



ICELANDAIR GROUP HF
Q1 2011 RESULTS | BJÖRGÓLFUR JÓHANNSSON CEO



HIGHLIGHTS Q1 2011

EBITDA loss 0.2 billion

- | EBITDA ISK 0.4 billion lower than in Q1 2010
 - | Net loss of continuing operations ISK 1.1 billion vs. ISK 1.5 billion LY
-

Fuel costs squeeze margins

- | Average fuel price in Q1 2011 42% higher than in Q1 2010
 - | Negative effect of the fuel surge estimated ISK 0.8 billion
 - | Fuel price increase to steep to recoup in short term
-

Record load factor Icelandair – 71%

- | Capacity up by 12%
 - | Passenger number up by 13%
-

Strong financial position

- | Healthy balance sheet with 30% equity ratio
 - | High liquidity position, with cash and cash equivalents and marketable securities amounting to ISK 18 billion
-

FINANCIALS



INCOME STATEMENT

INCREASED FUEL COST MAIN REASON FOR LOWER MARGINS

ISK billion	Q1 2011	Q1 2010	% Chg.
Operating Income	16.0	16.3	-2%
Salaries and related expenses	4.7	4.5	5%
Aircraft fuel	3.5	2.7	31%
Aircraft and aircrew lease	2.2	2.9	-22%
Aircraft servicing, handling and comm.	1.2	1.1	3%
Aircraft maintenance	1.5	1.6	-5%
Other	3.1	3.4	-8%
EBITDA	-0.2	0.2	-
EBIT	-1.4	-1.2	-
EBT from continuing operations	-1.9	-1.8	-
Net loss from continuing operations	-1.1	-1.5	-
Loss from discontinuing operations	0.0	-0.4	-
Loss for the period	-1.1	-1.9	-
EBITDA ratio	-1.2%	1.1%	
EBITDAR	1.6	2.2	
EBITDAR ratio	9.9%	13.4%	

Commentary

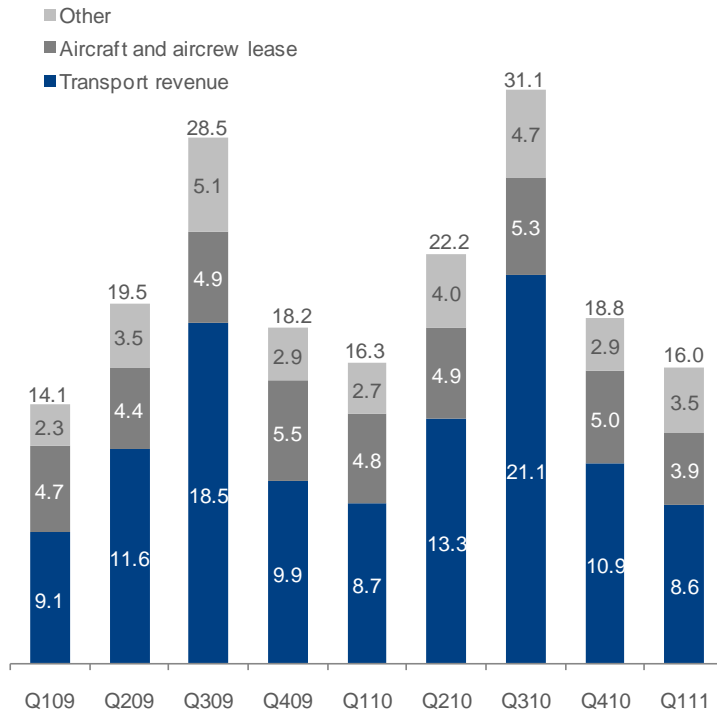
- | EBITDA loss **0.2 billion** vs. EBITDA profit of 0.2 billion in Q1 2010
- | Revenue **6%** higher than in Q1 2010 (excluding revenues from BlueBird and Icelease)
 - | Increased capacity and improved load factor at Icelandair drive up the revenue
 - | Load factor **71.1%**, a Q1 record
 - | Yield slightly lower than in 2010 due to 11% overall capacity growth on the North Atlantic market
- | Negative effect of recent fuel price increase on Q1 2011 results estimated **ISK 0.8 billion**
- | Finance expense **ISK 0.4 billion** lower in 2011 as a result of the financial restructuring

CORE BUSINESS: REVENUES UP 6%

DRIVEN BY INCREASED CAPACITY AND HIGHER LOADFACOR

Revenue group

ISK billion

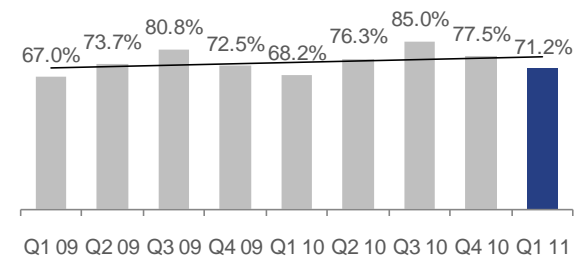


Commentary

- BlueBird Cargo and Icelease were at year end 2010 sold out of Icelandair Group as part of the financial restructuring. Revenues amounting to ISK 1.2 billion included in 2010 figures but no revenues in 2011 figures
- Insurance settlement for damaged aircraft at Air Iceland in the amount of ISK 0.4 billion included in other revenue in Q1 2011

Record load factor for Q1

Icelandair Q1 2011 71%



TRAFFIC DATA Q1

RECORD LOAD FACTOR AT ICELANDAIR

ICELANDAIR	Q1 11	Q1 10		CHG (%)
Number of Passengers (PAX)	257,814	227,691	↑	13%
Load Factor (%)	71.1%	68.1%	↑	2.9 ppt
Available Seat Km (ASK'000)	990,918	888,079	↑	12%

AIR ICELAND	Q1 11	Q1 10		CHG (%)
Number of Passengers (PAX)	76,978	79,828	↓	-4%
Load Factor (%)	68.6%	69.3%	↓	-0.8 ppt
Available Seat Km (ASK'000)	35,353	32,949	↑	7%

CAPACITY	Q1 11	Q1 10		CHG (%)
Fleet Utilization (%)	95.1%	88.3%	↑	6.7 ppt
Sold Block Hours	8,557	7,975	↑	7%

ICELANDAIR CARGO	Q1 11	Q1 10		CHG (%)
Available Tonne Km (ATK'000)	36,445	34,293	↑	6%
Freight Tonne Km (FTK'000)	18,554	20,075	↓	-8%

ICELANDAIR HOTELS	Q1 11	Q1 10		CHG (%)
Available Hotel Room Nights	47,880	47,640	↑	1%
Sold Hotel Room Nights	25,124	27,486	↓	-9%
Utilization of Hotel Rooms	52.5%	57.7%	↓	-5.2 ppt

Commentary

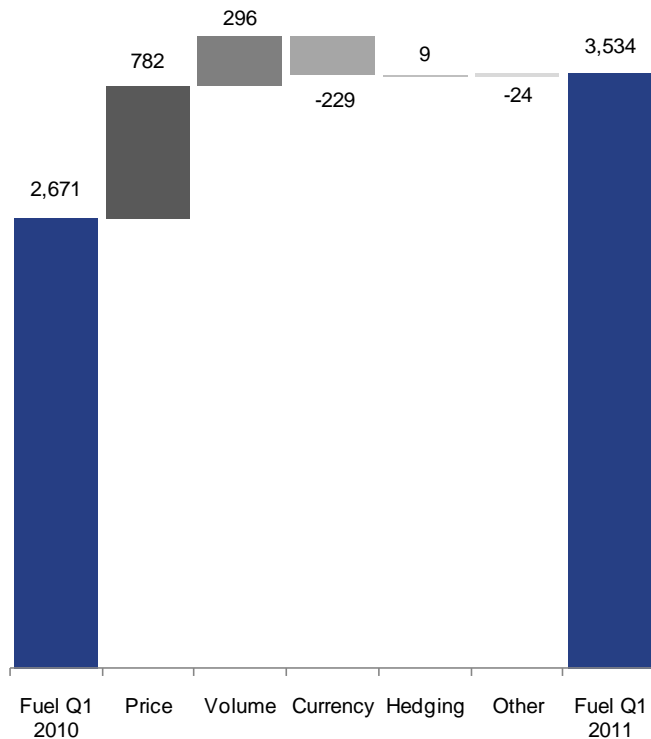
- Icelandair passengers up by **13%**
- Record load factor at Icelandair **71.1%**, improvement of 2.9 ppt from last year
- Air Iceland passengers down **4%** due to bad weather cancellations and cease of the Vestmanneyjar route
- Freight tonne kilometers down **8%** from 2010 due to one aircraft out of operation for 3 weeks
- Utilization of hotel rooms **5.2 ppt** lower than last year, reason being tough competition

RISING FUEL COSTS

SQUEEZING MARGINS

Fuel cost deviation

Q1 2011 vs. Q1 2010 ISK million



- | Negative effect of rising fuel price in Q1 estimated ISK 0.8 billion
- | Fuel costs 22% of operating cost in Q1 2011 vs. 17% in Q1 2010
- | In the long run airlines must act with pricing and efficiency
 - | Difficult to pass all of recent fuel surge along in the form of higher fares – will weaken price sensitive demand
 - | Focus on efficiency and discipline
 - | Focus on ancillary revenues

FUEL PRICES A CHALLENGE

UNCERTAINTY REGARDING FUEL PRICE DEVELOPMENT IN 2011

- | Average price in Q1 2011 42% higher than in Q1 2010 - approaching highs of 2008
- | Unrest in the Middle East and North Africa main cause for increase
- | Other determinative factors:
 - | Economic growth in the Far East
 - | Weaker USD

Fuel hedge positions end of March

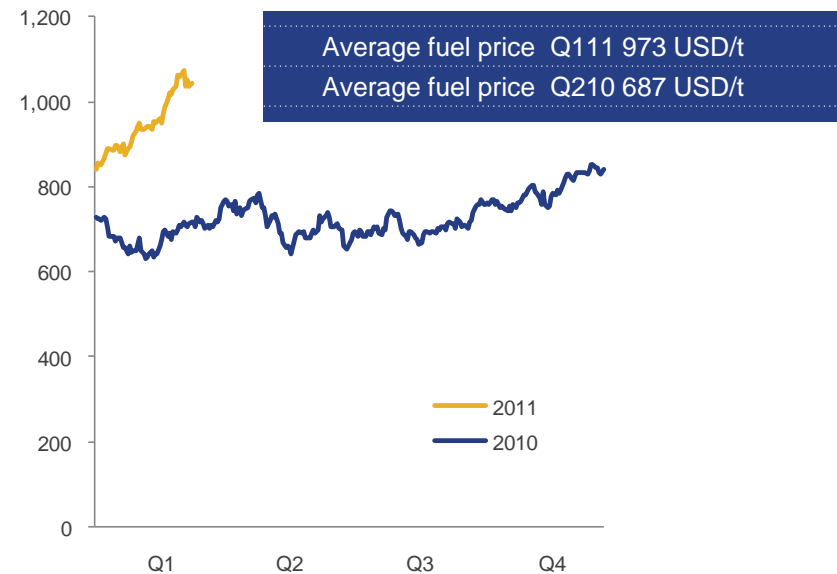
to reduce short term earnings volatility

2011	Estimated usage (tons)	Av. hedge price USD	% hedged
April	9,796	992	51%
May	12,399	1,034	65%
June	18,576	985	54%
July	20,223	975	49%
August	20,120	975	50%
September	14,462	975	48%
October	11,757	1,069	9%
November	10,014	-	0%
December	9,616	-	0%

The table reflects that approximately half of the estimated fuel consumption over the summer season is hedged with call options.

Fuel price development

2010 and 2011



HEALTHY BALANCE SHEET

EQUITY RATIO 30%

- | Assets amounted to ISK 91.4 billion at 31 March 2011
- | Net interest-bearing debt down to ISK 5.7 billion from beginning of the year
- | Equity ratio 30%

ISK billion	31.03 2011	31.12 2010
Assets		
Operating Assets	29.4	27.6
Intangible assets	21.1	21.2
Other non-current assets	2.9	2.5
Total non-current assets	53.4	51.3
Assets classified as held for sale	3.1	2.8
Other current-assets	16.8	17.1
Marketable securities	3.2	1.3
Cash and cash equivalents	14.9	11.7
Total current assets	38.0	32.9
Total assets	91.4	84.2

ISK billion	31.03 2011	31.12 2010
Equity and liabilities		
Stockholders equity	27.5	28.4
Loans and borrowings non-current	20.4	21.4
Other non-current liabilities	5.5	6.0
Total non-current liabilities	25.9	27.4
Loans and borrowings current	2.9	3.2
Trade and other payables	14.7	14.0
Deferred income	17.6	8.8
Liabilities held for sale	2.9	2.4
Total current liabilities	38.1	28.5
Total equity and liabilities	91.4	84.2
Equity ratio	30.0%	33.7%
Current ratio	1.00	1.16
Net interest bearing debt	5.7	12.1
Interest bearing debt	23.8	24.6

STRONG CASH FLOW

HIGH LIQUIDITY POSITION

- | Cash improvement from 1. January ISK 3.2 billion
- | Net cash from operating activities ISK 8.6 billion
- | CAPEX in Q1 2011 ISK 4.2 billion - Purchase of one B757 aircraft amounts to ISK 2 billion

ISK billion	Q1 2011	Q1 2010
Working capital from/used in operations	-0.6	0.1
Net cash from operating activities	8.6	4.0
Net cash used in investing activities	-6.5	-0.7
Net cash from/used in financing activities	1.1	-1.2
Increase in cash and cash equivalents	3.2	2.2
Cash and cash equivalents at 1 January	11.7	1.9
Cash and cash equivalents at 31 March	14.9	4.1



OUTLOOK AND Q&A

JET BLUE AND ICELANDAIR PARTNER

OPENS UP NEW TRAVEL OPTIONS TO THE US



OUR GOAL

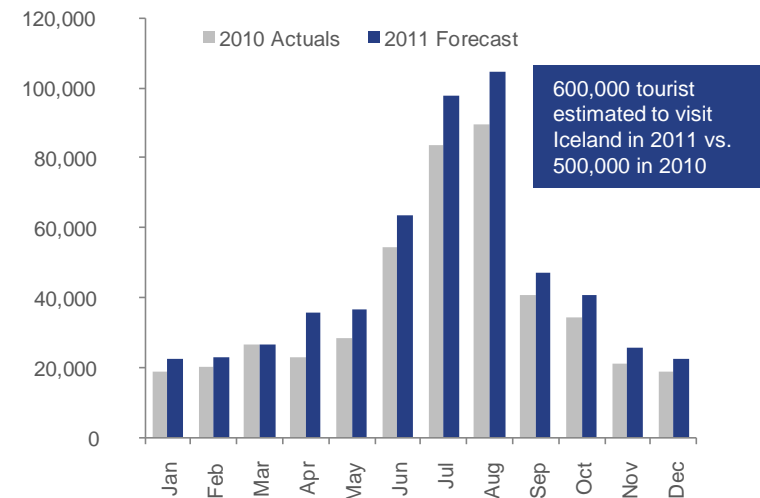
TO GROW IN THE TOURIST MARKET TO ICELAND

Tourism is one of the foundation of the Icelandic economy and it depends heavily on the Icelandair route network. When we grow our capacity an increase in the number of tourists in Iceland will follow.

Number of tourist travelling to Iceland

Actuals 2010 and forecast 2011

- | The most important long-term task of Icelandair Group is to:
 - | **lengthen** the tourism season
 - | put extra focus on **winter tourism**
- | This year Icelandair will increase it's capacity around 18%
- | Bookings show this was a right decision
- | A record year in tourism foreseen
- | The Group is well positioned to service the growing number of tourists



TRAFFIC DATA APRIL

ANOTHER RECORD MONTH FOR ICELANDAIR

ICELANDAIR	APR 11	APR 10		CHG (%)	JAN-APR 11	JAN-APR 10		CHG (%)
Number of Passengers (PAX)	115,212	77,830	↑	48%	373,279	305,554	↑	22%
Load Factor (%)	79.2%	68.9%	↑	10.3 ppt	73.4%	68.3%	↑	5.1 ppt
Available Seat Kilometers (ASK'000)	397,314	297,683	↑	33%	1,388,232	1,185,762	↑	17%

AIR ICELAND	APR 11	APR 10		CHG (%)	JAN-APR 11	JAN-APR 10		CHG (%)
Number of Passengers (PAX)	29,071	22,775	↑	28%	106,049	102,603	↑	3%
Load Factor (%)	67.9%	64.6%	↑	3.3 ppt	68.5%	68.2%	↑	0.3 ppt
Available Seat Kilometers (ASK'000)	14,577	10,493	↑	39%	49,825	43,442	↑	15%

CAPACITY	APR 11	APR 10		CHG (%)	JAN-APR 11	JAN-APR 10		CHG (%)
Fleet Utilization (%)	94.6%	93.1%	↑	1.5 ppt	95.0%	89.5%	↑	5.5 ppt
Sold Block Hours	2,971	2,635	↑	13%	11,528	10,609	↑	9%

ICELANDAIR CARGO	APR 11	APR 10		CHG (%)	JAN-APR 11	JAN-APR 10		CHG (%)
Available Tonne Kilometers (ATK'000)	11,751	8,498	↑	38%	45,095	42,792	↑	5%
Freight Tonne Kilometers (FTK'000)	5,582	4,050	↑	38%	24,136	24,125	↑	0%

ICELANDAIR HOTELS	APR 11	APR 10		CHG (%)	JAN-APR 11	JAN-APR 10		CHG (%)
Available Hotel Room Nights	15,960	15,960	↑	0%	63,840	63,600	↑	0%
Sold Hotel Room Nights	10,182	8,642	↑	18%	35,306	36,128	↓	-2%
Utilization of Hotel Rooms	63.8%	54.1%	↑	9.6 ppt	55.3%	56.8%	↓	-1.5 ppt

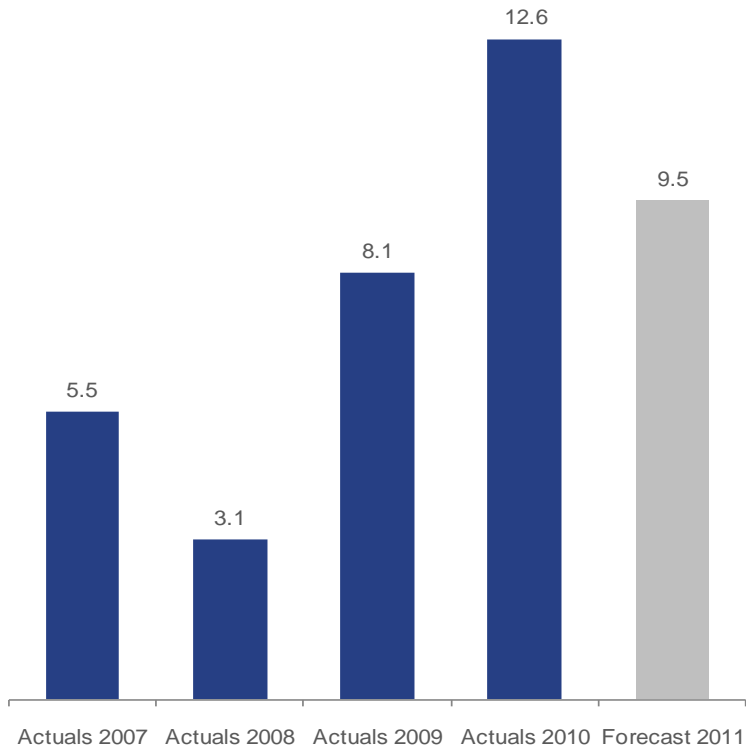
Commentary

- Eruption in Eyjafjallajökull in April 2010 makes comparison between years difficult
- Icelandair carried **48%** more passenger – record number for April
- Record load factor at Icelandair **79.2%**,
- Passenger increase at Air Iceland **28%**
- Freight Tonne Kilometers **38%** up
- Hotel room utilization **9.6 ppt** higher than last year

OUTLOOK FOR 2011

EBITDA development

2007-2011 in ISK million



- | The EBITDA forecast for 2011 is ISK 9.5 billion
- | Increased fuel price main reason for lower EBITDA between years
- | EUR/USD development has been favourable and ISK weaker than expected
- | Booking status strong for the summer and autumn
- | Overall passenger capacity in the air transport market is expanding – could lead to lower load factors and pressure on yields
- | Record number of tourists to Iceland foreseen next summer
- | Interline agreement signed with Jet Blue, opens up travel options to 64 destinations in the US

SOLID FOUNDATION TO BUILD ON

6%

Increase
core revenue

91.4

Assets
ISK billion

30%

Equity
ratio

18.0

Cash
ISK billion

5.7

Net
indebtedness
ISK billion

- | Underlying core business viable and growing
- | Strong financial position
- | Clear focus on core strengths
- | Well positioned to capture the fast growth in tourism to Iceland
- | Excellent business reputation

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