ICELANDAIR GROUP HF

Q4 2011 RESULTS | 10 FEBRUARY 2012

HIGHLIGHTS 2011

Performance matches our expectations

- EBITDA negative of ISK 0.1 billion, 1.2 billion lower than in Q4 2010
- Net loss ISK 0.2 billion vs. ISK 1.4 billion last year

Higher fuel price main reason for lower EBITDA

- Fuel cost 48% higher than in Q4 2010
- Fuel price 28% higher

Strong financial position

- Equity ratio 36%
- Cash and cash equivalents and marketable securities ISK 13.1 billion
- Interest bearing loans ISK 24.4 billion

FINANCIALS

BOGI NILS BOGASON | CFO

INCOME STATEMENT

Q4 RESULTS

ISK billion	Q4 2011	Q4 2010	% Chg.
Operating Income	**20.0**	**18.8**	**7%**
Salaries and related expenses	6.0	5.3	12%
Aircraft fuel	4.8	3.3	46%
Aircraft and aircrew lease	2.3	2.5	-8%
Aircraft handling, landing and communication	1.4	1.1	27%
Aircraft maintenance expenses	1.8	1.3	39%
Other expenses	3.8	4.1	-6%
EBITDA	**-0.1**	**1.1**	**-**
EBIT	**-1.5**	**-1.0**	**-**
EBT	**-1.7**	**2.2**	**-**
(Loss) Profit for the period	**-0.2**	**1.4**	**-**
EBITDA ratio	**-0.6%**	**5.9%**	**-**
EBITDAR	**1.7**	**3.0**	**-**
EBITDAR ratio	**8.5%**	**15.9%**	**-**

Commentary

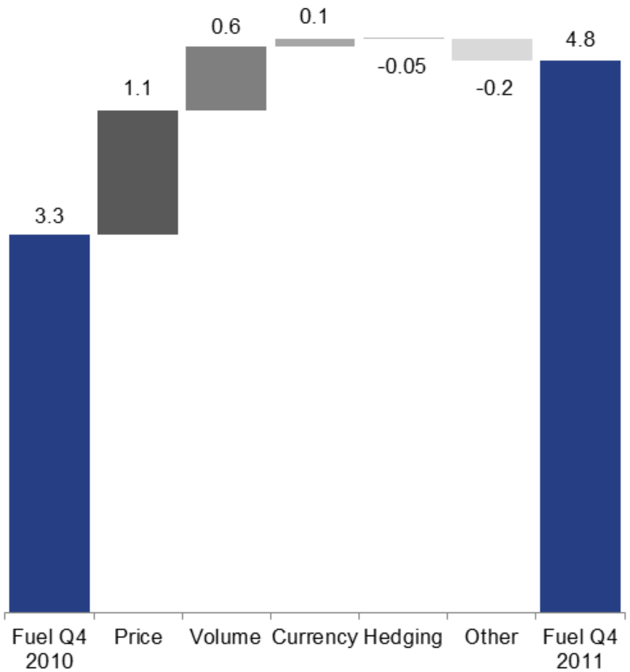
- EBITDA **ISK -0,1 billion**
- Revenues **7%** higher than in Q4 2010
  - Revenues like-for-like **14%** higher
  - Passenger revenue grew **17%**
- Average world fuel price **28%** higher in Q4 2011 than Q4 2010 – direct cost increase **ISK 1.1 billion**
- Net finance cost **ISK 0.4 billion** lower in 2011

HIGH FUEL PRICE

MAIN REASON FOR LOWER MARGINS

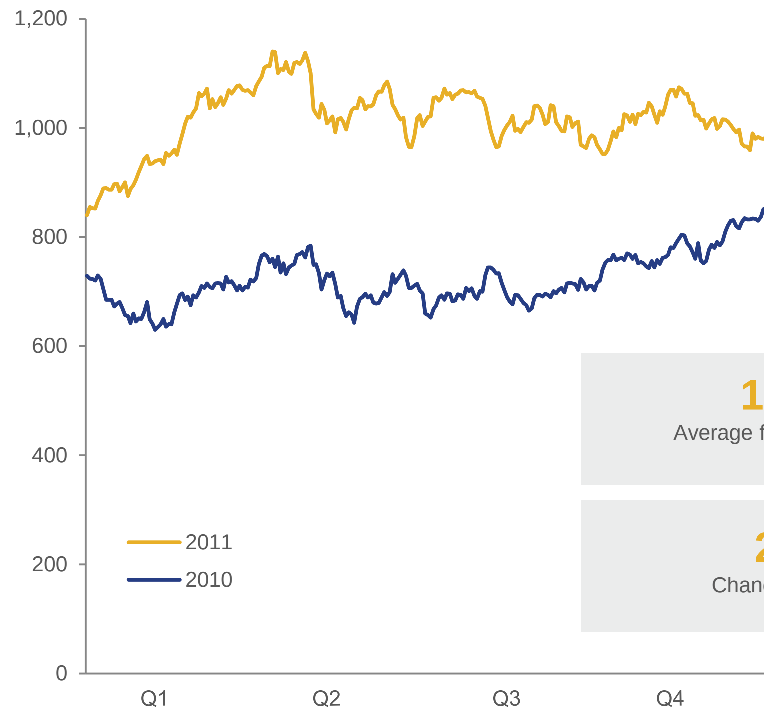
Fuel cost deviation

Q4 2011 vs. Q4 2010 ISK billion



Fuel price development

2011 and 2010



1,021
Average fuel price
Q4 2011

28%
Change YOY
Q4

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HEDGING POSITION

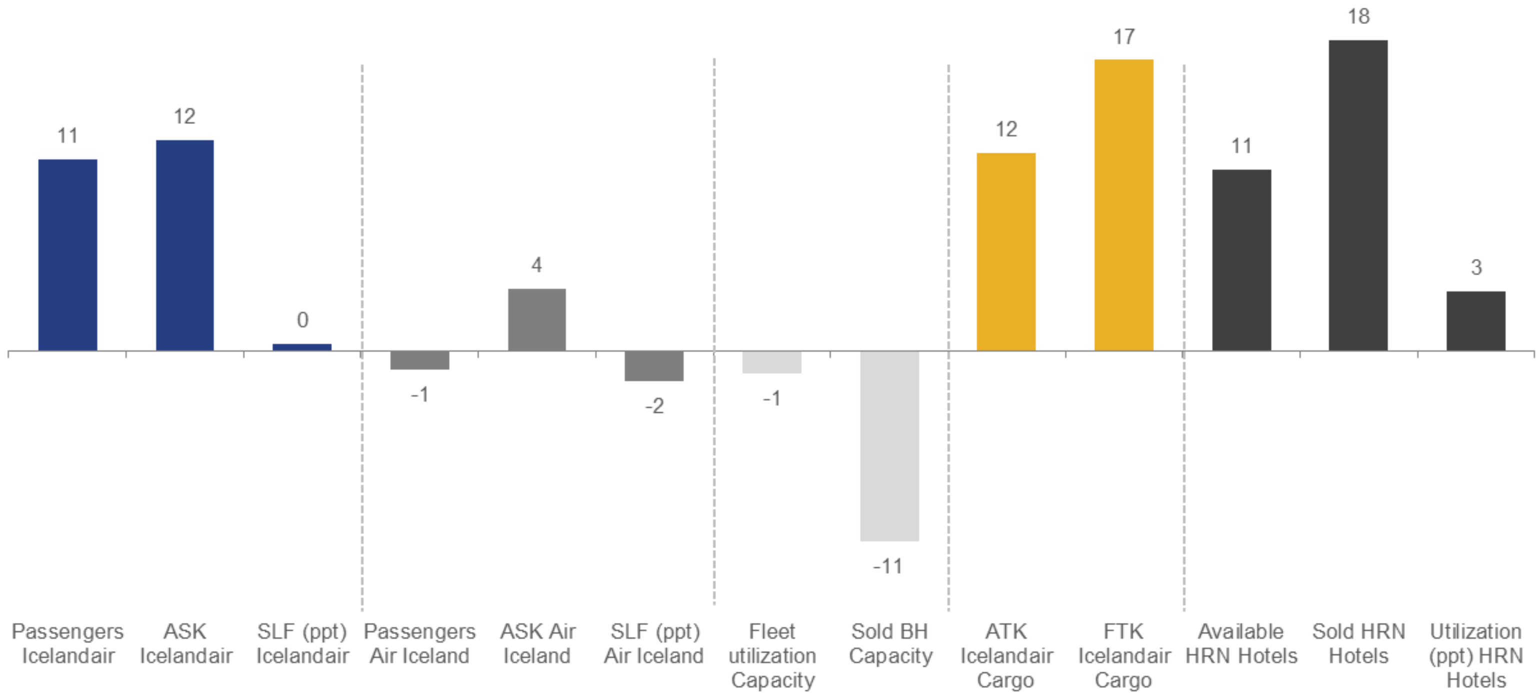
END OF JANUARY

- Fuel prices expected to remain high in 2012
- In addition to contractual hedging, the Company has defined the interaction of EUR/USD and fuel price as an internal hedge. Natural hedge is estimated to be on average 13% in 2012

2012	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	%hedged	Option contracts	Price ceiling USD
January	10,627	4,150	1,027	39%	0	-
February	9,594	4,150	1,012	43%	0	-
March	11,294	4,200	1,010	37%	0	-
April	12,611	3,250	994	26%	0	-
May	15,958	3,200	980	20%	0	-
June	22,093	7,300	980	33%	4,000	1,150
July	23,957	5,800	1,008	24%	4,500	1,150
August	24,243	4,800	988	20%	4,500	1,150
September	18,229	3,200	988	18%	3,000	1,150
October	15,963	0	-	0%	0	-
November	13,648	0	-	0%	0	-
December	12,906	0	-	0%	0	-
Total	**191,123**	**40,050**	**1,002**	**21%**	**16,000**	**1,150**

ORGANIC GROWTH CONTINUES IN Q4

Traffic Data Q4
Year-on-Year change in %



INCREASED NUMBER OF PASSENGERS IN Q4

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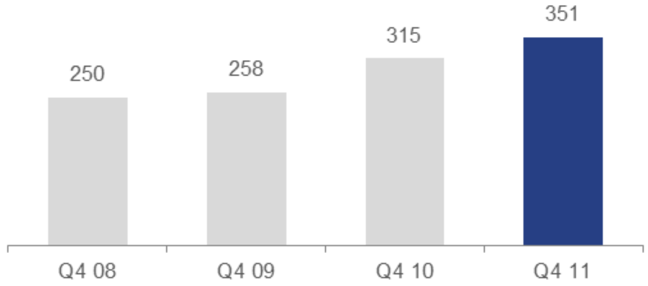
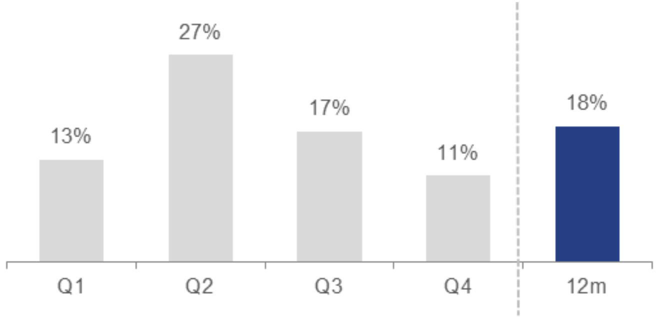
Number of passengers in thousand



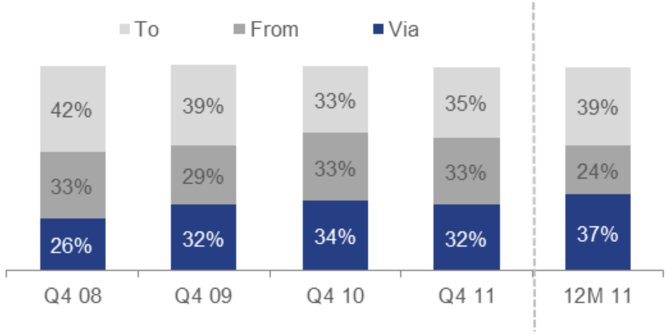
Commentary - Q4 2011 vs Q4 2010

- 351 thousand passengers, **11%** growth from last year
- An increase of **35 thousand** passengers
- Passenger increase on all markets
  - TO **18%**
  - FROM **9%**
  - VIA **7%**

Increase in passenger numbers year-on-year

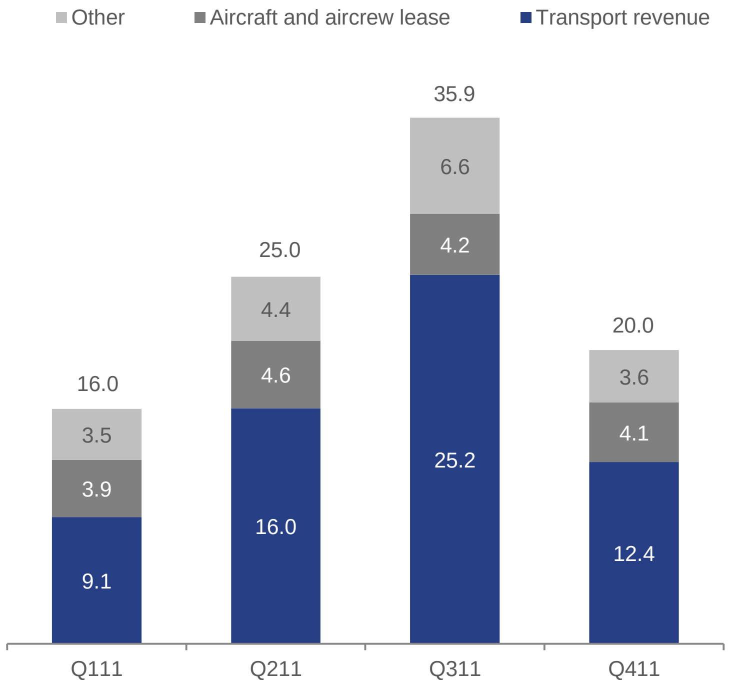


Passenger mix

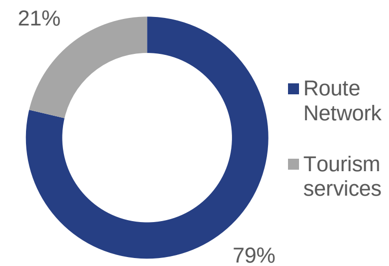


HIGH SEASONALITY

Revenue ISK million



Revenue split



Commentary

- Increase in total revenue in Q4, is **7%**
- Transport revenues **62%** of total revenues
- Transport revenue **14%** higher in Q4 2011 than in Q4 2010
- Higher transport revenues driven by larger flight schedule and increased passenger numbers especially on the market To Iceland

INCOME STATEMENT

12M RESULTS

ISK billion	12M 2011	12M 2010	% Chg.
Operating Income	**96.9**	**88.0**	**10%**
Salaries and related expenses	22.8	20.4	12%
Aircraft fuel	22.0	14.9	47%
Aircraft and aircrew lease	10.3	11.9	-13%
Aircraft servicing, handling and comm.	7.1	6.1	17%
Aircraft maintenance expenses	7.2	6.5	11%
Other expenses	17.1	15.7	9%
EBITDA	**10.4**	**12.6**	**-**
EBIT	**4.7**	**6.3**	**-**
EBT	**3.5**	**6.6**	**-**
Net profit from continuing operations	**4.1**	**5.1**	**-**
Loss from discontinuing operations	**0.4**	**-0.6**	**-**
Profit for the period	**4.5**	**4.6**	**-**
EBITDA ratio	**10.7%**	**14.3%**	**-**
EBITDAR	**17.6**	**21.6**	**-**
EBITDAR ratio	**18.2%**	**24.5%**	**-**

Commentary

- EBITDA **ISK 10.4 billion** vs. EBITDA of ISK 12.6 billion in 2010
- Total revenue **10%** higher than in the first six months 2010
  - Passenger reveneus up **19%** year-on-year
  - Increased capacity and passenger numbers at Icelandair drive up the revenue
- Higher fuel price main reason for lower EBITDA – direct cost increase **ISK 5.8 billion**
- EBITDA of companies that exited the Group at the turn of the year 2010 was **ISK 1.1 billion**
- Net finance cost **ISK 2.3 billion** lower in 2011 as a result of the financial restructuring at year end 2010

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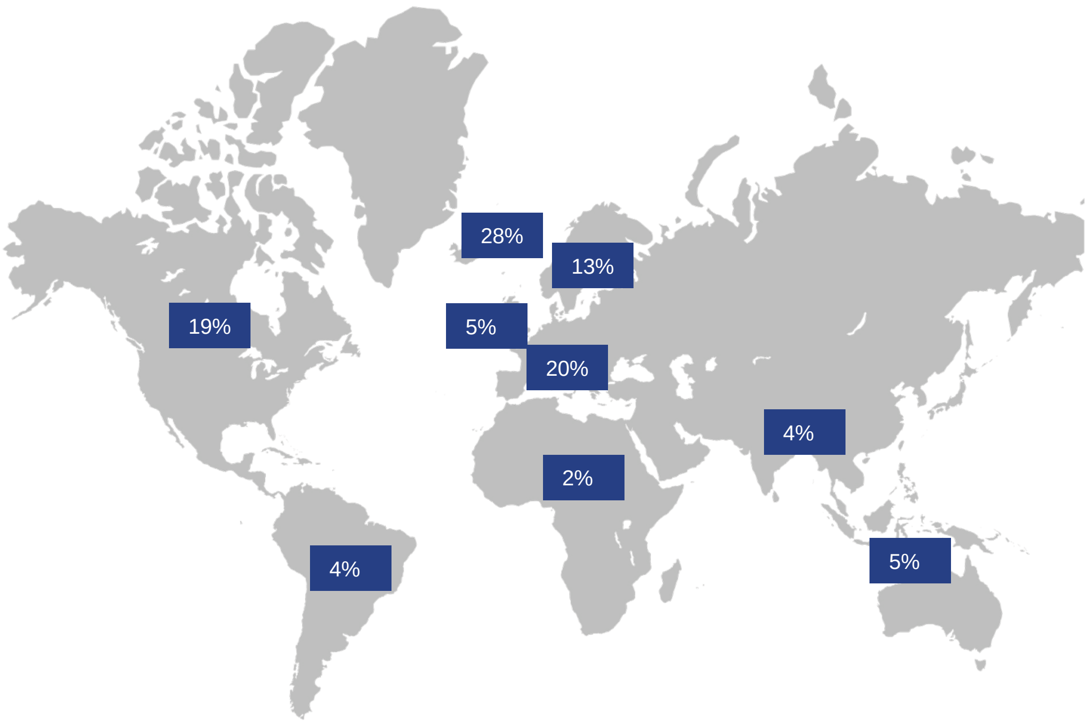
REVENUE AND EXPENSES

SPLIT BY CURRENCY AND LOCATION

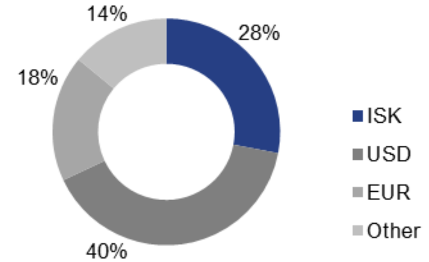
Total revenue

Split by geographic location for 2011



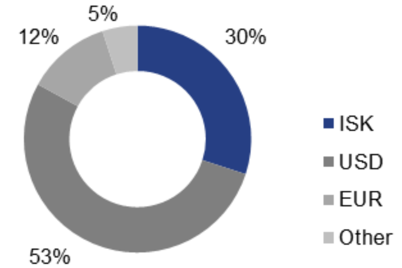
Total revenue

Currency split



Total expenses

Currency split



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STRONG BALANCE SHEET

36% EQUITY RATIO

- Cash and marketable securities ISK 13.0 billion
- Net interest-bearing debt ISK 11.1 billion

ISK billion	31.12 2011	31.12 2010
Assets		
Operating Assets	33.9	27.6
Intangible assets	21.7	21.2
Other non-current assets	3.7	3.9
Total non-current assets	**59.2**	**52.7**
Assets classified as held for sale	0.8	2.8
Other current-assets	16.4	17.1
Marketable securities	3.3	1.3
Cash and cash equivalents	9.7	11.7
Total current assets	**30.2**	**31.6**
Total assets	**89.5**	**84.2**

ISK billion	31.12 2011	31.12 2010
Equity and liabilities		
Stockholders equity	**32.3**	**28.4**
Loans and borrowings non-current	20.0	21.4
Other non-current liabilities	4.1	6.0
Total non-current liabilites	**24.1**	**27.4**
Loans and borrowings current	4.1	3.2
Trade and other payables	16.6	14.0
Deferred income	12.4	8.8
Liabilities held for sale	0.0	2.4
Total current liabilites	**33.1**	**28.5**
Total equity and liabilities	**89.5**	**84.2**
Equity ratio	36.1%	33.7%
Current ratio	0.91	1.11
Net interest bearing debt	11.1	11.6
Interest bearing debt	24.1	24.6

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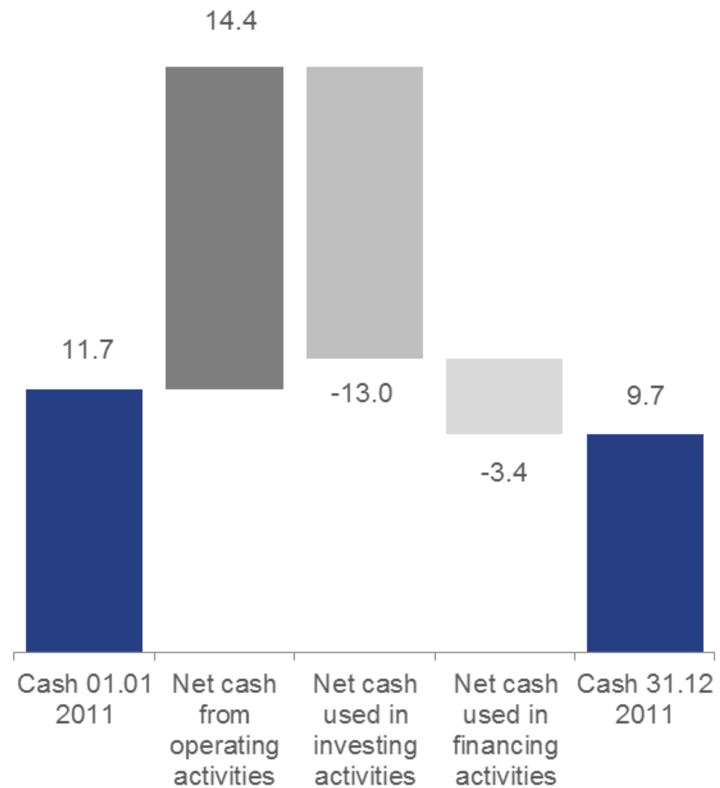
CASH FLOW

CONTINUES TO BE STRONG

ISK billion	12M 2011	12M 2010
Working capital from operations	12.5	12.9
Net cash from operating activities	14.4	15.7
Net cash used in investing activities	-13.0	-5.5
Net cash used in financing activities	-3.4	0.0
Increase in cash and cash equivalents	**-2.0**	**10.1**
Cash and cash equivalents at 1 January	11.7	1.9
Cash and cash equivalents at 31 December	**9.7**	**11.7**

Changes in Cash in 2011

ISK billion



Commentary

- Repayment of long term borrowings amounted to ISK 8.1 billion

CAPEX

ISK 15.3 BILLIONS

Main investments operating assets

- Total investments in operating assets ISK 11.6 billion
  - Icelandair four B757-200 ISK 5.5 billion
  - Air Iceland two Dash-200 ISK 1.0 billion
  - Engine overhaul own aircraft ISK 2.0 billion

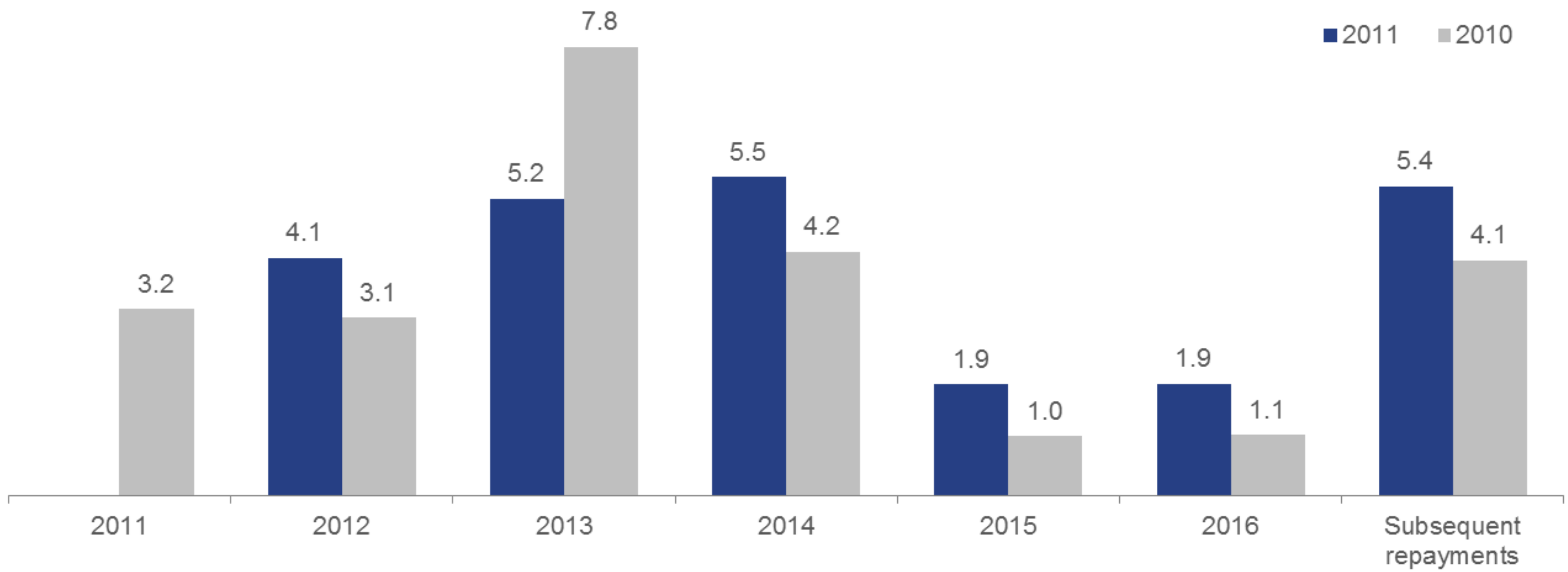
Main investments long term cost

- Total investment in long term cost ISK 3.8 billion
  - Engine overhaul leased aircraft ISK 3.7 billion
- Expensed long term cost ISK 3.9 billion

MATURITY PROFILE

Contractual repayments

ISK billion



STRATEGY AND OUTLOOK

BJÖRGÓLFUR JÓHANNSSON I PRESIDENT AND CEO

ICELANDAIR GROUP

ICELANDAIR GROUP

is an **operating company**
with subsidiaries
focused on the
international airline
and **tourism sectors**

STRATEGY 2012

1	**Focus on the route network and tourism services**
2	Reduce seasonality in the Groups´s operations by actively expanding the shoulder season into both spring and autumn
3	Focus on organic growth and business development by seizing opportunities within our core business
4	Improve efficiency by achieving greater synergies between Group companies

OUR FOCUS

GROUP FINANCE AND OPERATIONS

ROUTE NETWORK

Scheduled airlines
Cargo
Ground Services
Leasing and Charter
Financial Services

TOURISM SERVICES

Hotels
Tour Operations
MICE

STRATEGY 2012

1	Focus on the route network and tourism services
2	**Reduce seasonality in the Groups´s operations by actively expanding the shoulder season into both spring and autumn**
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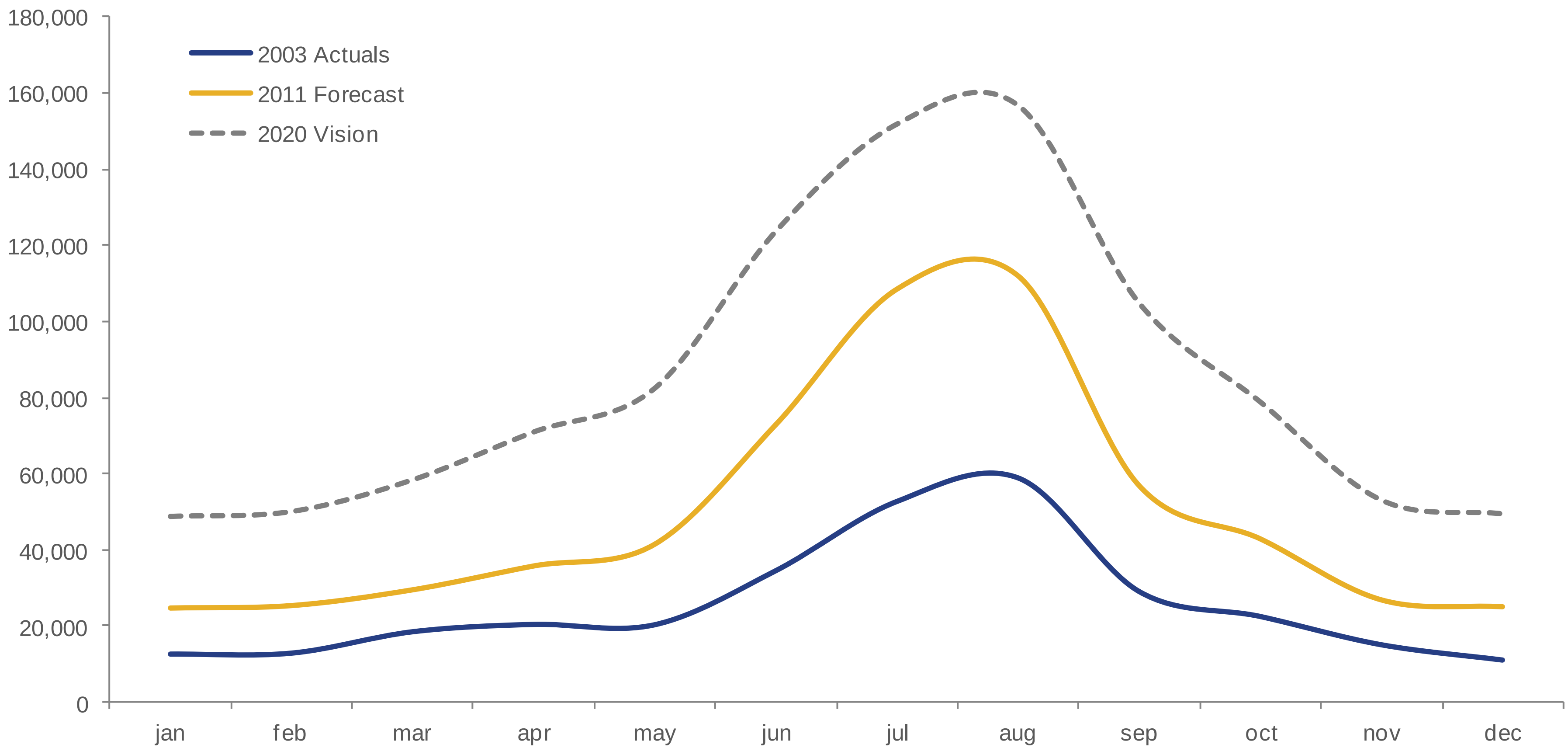
TOURISTS TO ICELAND

PRIORITY TO LENGTHEN THE SEASON



WHY FOCUS ON WINTER TOURISM?

- Important to **reduce seasonality**
- **“Iceland”** a great resource
- Many **unused opportunities** still to be exploited both in culture and nature
- Very **low utilization** of investments and resources
- Important to **increase the number of events** over the wintertime (Iceland Airwaves, Food & Fun, etc.)
- **“Ísland – allt árið”** launched in October under the leadership of the Ministry of Industry and key enterprises in the field in Iceland

STRATEGY 2012

1 Focus on the route network and tourism services

2 Reduce seasonality in the Groups´s operations by actively expanding the shoulder season into both spring and autumn

3 **Focus on organic growth and business development by seizing opportunities within our core business**

4 Improve efficiency by achieving greater synergies between Group companies

FURTHER GROWTH PLANNED IN 2012

13% increase in number of flights by Icelandair	**Increase** in flights to Greenland by Air Iceland	**10,000** passengers per day by Icelandair
2 million passengers forecasted in our route network	**Icelandair Hotel Marina** opens April 2012	**Denver** new year-round destination
39 aircraft	**400** flights per week by Icelandair	**Ferd.is** focus on websales

STRATEGY 2012

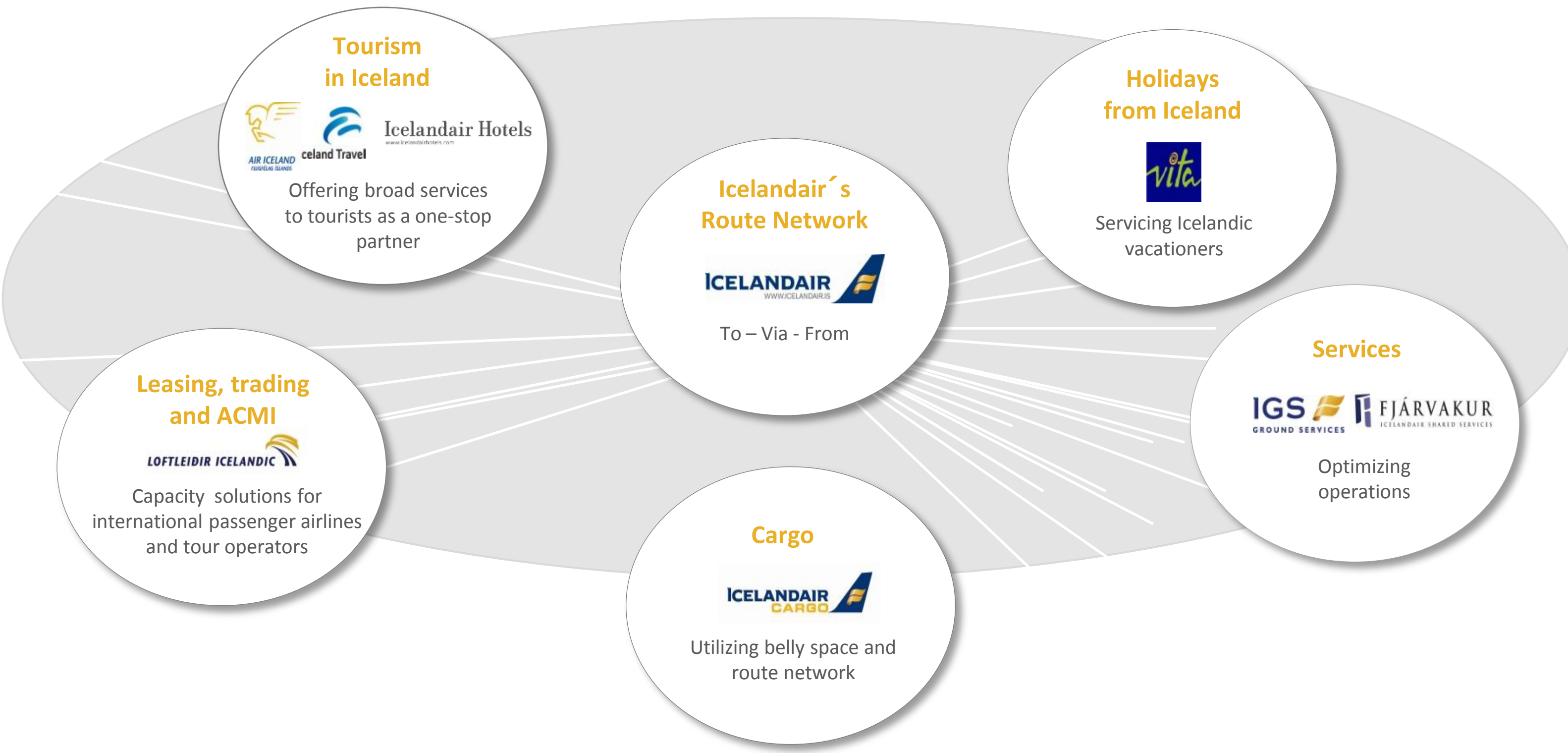
1. Focus on the route network and tourism services

2. Reduce seasonality in the Groups´s operations by actively expanding the shoulder season into both spring and autumn

3. Focus on organic growth and business development by seizing opportunities within our core business

4. **Improve efficiency by achieving greater synergies between Group companies**

GROUP COMPANIES



SECONDARY LISTING

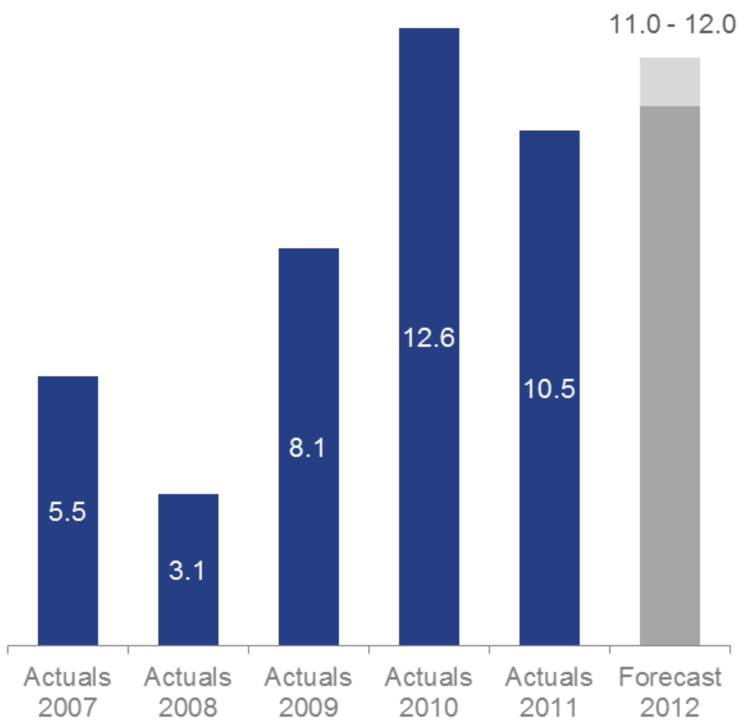
In February 2012 the Board of Directors announced its decision to explore secondary listing on the Oslo Stock Exchange

Access to capital	Market liquidity	Expand shareholder base
Share issues Bond issues	Increased liquidity More analysts coverage	International investors Increase credibility

OUTLOOK FOR 2012

EBITDA development

2007-2012 in ISK billion



Outlook for 2012

- EBITDA forecasted ISK 11.0-12.0 billion. Main assumptions:
  - EUR/USD exchange rate 1.25
  - Fuel price 1,050, excluding hedging
- Continued organic growth
- Bookings for the first months strong
- Our business model offers flexibility and opportunities to increase capacity in challenging times
- Two B757 added to the fleet in 1H 2012


Q & A
ICELANDAIR
GROUP