2	4.7	10%
Other	11,5	11.1	4%
EBITDA	**11.5**	**8.4**	
EBIT	**7.2**	**4.4**	
EBT from continuing operations	**4.3**	**1.4**	
Net Profit from continuing operations	**3.6**	**1.1**	
Loss from discontinuing operations	**-0.4**	**-2.2**	
Profit/Loss for the period	**3.2**	**-1.0**	
EBITDA ratio	**16.6%**	**13.4%**	
EBITDAR	**18.3**	**15.3**	
EBITDAR ratio	**26.4%**	**24.7%**	

Commentary 9M 2010

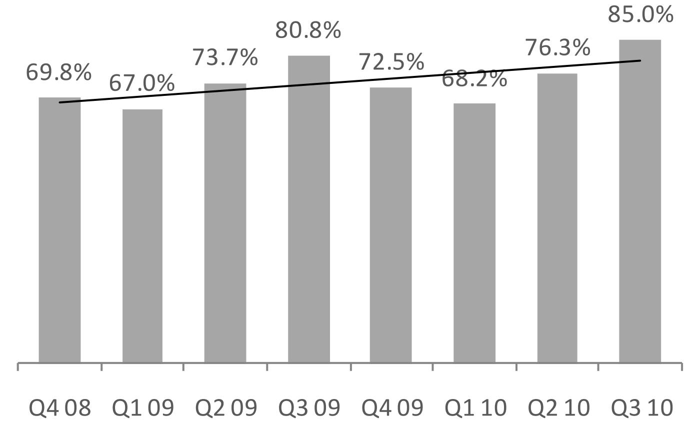
- Good operational results – EBITDA ratio 16.6% increase from 13.4% for the same period 2009
- EBITDA increases mainly due to growth in transport revenue.
  - More balanced passenger mix resulted in improved load factor and higher yields
  - Load factor at Icelandair 79% 2010 vs. 77% in 2009
  - Passenger increase at Icelandair 12%
- Total affect from the volcano activity estimated 1.5 bn ISK
- The result of the Group was better than expected
- Weak ISK favourable for the Group

Increased Revenues

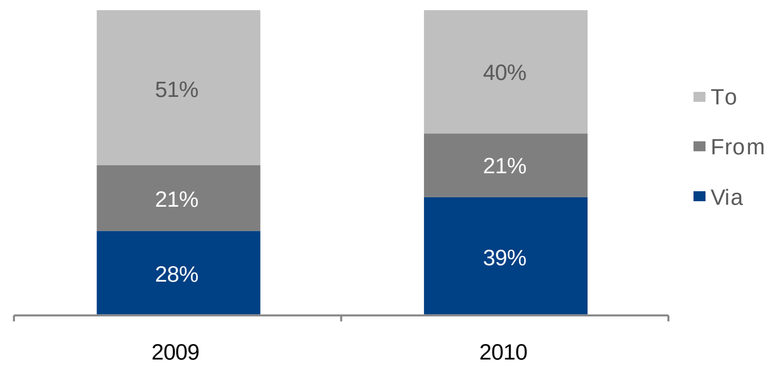
Revenue - Group ISK million



Load Factor - Icelandair



Market split 9M - Icelandair



Traffic Data

+ Icelandair passengers up by 14% in Q3
+ Load Factor at Icelandair in Q3 85%
+ Air Iceland passengers down by 5% in Q3 from last year

Icelandair	Q3 2010	Q3 2009		CHG (%)	Jan-Sep 10	Jan-Sep 09		CHG (%)
Number of Passengers (PAX)	573,043	500,836	↑	14%	1,166,386	1,037,860	↑	12%
Load Factor (%)	85.0%	80.8%	↑	4.1 ppt	78.7%	75.6%	↑	3.1 ppt
Available Seat Kilometers (ASK) - in thousand	1,879,214	1,649,168	↑	14%	4,072,287	3,585,492	↑	14%

Air Iceland	Q3 2010	Q3 2009		CHG (%)	Jan-Sep 10	Jan-Sep 09		CHG (%)
Number of Passengers (PAX)	103,682	108,882	↓	-5%	261,086	285,093	↓	-8%
Load Factor (%)	69.1%	71.1%	↓	-2.1 ppt	67.6%	69.4%	↓	-1.8 ppt
Available Seat Kilometers (ASK) - in thousand	58,303	56,521	↑	3%	131,000	133,914	↓	-2%

Capacity	Q3 2010	Q3 2009		CHG (%)	Jan-Sep 10	Jan-Sep 09		CHG (%)
Fleet Utilization (%)	94.6%	96.5%	↓	-1.9 ppt	91.2%	89.8%	↑	1.4 ppt
Sold Block Hours	19,517	17,660	↑	11%	47,193	39,822	↑	19%

Cargo Business	Q3 2010	Q3 2009		CHG (%)	Jan-Sep 10	Jan-Sep 09		CHG (%)
Available Tonne Kilometers (ATK) - in thousand	49,187	52,789	↓	-7%	128,864	133,319	↓	-3%
Freight Tonne Kilometers (FTK) - in thousand	20,091	20,042	↑	0%	61,834	64,961	↓	-5%

Tourism	Q3 2010	Q3 2009		CHG (%)	Jan-Sep 10	Jan-Sep 09		CHG (%)
Available Hotel Room Nights	80,349	81,633	↓	-2%	188,014	189,848	↓	-1%
Sold Hotel Room Nights	64,713	69,645	↓	-7%	131,627	134,074	↓	-2%
Utilization of Hotel Rooms	80.5%	85.3%	↓	-4.8 ppt	70.0%	70.6%	↓	-0.6 ppt

Balance Sheet

Assets ISK billion	30.09 2010	31.12 2009
Operating Assets	27.4	27.0
Intangible assets	22.6	23.6
Other non-current assets	5.8	6.6
Total non-current assets	**55.7**	**57.2**
Assets classified as held for sale	11.7	17.5
Other current-assets	16.4	12.5
Cash and cash equivalents	7.4	1.9
Total current assets	**35.4**	**31.9**
Total assets	**91.2**	**89.1**

Equity and liabilities ISK billion	30.09 2010	31.12 2009
Stockholders equity	**17.0**	**14.6**
Loans and borrowings non-current	11.7	13.7
Other non-current liabilities	6.9	5.9
Total non-current liabilites	**18.6**	**19.6**
Loans and borrowings current	24.4	22.7
Liabilities held for sale	5.6	10.6
Deferred income	8.7	7.2
Other current liabilities	16.9	14.4
Total current liabilites	**55.6**	**54.9**
Total equity and liabilities	**91.2**	**89.1**
Equity ratio	18.6%	16.4%
Current ratio	0.64	0.58
Net interest bearing debt	31.0	41.2

Commentary

+ Assets amounted to ISK 91.2 billion at the end of September 2010
+ Net interest-bearing debt amounted to ISK 31 billion, down by ISK 10.2 billion from the beginning of the year

Cash Flow improved in 2010

ISK billion	9M 2010	9M 2009
Working capital from operations	11.3	7.9
Net cash from operating activities	11.9	10.5
Net cash used in investing activities	-2.8	-4.6
Net cash used in financing activities	-3.4	-4.3
Increase in cash and cash equivalents	**5.7**	**1.5**
Effect of exchange rate fluctuations on cash held	-0.3	0.5
Cash and cash equivalents at 1 January	1.9	4.1
Cash and cash equivalents at 30 September	**7.4**	**6.1**

Commentary

+ Acquisition of long-term cost relating to leased engines amounted to ISK 1.7 billion in the first nine months of 2010
+ Acquisition of operating assets amounted to ISK 1.3 billion in the first nine months of 2010
+ Improved cash position from 30 September 2009

AGENDA

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Financial Restructuring Finalized

+ The financial restructuring entails to deleverage the Group and rationalize the business model.
+ It is based on 3 components with a total increase in share capital of ISK 2.9 billion in nominal value:

New shares	Convertion of debt into shares	Lowering of interest bearing liabilities
Investors invested ISK 5.5 billion in new shares at the price of ISK 2.5 per share corresponding to a subscription of 2.2 billion new shares	The Group´s largest creditors converted debts in the amount of ISK 3.6 billion into shares based on a share price of ISK 5, which corresponds to a subscription to 720 million new shares	The financial restructuring reduces the interest bearing debt of the company by over ISK 10 billion through the transfer and sale of certain assets. Capital gain on the asset sale amounts to approx. ISK 3 billion

New Equity raised

- New equity raised in the amount of ISK 5.5 billion
- Creditors converted debt amounting to ISK 3.6 billion into equity
- Furthermore, ISK 2.5 billion in new equity at the same price will be raised in Q4

Shareholder name	Nominal value	Percentage
The Enterprice Investment Funds	1,200,000,000	30.4%
Íslandsbanki hf	1,028,492,387	26.1%
The Pension Fund of Commerce	400,000,000	10.1%
Landsbanki Íslands hf	238,348,350	6.0%
Pension Funds Bankastræti 7	200,000,000	5.1%
Glitnir banki hf	182,205,000	4.6%
Sparisjóðabanki Íslands hf	93,572,562	2.4%
Stefnir IS - 15	85,000,000	2.2%
Stafir Pension Fund	83,656,512	2.1%
Landssjóður hf	51,924,512	1.3%
The United Pension Fund	45,000,000	1.1%
Stefnir IS - 5	45,000,000	1.1%
Other	287,800,677	7.3%
Total	**3,941,000,000**	**100.0%**

The Restructured Group

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

Travel Service, Bluebird and SmartLynx are divested to Islandsbanki hf. and Glitnir Bank hf. as a part of the financial restructuring of the Group.

The Restructured Balance Sheet

Assets ISK billion	30.09 2009	Restructuring	30.9.2010 after restructuring
Operating Assets	27.4	0.0	27.4
Intangible assets	22.6	0.5	22.1
Other non-current assets	5.8	3.1	2.6
Total non-current assets	**55.7**	**3.6**	**52.1**
Assets classified as held for sale	11.7	11.7	0.0
Other current-assets	16.4	-1.4	17.7
Cash and cash equivalents	7.4	-5.7	13.1
Total current assets	**35.4**	**4.6**	**30.9**
Total assets	**91.2**	**8.2**	**83.0**

Equity and liabilities ISK billion	30.09 2009	Restructuring	30.9.2010 after restructuring
Stockholders equity	**17.0**	**-10.8**	**27.8**
Loans and borrowings non-current	11.7	-10.0	21.7
Other non-current liabilities	6.9	1.5	5.4
Total non-current liabilites	**18.6**	**-8.5**	**27.1**
Loans and borrowings current	24.4	21.2	3.2
Liabilities held for sale	5.6	5.6	0.0
Deferred income	8.7	1.6	7.2
Other current liabilities	16.9	-0.8	17.7
Total current liabilites	**55.6**	**27.5**	**28.1**
Total equity and liabilities	**91.2**	**8.2**	**83.0**
Equity ratio	18.6%		33.5%
Current ratio	0.64		1.10
Net interest bearing debt	31.0		11.8
Interest bearing debt	38.4		24.9

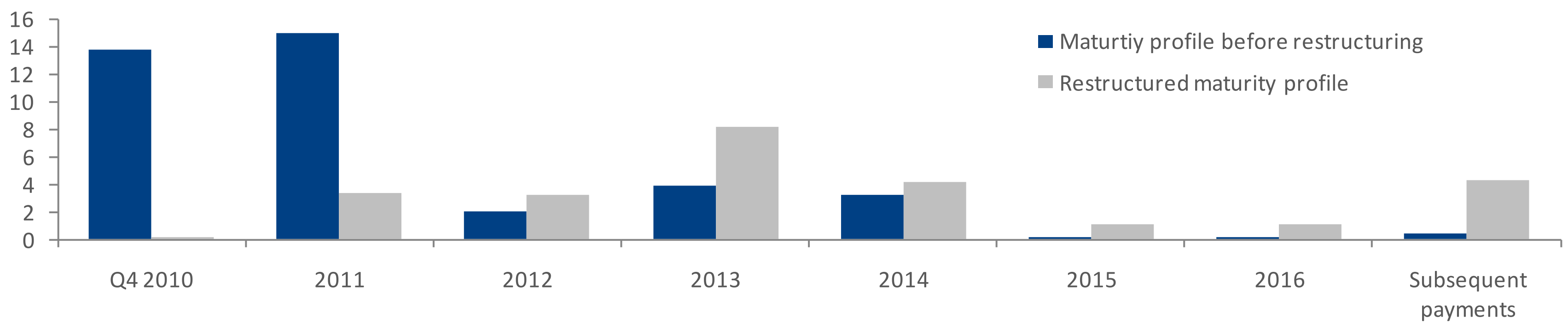
Commentary

+ Sale of Icelandair Group non-core assets amounts to ISK 7.6 billion
+ New share capital of ISK 5.5 billion at the price of 2.5 per share
+ New share capital from debt-to-equity conversion of ISK 3.6 billion at the price of 5.0 per share
+ All short term borrowings restructured

Maturity Profile and Debt Restructuring

ISK million	Maturity profile before restructuring	Restructured maturity profile
Q4 2010	13.8	0.2
2011	15.0	3.4
2012	2.1	3.2
2013	3.9	8.1
2014	3.2	4.1
2015	0.0	1.0
2016	0.0	1.0
Subsequent payments	0.4	4.3
Total	**38.4**	**24.9**

Maturity profile ISK billion



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Focus on the Hub and Spoke Concept

+ Icelandair Group is an operational company with focus on international route network and tourism.
+ Icelandair Group is moving from being a holding company which marks a strategic shift for the Group going forward.
+ Icelandair Group comprises two business segments. Both segments are inter-related and support each other, both through revenue generation and in cost-sharing.

Continued Growth in 2011

- Icelandair increases capacity by 17%
    - Total number of destinations rises up to 31, including 5 new destinations: Washington, Billund, Gothenburg, Hamburg and Alicante
    - In high season
        - 183 flights per week
        - 9,000 passengers carried per day
        - 26 landings and take-offs at KEF per day
    - Estimated number of passengers 1.7 million
- Opening of new hotel in Akureyri in June
- Loftleidir has finished a new agreement with UN, adding one 757 to the fleet
- Nuuk an all year destination in Air Iceland network
- The growth will create aprox. 250 new jobs within the Group next year
- Announced Tax Increases on the Travel Industry by the Government may though have severe compact on the Growth plan

October – Ongoing Favorable Demand

+ Icelandair passengers up by 27%
+ Record Load Factor at Icelandair for October of 82,3%
+ Air Iceland passenger up by 7% from last year

Icelandair	Oct 10	Oct 09		CHG (%)	Jan-Oct 10	Jan-Oct 09		CHG (%)
Number of Passengers (PAX)	129,975	102,697	↑	27%	1,296,067	1,140,557	↑	14%
Load Factor (%)	82.3%	75.2%	↑	7.1 ppt	79.0%	75.6%	↑	3.4 ppt
Available Seat Kilometers (ASK) - in thousand	437,023	365,007	↑	20%	4,509,310	3,950,499	↑	14%

Air Iceland	Oct 10	Oct 09		CHG (%)	Jan-Oct 10	Jan-Oct 09		CHG (%)
Number of Passengers (PAX)	30,518	28,537	↑	7%	291,622	313,630	↓	-7%
Load Factor (%)	71.5%	70.9%	↑	0.6 ppt	68.0%	69.5%	↓	-1.5 ppt
Available Seat Kilometers (ASK) - in thousand	13,222	11,645	↑	14%	144,222	145,558	↓	-1%

Capacity	Oct 10	Oct 09		CHG (%)	Jan-Oct 10	Jan-Oct 09		CHG (%)
Fleet Utilization (%)	96.2%	94.3%	↑	1.9 ppt	91.5%	90.3%	↑	1.2 ppt
Sold Block Hours	5,545	4,978	↑	11%	52,738	44,800	↑	18%

Cargo Business	Oct 10	Oct 09		CHG (%)	Jan-Oct 10	Jan-Oct 09		CHG (%)
Available Tonne Kilometers (ATK) - in thousand	14,300	15,098	↓	-5%	143,164	148,417	↓	-4%
Freight Tonne Kilometers (FTK) - in thousand	7,608	7,928	↓	-4%	69,442	72,889	↓	-5%

Tourism	Oct 10	Oct 09		CHG (%)	Jan-Oct 10	Jan-Oct 09		CHG (%)
Available Hotel Room Nights	16,492	16,492		0%	204,506	206,340	↓	-1%
Sold Hotel Room Nights	9,823	10,120	↓	-3%	141,450	144,194	↓	-2%
Utilization of Hotel Rooms	59.6%	61.4%	↓	-1.8 ppt	69.2%	69.9%	↓	-0.7 ppt

Outlook

EBITDA forecast

- In October the Group revised and increased its EBITDA forcast for the total year of 2010 from 8.5 billion to 9.5 billion.
- The operation of the Group in October and the booking status for the last two months of the year causes the Company to raise its EBITDA forecast again from ISK 9.5 billion to ISK 10.5 billion.

General outlook

- The ongoing uncertainty in the Icelandic economy remains expensive for the Company.
- Two challenging quarters lie ahead.
- More competition expected next year, in international flights to and from Iceland. At the same time increased seating capacity anticipated on the Via market.
- The Group faces uncertainty in relation to open union contracts.
- As before, the company is dependant on fuel prices and currency fluctuations.
- The financial restructuring will lower significantly the debt burden of the Company. In addition, new equity has been raised, both as cash and with conversion of debt into equity.
- The Company has a healthy and strong Balance Sheet and viable business model and management believes that the future prospects of the Company are sound.

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