



ICELANDAIR GROUP HF
Q1 2012 RESULTS | 7 MAY 2012



HIGHLIGHTS Q1 2012

Performance exceeds management expectations

- | EBITDA negative of USD 3.0 million, 1.4 billion worse than in Q1 2011
 - | Net loss USD 13.2 million as compared to USD 9.1 million last year
-

Strong organic growth

- | Income up by 21%
 - | Passengers on international flights up by 18%, on regional flights up by 5%
 - | Sold hotel room nights up 33% from Q1 2011
-

Strong financial position

- | Equity ratio 31%
 - | Cash and cash equivalents and marketable securities USD 145.6 million
 - | Net interest bearing debt USD 25.6 million
-

FINANCIALS

BOGI NILS BOGASON | CFO

INCOME STATEMENT

Q1 RESULTS

ISK billion	Q1 2012	Q1 2011	% Chg.
Operating Income	157.7	130.6	21%
Salaries and related expenses	43.1	38.5	12%
Aircraft fuel	38.1	28.6	33%
Aircraft and aircrew lease	18.6	18.2	2%
Aircraft handling, landing and communication	10.8	9.5	14%
Aircraft maintenance expenses	12.2	12.1	0%
Other expenses	38.0	25.4	50%
EBITDA	-3.0	-1.6	-
EBIT	-16.7	-11.7	-
EBT	-16.6	-15.2	-
Loss for the period	-13.2	-9.1	-
EBITDA ratio	-1.9%	-1.2%	-
EBITDAR	11.1	12.9	-
EBITDAR ratio	7.1%	9.9%	-

Commentary

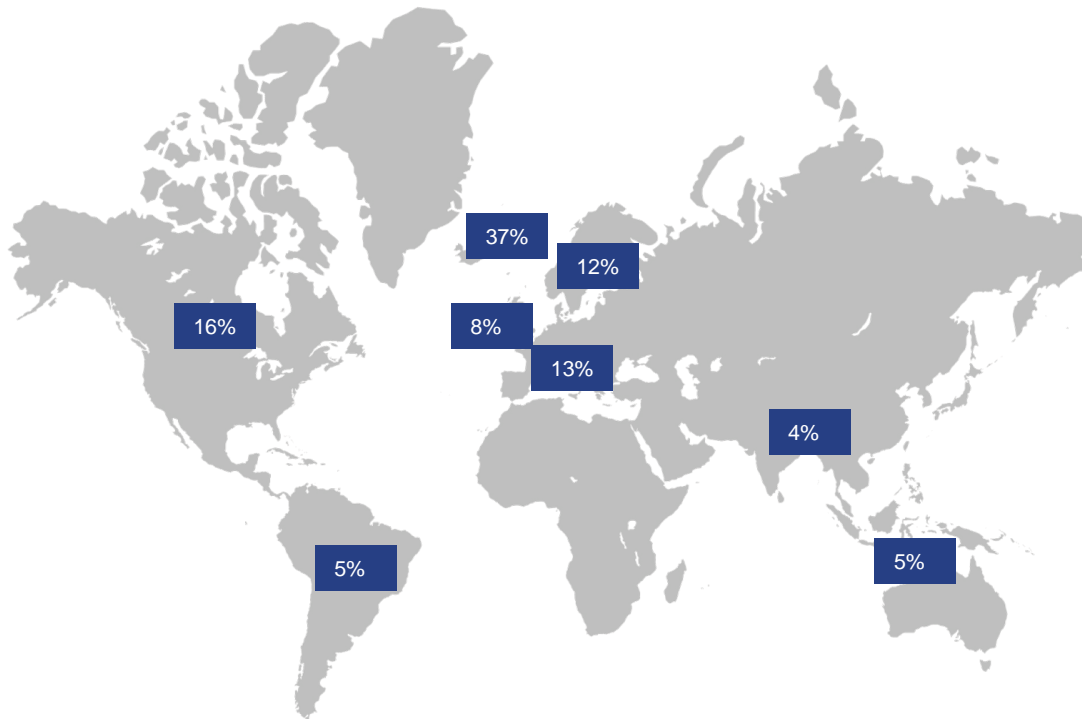
- | EBITDA **USD -3.0 million**
- | Revenue **21%** higher than in Q1 2011
 - | Passenger revenue growth 31%
 - | Increase in passenger both on international flights and regional flights
 - | Increased revenue in tourism services
- | Net finance cost **USD 3.6 billion** lower in Q1 2012 than in Q1 2011 mainly due to positive currency effect
- | All figures translated into USD at year-end 2011 exchange rate of ISK **122.6**, average USD exchange rate in Q1 2011 was 116.5

REVENUE AND EXPENSES

SPLIT BY CURRENCY AND LOCATION

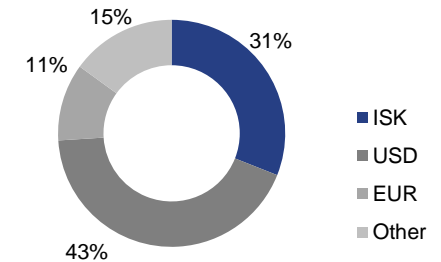
Total revenue

Geographical split in Q1 2012



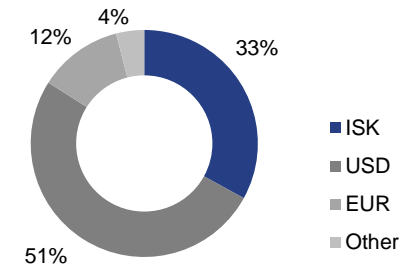
Total revenue

Currency split



Total expenses

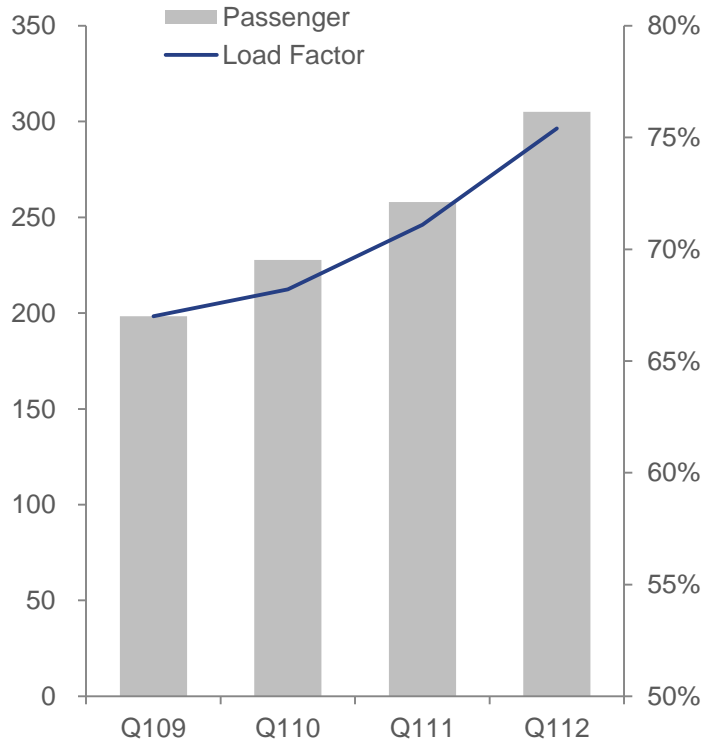
Currency split



INCREASED NUMBER OF PASSENGERS IN Q1

INTERNATIONAL ROUTE NETWORK

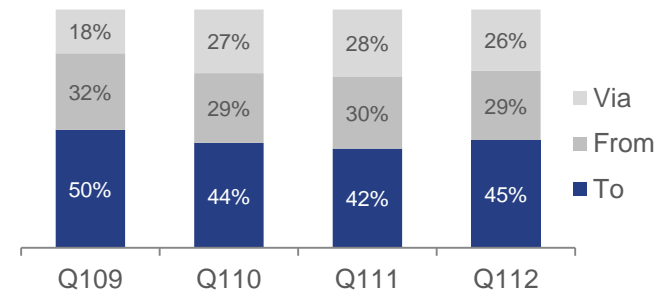
Load Factor and number of passengers
in thousand



Commentary
Q1 2012 vs Q1 2011

- | 305 thousand passengers, **18%** growth from last year
- | An increase of **47 thousand** passengers
- | Passenger increase on all markets
TO **31%**
FROM **13%**
VIA **7%**

Passenger mix



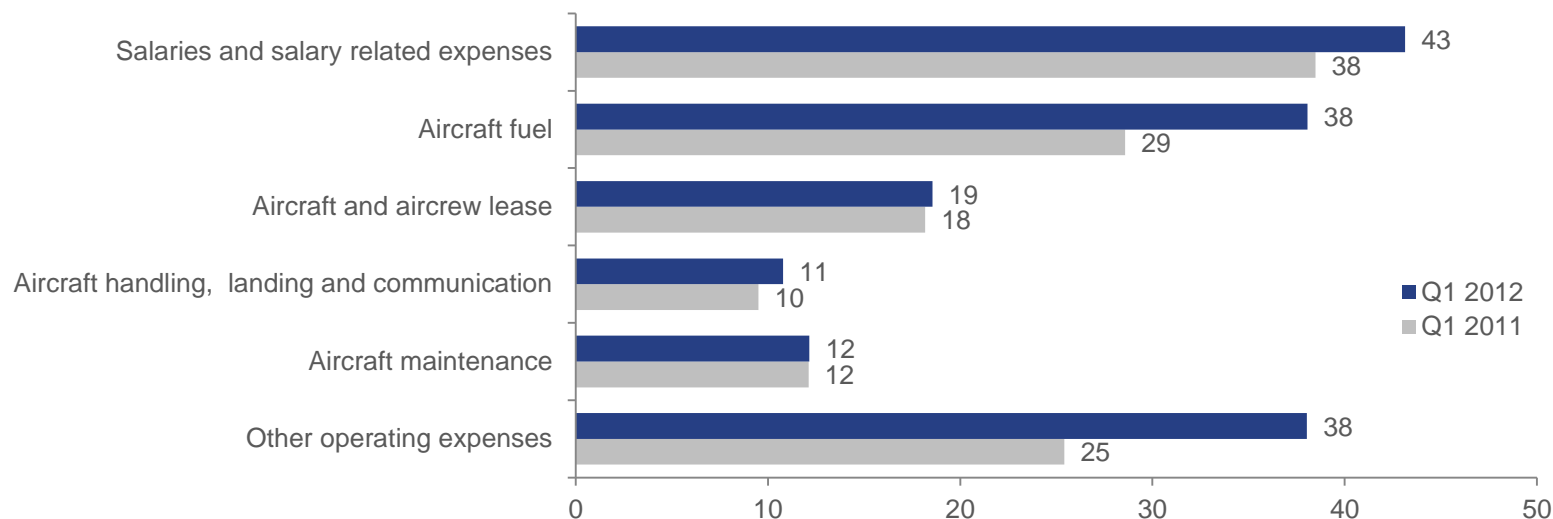
TOTAL OPERATING EXPENSES

UP 22% IN Q1 2012

- | Cost increases largely a result of the increased capacity on international flights
- | Fuel price hikes continue to increase fuel cost
- | All advertising, booking and introduction costs resulting from the increased peak-season capacity was expensed in Q1
- | Growth in the number of tourists to Iceland increased tourism expenses

Development - operating expenses

Q1 2012 vs. Q1 2011 in USD million



HEDGING POSITION

APRIL - DECEMBER

- | 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
April	12,611	6,250	1,027	50%	0	-
May	15,958	7,200	1,040	45%	0	-
June	22,093	9,300	1,007	42%	4,000	1,150
July	23,957	9,800	1,064	41%	4,500	1,150
August	24,243	9,800	1,084	40%	4,500	1,150
September	18,229	7,200	1,078	39%	3,000	1,150
October	15,963	2,000	1,098	13%	0	-
November	13,648	0	-	0%	0	-
December	12,906	0	-	0%	0	-
Total	159,608	51,550	1,053	32%	16,000	1,150

STRONG BALANCE SHEET

31% EQUITY RATIO

| Cash and marketable securities USD 145.6 million

| Net interest-bearing debt USD 25.6 million

USD thousand	31.03 2012	31.12 2011
Assets		
Operating Assets	279.2	276.2
Intangible assets	178.1	176.7
Other non-current assets	26.6	30.2
Total non-current assets	483.9	483.1
Other current-assets	150.8	140.0
Marketable securities	19.0	27.3
Cash and cash equivalents	126.6	79.4
Total current assets	296.4	246.7
Total assets	780.3	729.7

USD thousand	31.03 2012	31.12 2011
Equity and liabilities		
Stockholders equity	241.3	263.4
Loans and borrowings non-current	140.8	163.1
Other non-current liabilities	33.1	33.5
Total non-current liabilities	173.9	196.6
Loans and borrowings current	30.3	33.7
Trade and other payables	145.1	135.0
Deferred income	189.6	101.0
Total current liabilities	365.1	269.8
Total equity and liabilities	780.3	729.7
Equity ratio	31%	36%
Current ratio	0.81	0.91
Net interest bearing debt	25.6	90.2
Interest bearing debt	171.2	196.9

CASH FLOW

CONTINUES TO BE STRONG

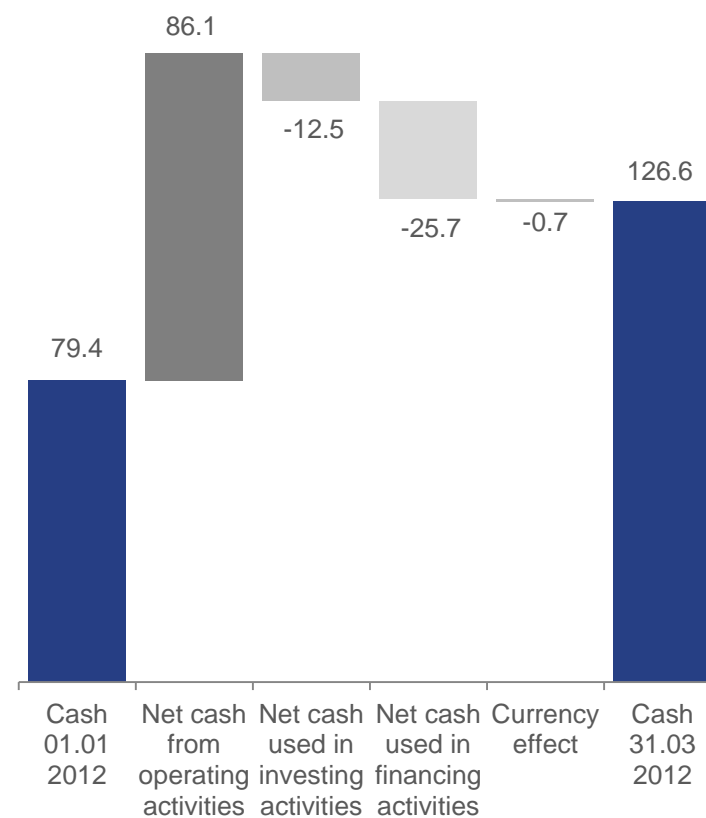
USD thousand	Q1 2012	Q1 2011
Working capital from operations	2.5	-5.0
Net cash from operating activities	86.1	70.0
Net cash used in investing activities	-12.5	-52.5
Net cash used in financing activities	-25.7	9.1
Increase in cash and cash equivalents	47.9	26.6
Cash and cash equivalents at 1 January	79.4	95.3
Cash and cash equivalents at 31 March	126.6	121.9

Commentary

- | Repayment of long term borrowings amounted to USD 25.7 million
- | Repayment of USD 14.6 million made on loans that were not yet due

Changes in Cash in Q1

USD million



CAPEX

USD 23.0 MILLION

Operating assets main investments

- | Total investments in operating assets
USD 21.0 million
 - | One B757-200 and components
and introduction cost for two Dash
8-200
USD 12.0 million
 - | Engine overhaul own aircraft
USD 3.3 million

Long term cost main investments

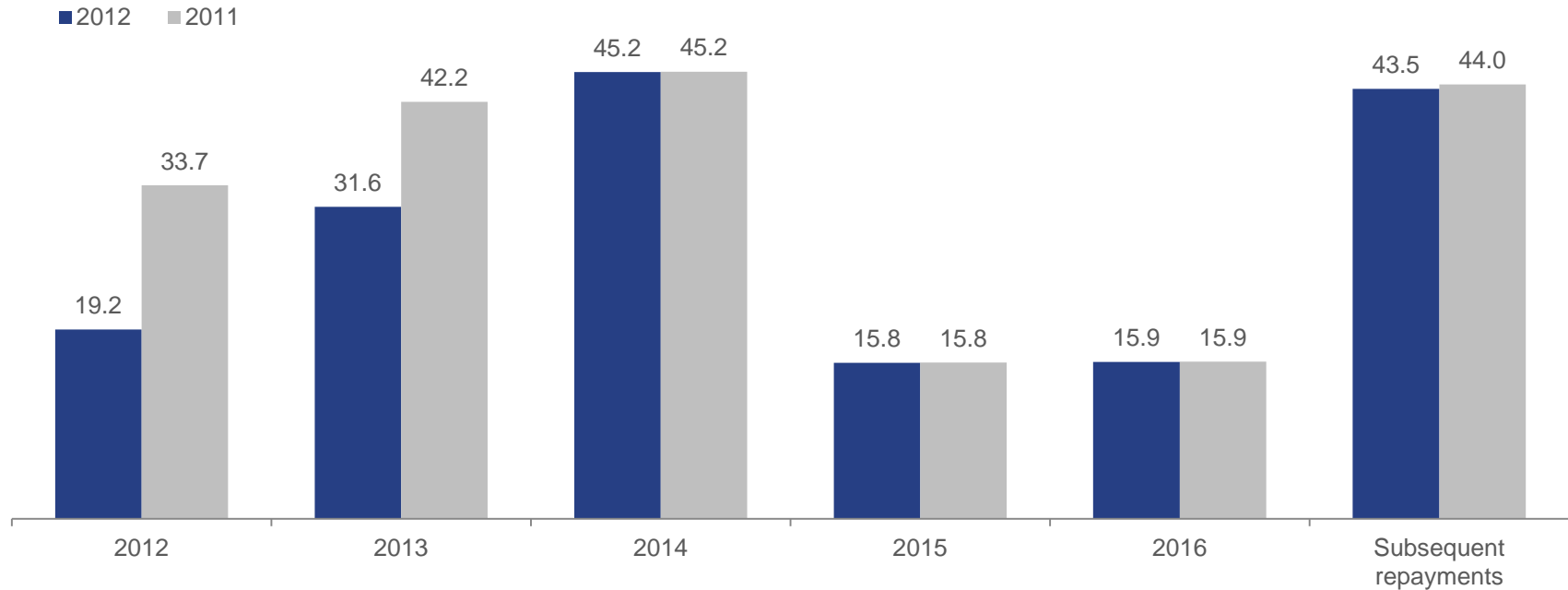
- | Total investment in long term cost
USD 2.0 million
 - | Engine overhaul leased aircraft
USD 1.9 million
- | Expensed long term cost
USD 6.3 million

MATURITY PROFILE

INTEREST BEARING DEBT USD 171.2 MILLION

Contractual repayments

USD million



OUR FOCUS: PROFITABLE ORGANIC GROWTH

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

ICELANDAIR
GROUP



OUR STRATEGY

RESULTING IN STRONG EARNINGS GROWTH AND SOLID FINANCIAL POSITION

Focus on the
international airline and tourism sectors
with Iceland as a cornerstone of our international Route Network

Focus on **organic growth** by seizing opportunities within our business segments

Focus on increasing the number of tourists to Iceland **outside the high season**

Focus on achieving **greater synergies** between Group Companies

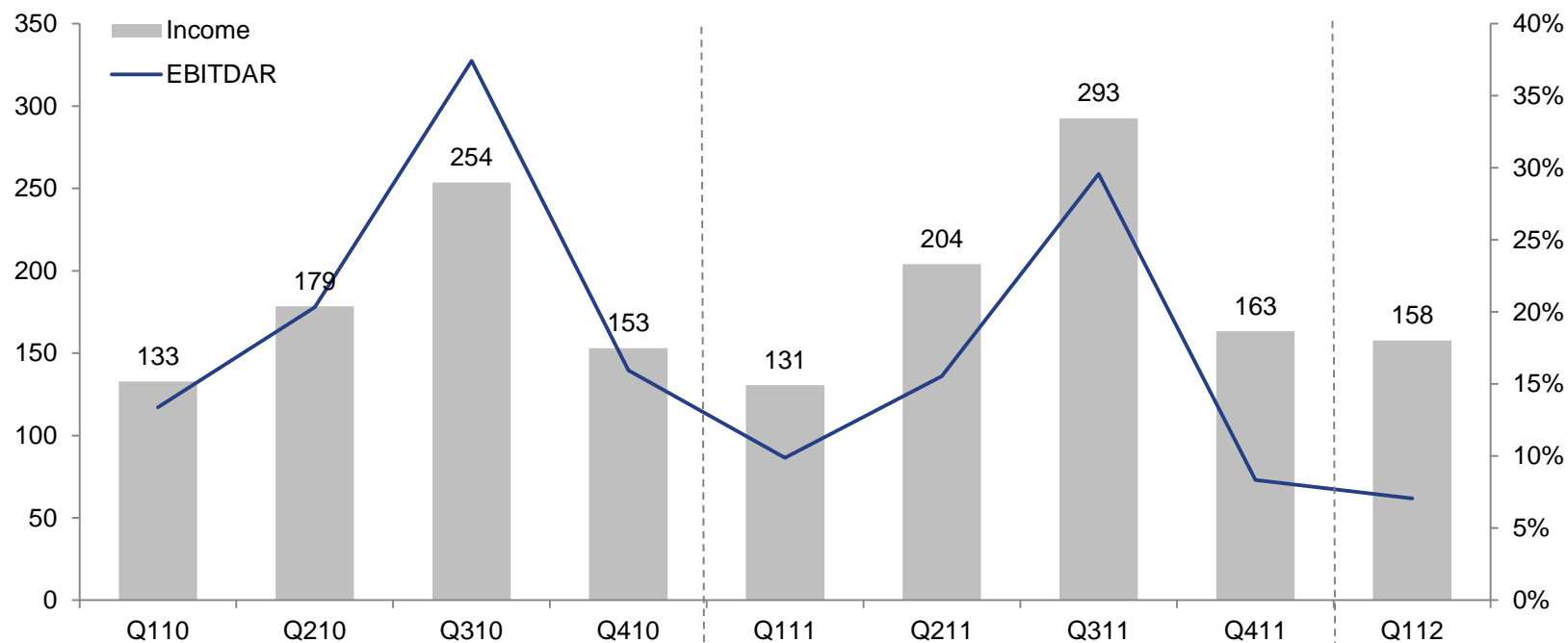
Focus on making **flexibility** an even more integral part of the operations

BUSINESS RESULTS

DEVELOPMENT

Income and EBITDAR ratio

USD million

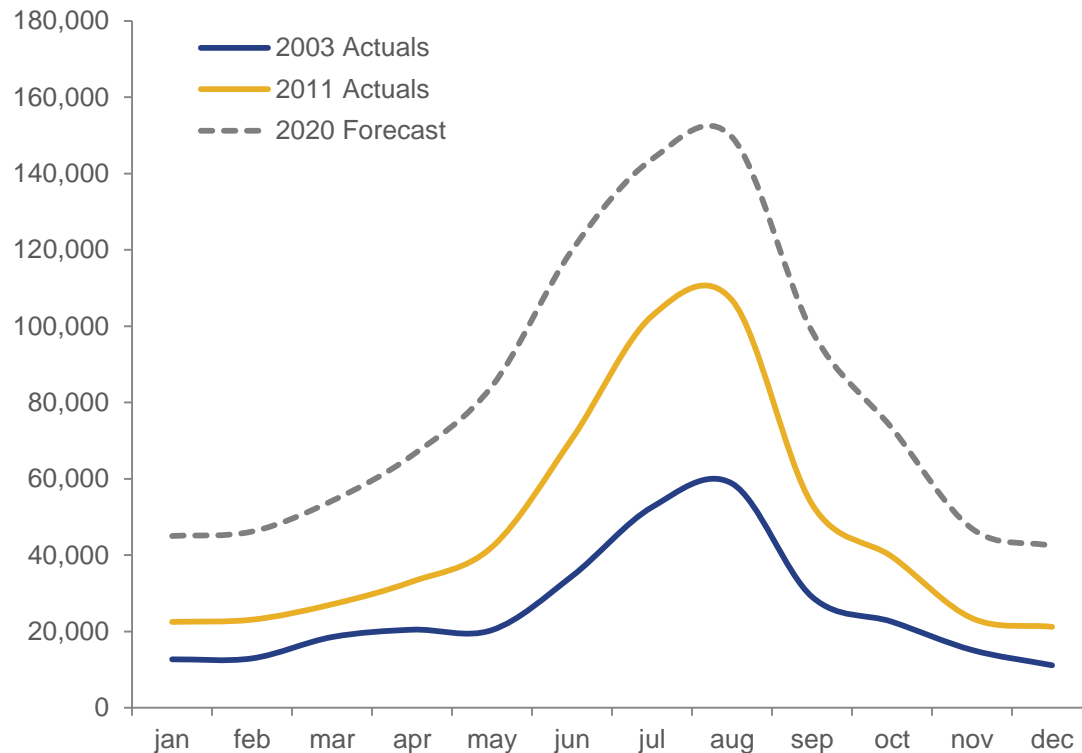


SIGNIFICANT POTENTIAL IN WINTER TOURISM

UNUSED OPPORTUNITIES AND INFRASTRUCTURE IN ICELAND

Number of tourists to Iceland

icelandair Travel Buro (ITB) and Icelandair (Iceair) in thousands

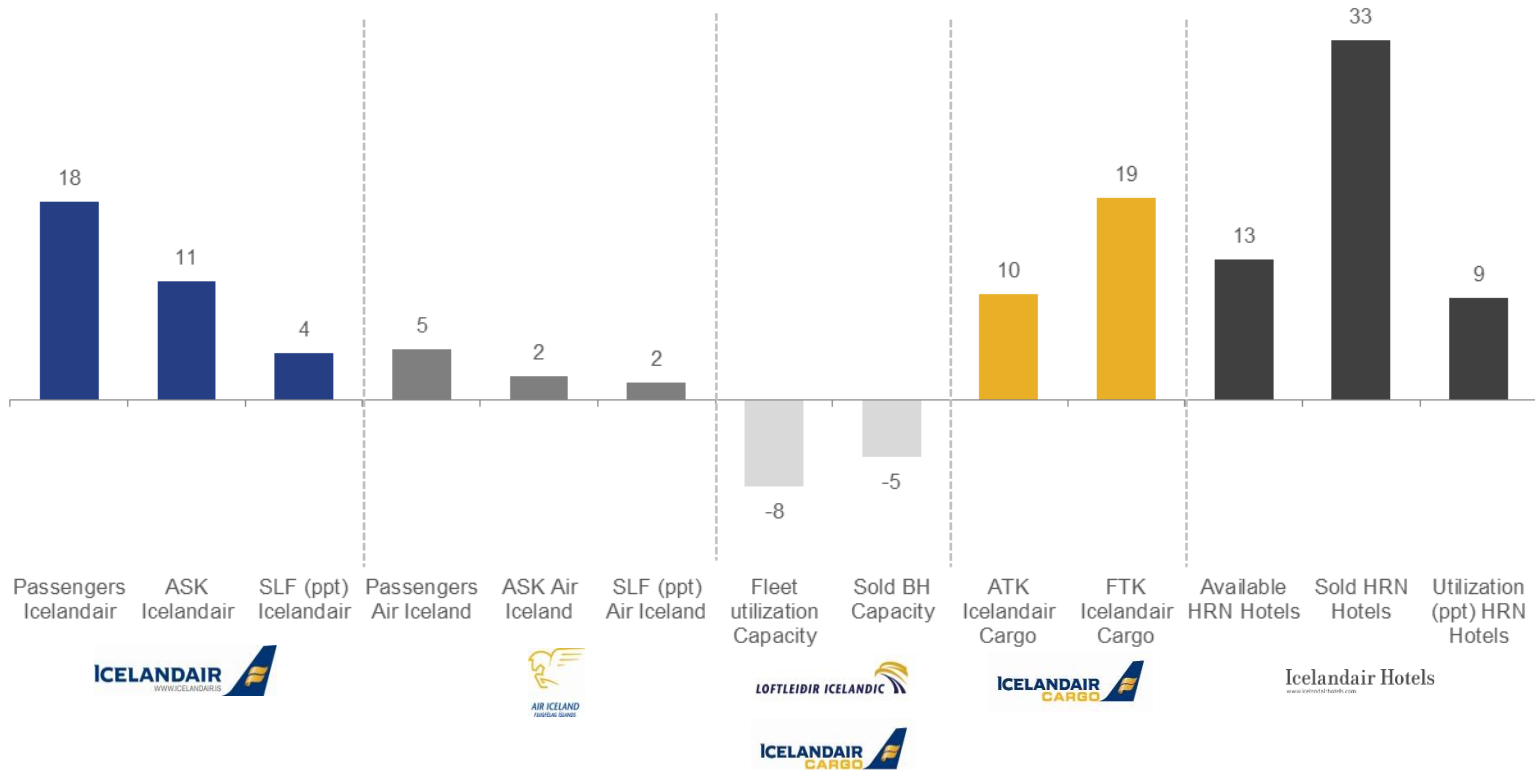


- | 60% of tourist travelling to Iceland arrive in June-September
- | Unused infrastructure in place during the winter
- | Significant benefits relating to improved utilization of current investments
- | "Iceland" is a great resource - many opportunities still to be exploited both in culture and nature
- | Important to increase the number of events over the wintertime (Iceland Airwaves, Food & Fun etc.)

OUR GOALS ACTUALIZING

FOCUS ON WINTER TRAFFIC PAYING OFF

Traffic data Q1
Year-on-Year change in %



OUR FLEET

COMPRISES 37 AIRCRAFT



15 Boeing 757-200



1 Boeing 757-300



4 Boeing 757-200



3 Boeing 757-200



5 Boeing 767-300



6 Fokker 50



2 Dash 8-200



1 Airbus A320



Total in 2012

37
aircraft in
our fleet

22
owned
aircraft

15
leased
aircraft

WHY OUR CURRENT FLEET OF BOEING 757s?

“TAILOR-MADE“ FOR OUR OPERATIONS

Can serve both
European and
US routes

Great **flight-range**
gives flexibility to serve
markets across the US

Optimal size enables
access to **niche markets**
which are unprofitable
with larger aircraft

Low ownership cost
makes flights to
destinations which call
for low utilization profitable

**Total operating
cost is competitive**
to those of newer type aircraft
(fuel cost ↑ / ownership ↓)

**Considerable
investments** in our fleet in the
past years makes it more
competitive

Winglets to reduce fuel
consumption

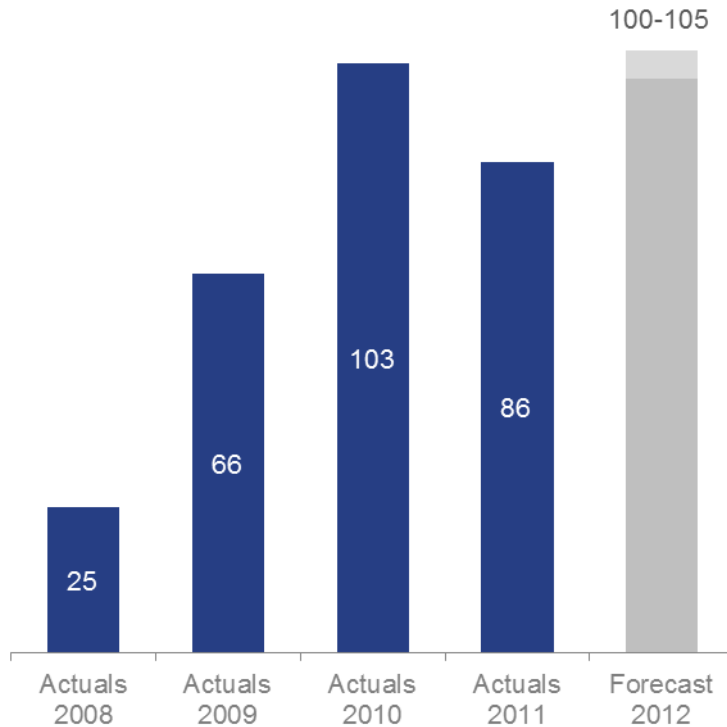
Cockpit upgrades
in our aircraft for more
optimized flying

B757 can easily be
the base in our fleet
for the next decade

OUTLOOK FOR 2012

OPERATIONS WILL REMAIN PROFITABLE

EBITDA development 2008-2012 in USD million



- | EBITDA forecast updated to USD 100-105 million
- | Main forecast assumptions:
 - | EUR/USD exchange rate 1.30
 - | Fuel price 1,080, excluding hedging
- | 2012 will be challenging for the global aviation industry
 - | High fuel cost
 - | Uncertainty in the world economy
- | Icelandair Group well positioned to face external challenges given its unique business model and strong balance sheet

Q&A

Q & A