



ICELANDAIR GROUP HF
Q2 2011 RESULTS | 12 AUGUST 2011

A large geyser erupts with a thick column of white steam and water against a blue sky with scattered white clouds. In the foreground, several people are watching the eruption. The ground is rocky and wet, with some steam vents visible. In the background, there are green fields, some buildings, and rolling hills under a clear sky.

HIGHLIGHTS AND OUTLOOK

BJÖRGÓLFUR JÓHANSSON | CEO

ICELANDAIR
GROUP



HIGHLIGHTS Q2 2011

EBITDA 2.1 billion

- | EBITDA same as in Q2 2010. Like-for-like 2010 amounted to ISK 1.9 billion
- | Net profit of continuing operations ISK 0.4 billion vs. net loss of ISK 0.2 billion LY

Organic growth in all businesses

- | Passenger increase at Icelandair 27% from LY and increased by 14% at Air Iceland
- | Revenue growth of Loftleidir Icelandic was 28%
- | Available hotel room nights up 5%

Strong financial position

- | Healthy balance sheet with 29% equity ratio
- | High liquidity position, with cash and cash equivalents and marketable securities amounting to ISK 18.4 billion

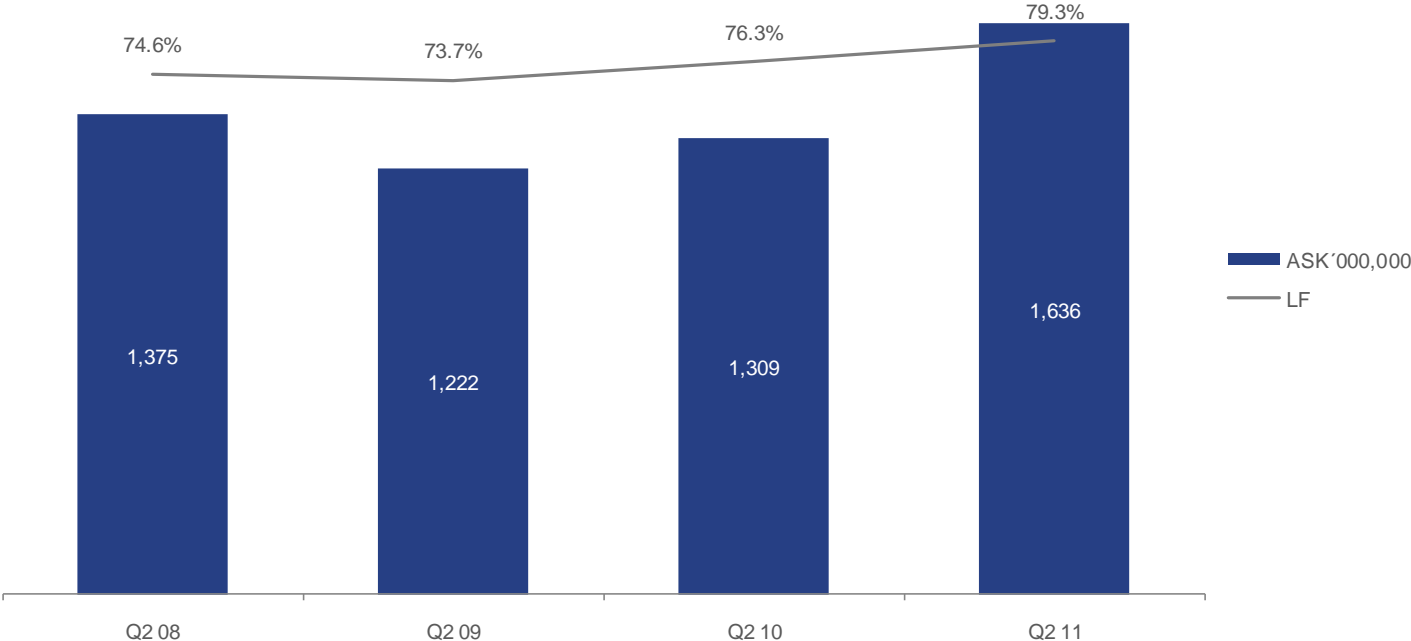
Challenges in Q2

- | Average fuel price in Q2 2011 was 47% higher than in Q2 2010 – cost increase of ISK 1.7 billion
- | Eruption in Grímsvötn had negative effect in the amount of ISK 0.3 billion
- | Burden on profits due to union actions estimated ISK 0.3 billion

DOUBLE DIGIT GROWTH IN Q2

ICELANDAIR CAPACITY UP 25%

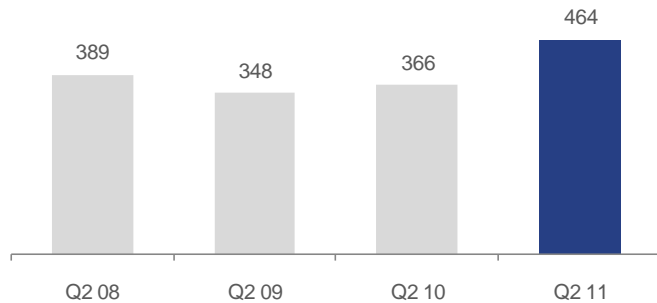
ASK '000,000 and Load Factor



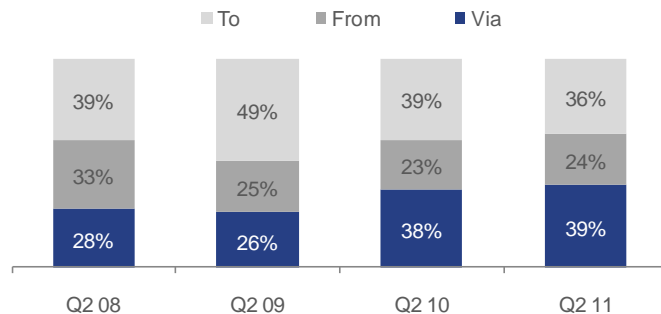
RECORD PASSENGERS NUMBER

ICELANDAIR

Number of passengers '000



Passenger mix



Commentary

Q2 2011 vs Q2 2010

- | Record passengers number in Q2 with an increase of **27%**
- | Passenger on the VIA up **33%**
- | FROM grew by **32%**,
- | TO grew by **18%** in Q2 but Q3 is expected to have an even higher growth. TO is expected to grow close to **20%** this year.
- | The inbound tourism to Iceland is very likely to move similarly as the Icelandair sales and is expected to grow from 500 thousand visitors 2010 close to **600 thousand** this year
- | Increase on the TO market important - positively impacts other businesses within the Group: Icelandair Hotels, Iceland Travel and IGS

ORGANIC GROWTH

IN ALL BUSINESSES

Loftleidir Icelandic

- | Revenue growth between years in Q2 was 28%
- | Improved EBITDA margin
- | Promising project status

Air Iceland

- | Increased focus on Greenland
- | Investment in 2 Dash 8–200 aircraft to serve Greenland – will replace 2 older ones
- | Passenger increase in the first six months was 5%
- | Improved load factor

Icelandair Hotels

- | New Hotel opened in Akureyri
- | Hotel Loftleidir underwent a complete renovation and reopened under a new name: Icelandair Hotel Reykjavik Natura
- | This is a part of the Group long term focus - to support low season tourism in Iceland

Other Businesses

- | All Group's business inter-related and expanding
- | Icelandair Cargo profiting from increased flight schedule and more destinations at Icelandair – more belly space is available to sell
- | IGS, Iceland Travel, Icelandair Hotels and Fjarvakur gaining from increased number of passengers

TRAFFIC DATA JULY

ICELANDAIR	JUL 11	JUL 10	CHG (%)	JAN-JUL 11	JAN-JUL 10	CHG (%)
Number of Passengers (PAX)	254,437	216,129	↑ 18%	976,606	809,689	↑ 21%
Load Factor (%)	85.4%	86.2%	↓ -0.8 ppt	78.5%	76.2%	↑ 2.3 ppt
Available Seat Kilometers (ASK '000)	832,823	700,169	↑ 19%	3,459,916	2,899,893	↑ 19%

AIR ICELAND	JUL 11	JUL 10	CHG (%)	JAN-JUL 11	JAN-JUL 10	CHG (%)
Number of Passengers (PAX)	37,793	39,502	↓ -4%	203,680	196,991	↑ 3%
Load Factor (%)	73.5%	68.9%	↑ 4.6 ppt	69.3%	67.9%	↑ 1.4 ppt
Available Seat Kilometers (ASK '000)	22,078	23,007	↓ -4%	103,521	94,633	↑ 9%

CAPACITY	JUL 11	JUL 10	CHG (%)	JAN-JUL 11	JAN-JUL 10	CHG (%)
Fleet Utilization (%)	85.1%	100.0%	↓ -14.9 ppt	93.4%	93.7%	↓ -0.3 ppt
Sold Block Hours	3,054	3,423	↓ -11%	20,777	19,485	↑ 7%

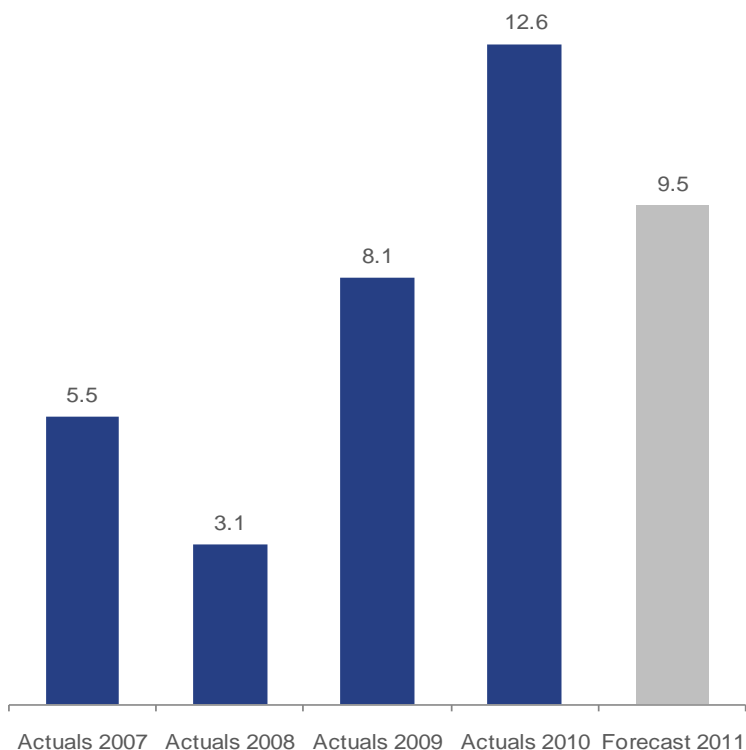
ICELANDAIR CARGO	JUL 11	JUL 10	CHG (%)	JAN-JUL 11	JAN-JUL 10	CHG (%)
Available Tonne Kilometers (ATK '000)	19,110	16,349	↑ 17%	95,768	89,060	↑ 8%
Freight Tonne Kilometers (FTK '000)	6,377	5,621	↑ 13%	43,180	43,037	↑ 0%

ICELANDAIR HOTELS	JUL 11	JUL 10	CHG (%)	JAN-JUL 11	JAN-JUL 10	CHG (%)
Available Hotel Room Nights	37,652	35,212	↑ 7%	148,797	142,877	↑ 4%
Sold Hotel Room Nights	32,112	29,077	↑ 10%	101,556	95,991	↑ 6%
Utilization of Hotel Rooms	85.3%	82.6%	↑ 2.7 ppt	68.3%	67.2%	↑ 1.1 ppt

OUTLOOK FOR 2011

EBITDA development

2007-2011 in ISK million



Outlook for 2011

Remains unchanged

- | The EBITDA forecast remains unchanged at ISK 9.5 billion
- | Profits squeezed by the rise in jet fuel prices - fuel price likely to remain high
- | Record passenger numbers in July at Icelandair
- | Booking inflow for August and September strong
- | Uncertainty in economical conditions around the world
- | Strong trend growth in both TO and VIA expected to continue with subsequent positive effects on other Group companies

FINANCIALS

Bogi Nils Bogason | CFO



INCOME STATEMENT

Q2 RESULTS

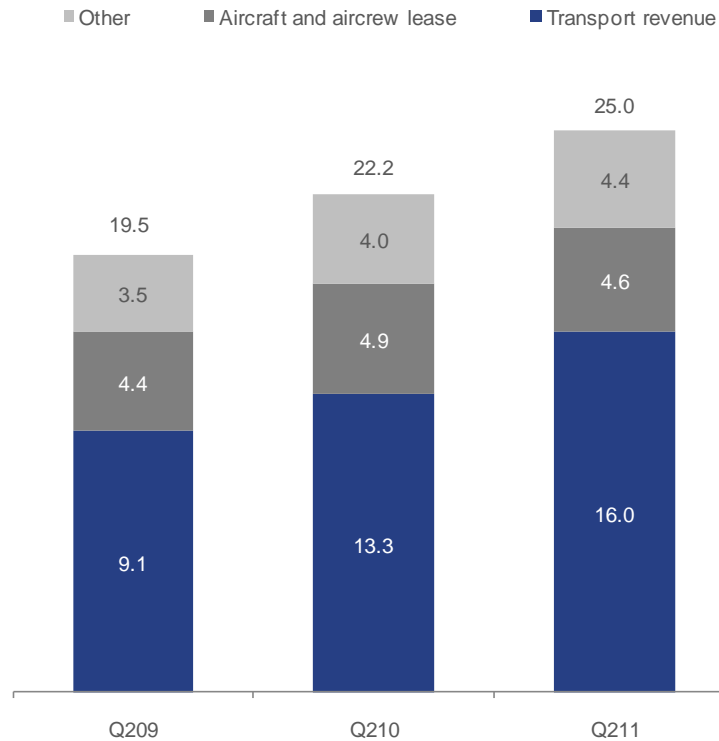
ISK billion	Q2 2011	Q2 2010	% Chg.
Operating income	25.0	21.9	14%
Salaries and related expenses	6.1	5.3	15%
Aircraft fuel	5.9	4.0	49%
Aircraft and aircrew lease	2.9	3.1	-7%
Aircraft servicing, handling and comm.	1.9	1.6	18%
Aircraft maintenance	1.8	1.8	1%
Other	4.2	3.9	9%
EBITDA	2.1	2.1	-
EBIT	0.6	0.8	-
EBT from continuing operations	0.5	-0.2	-
Net profit/loss from continuing operations	0.4	-0.2	-
Loss from discontinuing operations	0.0	0.0	-
Profit /loss for the period	0.4	-0.2	-
EBITDA ratio	8.3%	9.8%	-
EBITDAR	3.9	4.5	-
EBITDAR ratio	15.5%	20.3%	-

Commentary

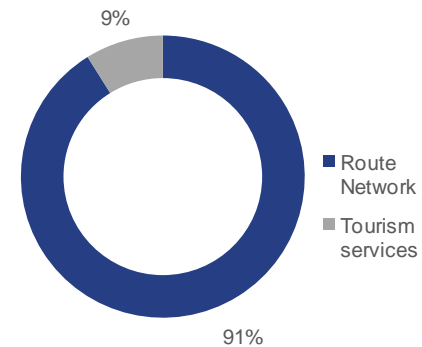
- | EBITDA **ISK 2.1 billion** same as last year
- | EBITDA of companies that exited the Group at year end 2010 was **ISK 0.2 billion** in Q2 2010
- | Revenues **14%** higher than in Q2 2010
 - | Transport revenue grew **21%**
- | Average world fuel price 47% higher in Q2 2011 than Q2 2010 – cost increase **ISK 1.7 billion**
- | Negative impact of the eruption in Grimsvötn and union action on results is estimated **ISK 0.6 billion**
- | Net finance cost **ISK 0.9 billion** lower in 2011 as a result of the financial restructuring in 2010 resulting in a new and improved capital structure

REVENUE DEVELOPMENT

Revenue ISK´000,000



Revenue split – external revenues

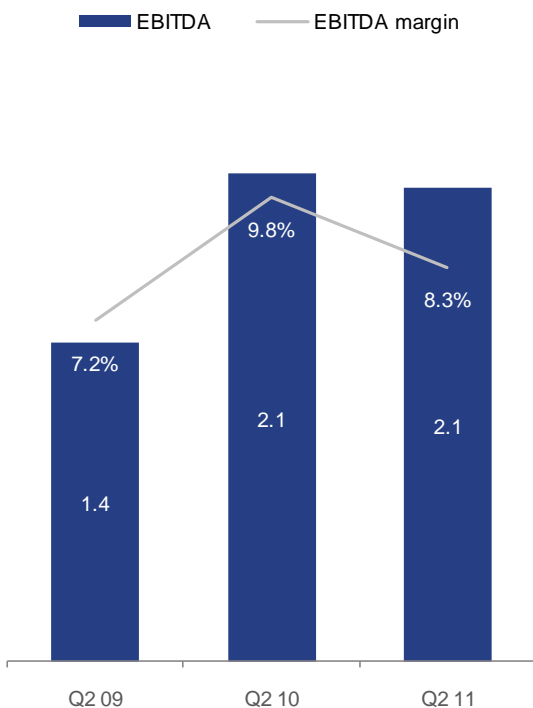


Comments

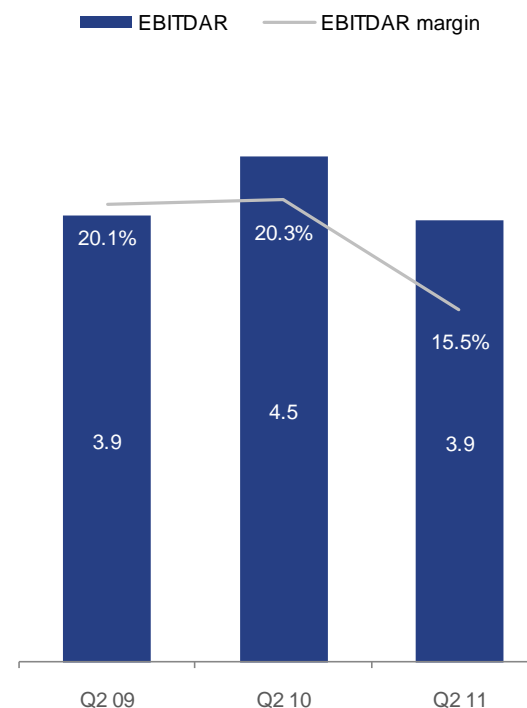
- | Excluding companies that exited the Group at the turn of the year 2010 the increase in total revenue corresponds to **21%**
- | Transport revenue **21%** higher in Q2 2011 than in Q2 2010
- | Transport revenues **64%** of total revenues

EBITDA AND EBITDAR

EBITDA ISK´000,000 and EBITDA margin



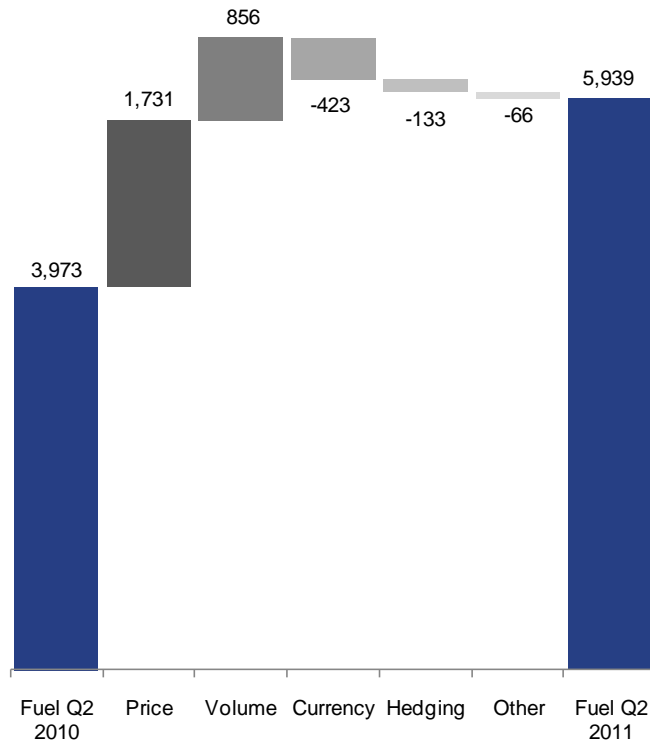
EBITDAR ISK´000,000 and EBITDAR margin



HIGH FUEL PRICE CONTINUES TO SQUEEZE MARGINS

Fuel cost deviation

Q2 2011 vs. Q2 2010 ISK million



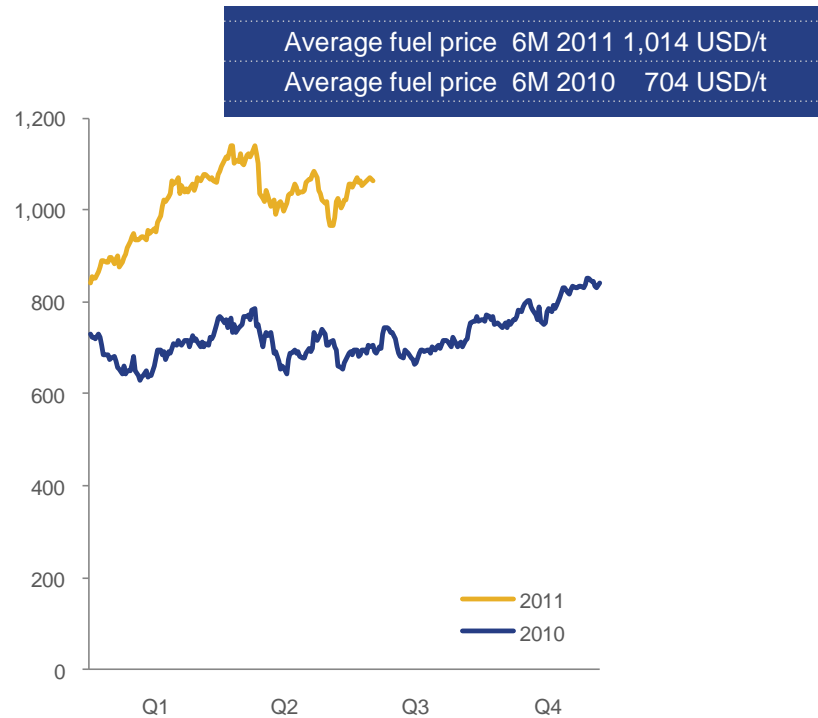
Commentary

- | Total fuel cost **ISK 2.0 billion** higher than in Q2 2010
- | Fuel price in Q2 2011 **47%** higher than in Q2 2010
- | Negative cost effect of higher fuel price in Q2 **ISK 1.7 billion**
- | Icelandair Group manages jet fuel price with:
 - | hedging contracts
 - | fuel surcharge
 - | active yield management

FUEL PRICE LIKELY TO REMAIN HIGH

Fuel price development

2010 and 2011



Fuel hedge positions end of June

Icelandair Group total

2011	Estimated usage (tons)	Av. Hedge price USD	% hedged
July	21,900	977	47%
August	21,783	977	48%
September	16,642	977	44%
October	14,267	1,070	23%
November	11,221	1,032	2%
December	10,701	1,032	2%

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

INCOME STATEMENT

6M RESULTS

ISK billion	6M2011	6M2010	% Chg.
Operating income	41.0	38.2	8%
Salaries and related expenses	10.9	9.8	10%
Aircraft fuel	9.4	6.6	42%
Aircraft and aircrew lease	5.1	5.9	-14%
Aircraft servicing, handling and comm.	3.1	2.8	12%
Aircraft maintenance	3.3	3.4	-2%
Other	7.3	7.2	1%
EBITDA	1.9	2.3	-
EBIT	-0.8	-0.3	-
EBT from continuing operations	-1.4	-2.0	-
Net loss from continuing operations	-0.7	-1.6	-
Loss from discontinuing operations	0.0	-0.4	-
Loss for the period	-0.7	-2.0	-
EBITDA ratio	4.6%	6.1%	-
EBITDAR	5.5	6.6	-
EBITDAR ratio	13.3%	17.4%	-

Commentary

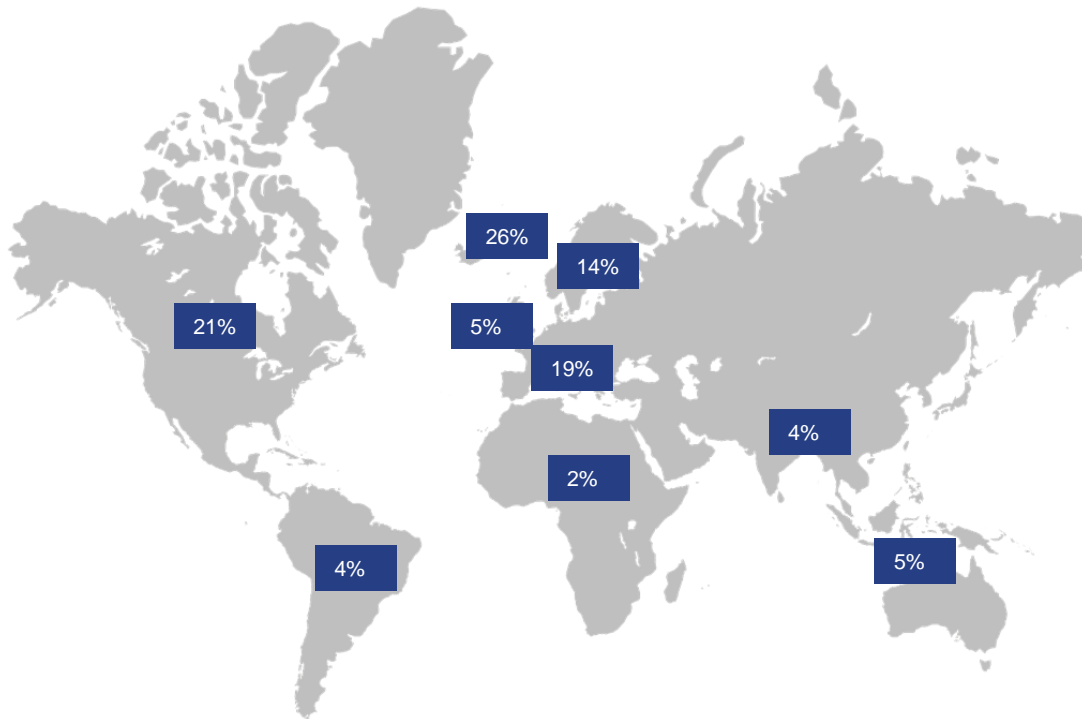
- | EBITDA **ISK 1.9 billion** vs. EBITDA of ISK 2.3 billion in 2010
- | Total revenue **8%** higher than in the first six months 2010
 - | Increase in revenue excluding revenue from companies who were sold in 2010 is **15%**
 - | Increased capacity and improved load factor at Icelandair drive up the revenue
- | High fuel price main reason for lower EBITDA – cost increase **ISK 2.5 billion**
- | Loftleidir operation returned solid profits with improved EBITDA margin from last year
- | EBITDA of companies that exited the Group at the turn of the year 2010 was **ISK 0.5 billion** in H1 2010
- | Net finance cost **ISK 1.2 billion** lower in 2011 as a result of the financial restructuring at yearend in 2010

REVENUE AND EXPENSES

SPLIT BY CURRENCY AND LOCATION

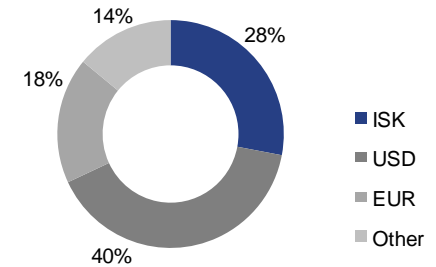
Total revenue

Split by location for the first 6 months 2011



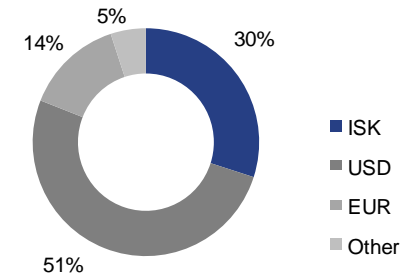
Total revenue

Currency split



Total expenses

Currency split



HEALTHY BALANCE SHEET

29% EQUITY RATIO

- | Total assets amounted to ISK 94.6 billion at 30 June 2011
- | Net interest-bearing debt down to ISK 3.4 billion
- | Total interest bearing debt amounting to ISK 21.8 billion

ISK billion	30.06 2011	31.12 2010
Assets		
Operating Assets	31.3	27.6
Intangible assets	21.1	21.2
Other non-current assets	2.7	2.5
Total non-current assets	55.1	51.3
Assets classified as held for sale	1.8	2.8
Other current-assets	19.3	17.1
Marketable securities	3.2	1.3
Cash and cash equivalents	15.2	11.7
Total current assets	39.5	32.9
Total assets	94.6	84.2

ISK billion	30.06 2011	31.12 2010
Equity and liabilities		
Stockholders equity	27.5	28.4
Loans and borrowings non-current	18.1	21.4
Other non-current liabilities	5.5	6.0
Total non-current liabilities	23.6	27.4
Loans and borrowings current	3.2	3.2
Trade and other payables	18.5	14.0
Deferred income	19.3	8.8
Liabilities held for sale	2.5	2.4
Total current liabilities	43.5	28.4
Total equity and liabilities	94.6	84.2
Equity ratio	29.1%	33.7%
Current ratio	0.91	1.16
Net interest bearing debt	3.4	12.1
Interest bearing debt	21.8	25.1

STRONG CASH FLOW

HIGH LIQUIDITY POSITION

- | Net cash from operating activities ISK 13.8 billion
- | CAPEX in H1 2011 ISK 6.7 billion, main investments:
 - | Icelandair purchased two B757 aircraft (ISK 3.0 billion)
 - | Air Iceland purchased two Dash-200 aircraft (ISK 0.6 billion)
 - | Icelandair Group purchased one Airbus 320 aircraft (ISK 0.2 billion)
 - | Engine overhaul amounted to ISK 0.9 billion
- | Repayment of long term borrowings amounted to ISK 4.9 billion

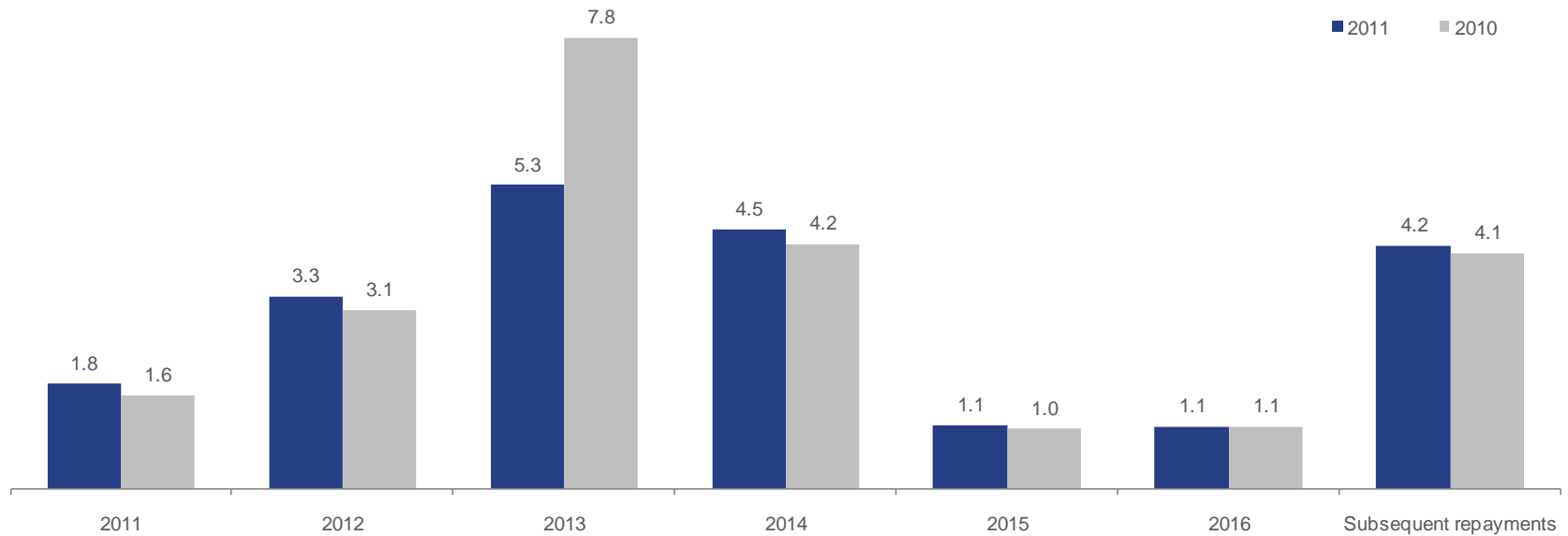
ISK billion	6M 2011	6M 2010
Working capital from/used in operations	2.5	1.7
Net cash from operating activities	13.8	9.4
Net cash used in investing activities	-8.0	-2.3
Net cash used in financing activities	-2.3	-1.5
Increase in cash and cash equivalents	3.5	5.5
Cash and cash equivalents at 1 January	11.7	1.9
Cash and cash equivalents at 30 June	15.2	7.5

MATURITY PROFILE

TOTAL INTEREST BEARING DEBT ISK 21.8 BILLION

Contractual repayments

ISK billion



Q & A

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