



**ICELANDAIR GROUP HF**  
**PRESENTATION OF Q4 2012 RESULTS | 8 FEBRUARY 2013**





# FINANCIALS

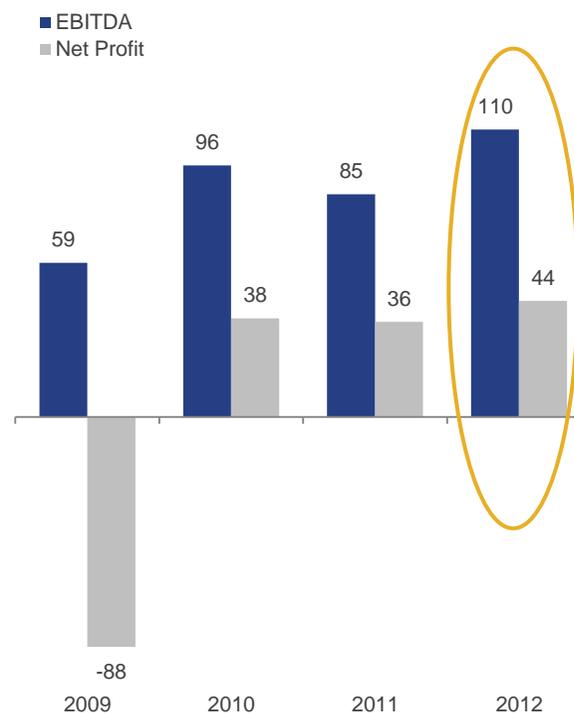
BOGI NILS BOGASON | CFO

# 2012 OPERATIONAL RESULTS BEST EVER

USD million	2012	2011	% Chg.
<b>Operating Income</b>	<b>898.9</b>	<b>790.7</b>	<b>14%</b>
Salaries and related expenses	203.8	186.0	10%
Aircraft fuel	219.9	179.6	22%
Aircraft and aircrew lease	75.8	83.9	-10%
Aircraft handling, landing and comm.	65.7	58.1	13%
Aircraft maintenance expenses	53.0	58.5	-9%
Other expenses	171.1	139.6	23%
<b>EBITDA</b>	<b>109.6</b>	<b>84.9</b>	-
<b>EBIT</b>	<b>50.8</b>	<b>38.6</b>	-
<b>EBT</b>	<b>57.4</b>	<b>28.5</b>	-
<b>Profit / loss for the period</b>	<b>44.3</b>	<b>36.3</b>	-
<b>EBITDA ratio</b>	<b>12.2%</b>	<b>10.7%</b>	<b>1.5 ppt</b>
<b>EBITDAR</b>	<b>165.8</b>	<b>144.8</b>	-
<b>EBITDAR ratio</b>	<b>18.4%</b>	<b>18.3%</b>	<b>0.1 ppt</b>

## EBITDA and net profit (like-for-like\*)

USD million

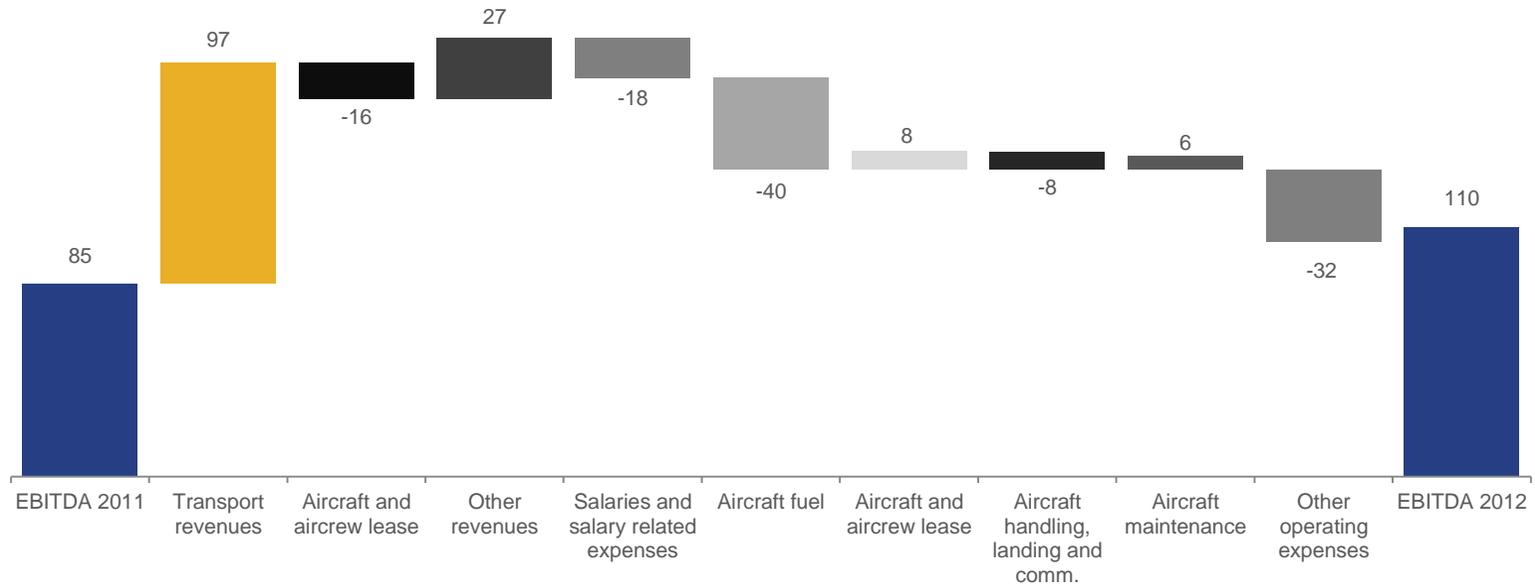


\* not incl. figures for Bluebird in 2007- 2010

# EBITDA BRIDGE

## PROFITABLE ORGANIC GROWTH

**EBITDA - main factors**  
change 2012 vs. 2011 in USD million

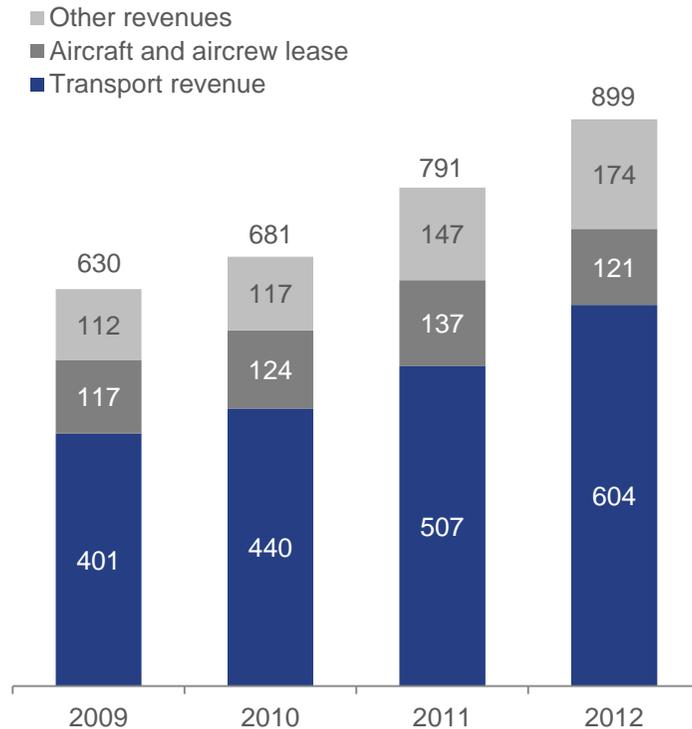


# REVENUE INCREASE 14% FROM 2011

## TRANSPORT REVENUE UP 19%

### Operating revenue (like-for-like\*)

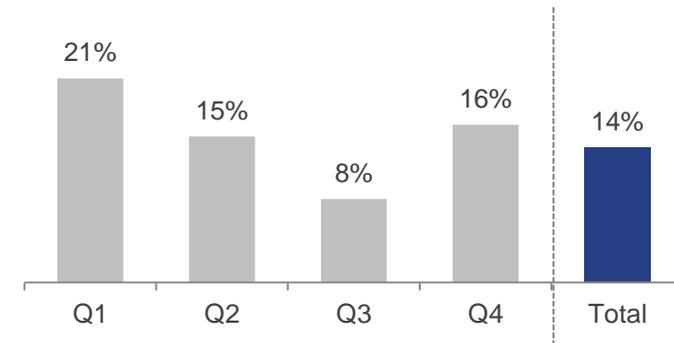
USD million



\* not incl. figures for Bluebird in 2009 and 2010

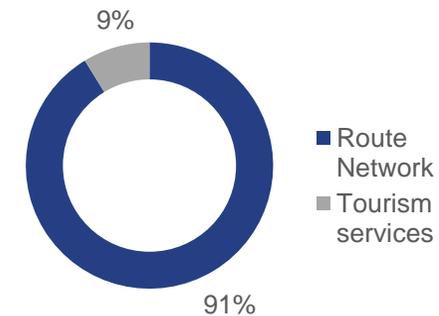
### Revenue development

2012 vs. 2011 per quarter and YoY



### Revenue split

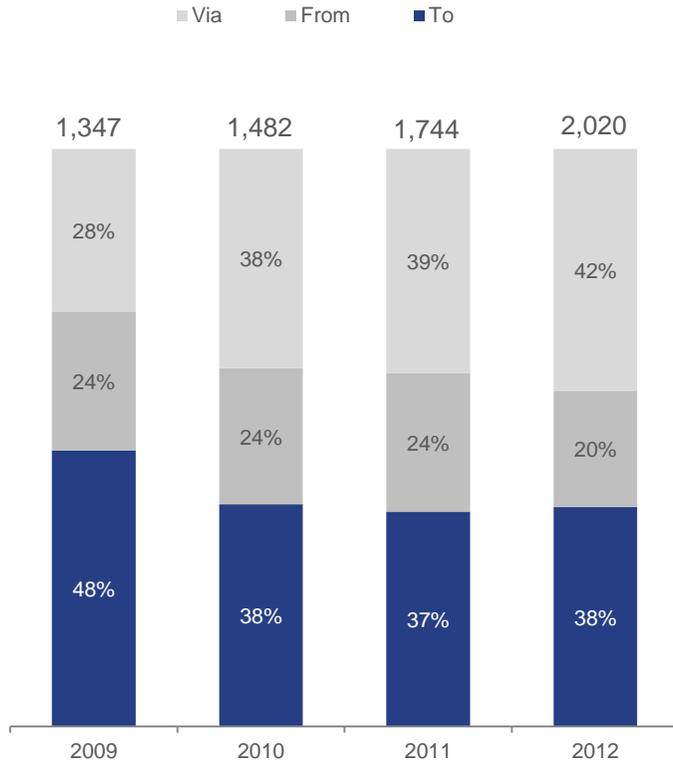
Route Network vs. tourism services



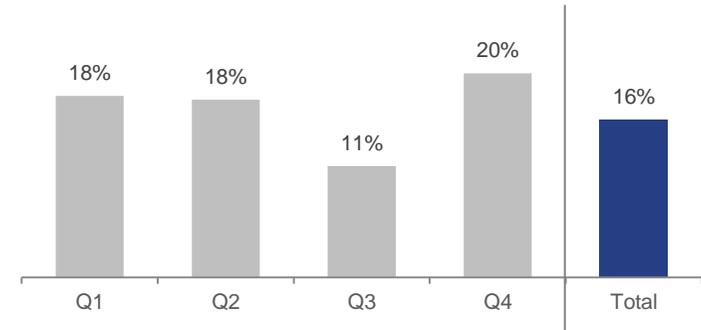
# 2 MILLION PASSENGERS IN 2012

## IN OUR ROUTE NETWORK

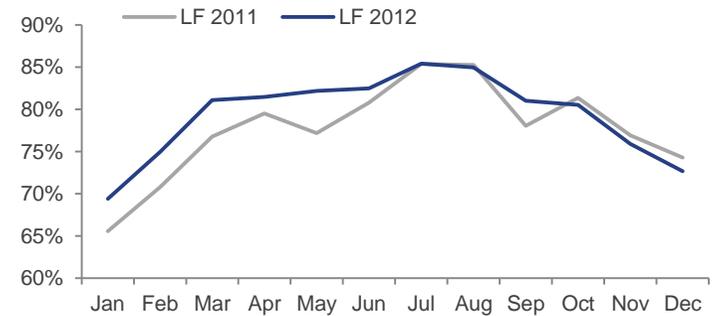
**Passenger mix and total passengers in thousands**  
2009-2012



**Passenger development**  
2012 vs. 2011 per quarter and YoY



**Load factor**  
2012 vs. 2011 per month



# FUEL PRICE REMAINS HIGH

## Hedging position

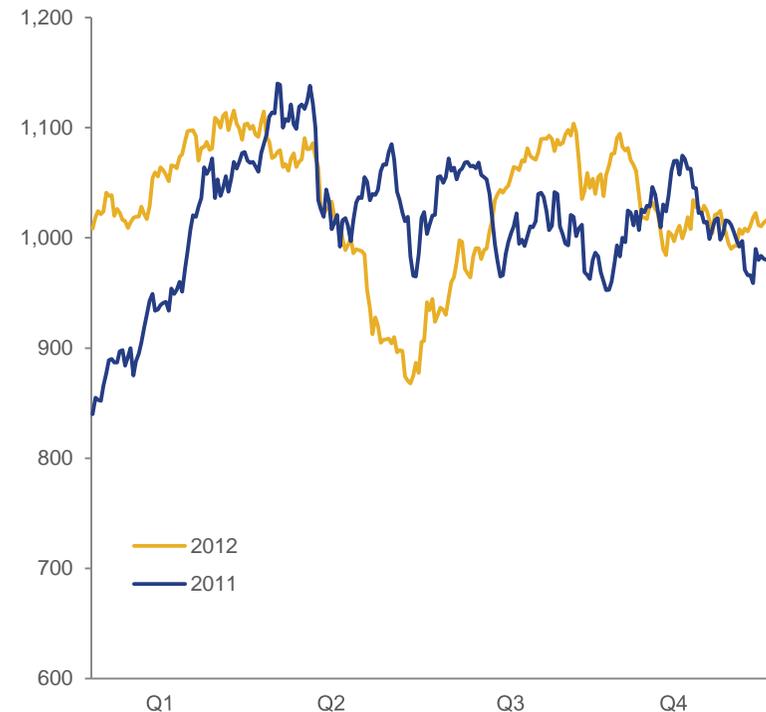
January - December 2013

2013	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	%hedged
January	11,904	5,200	1,022	44%
February	10,536	5,200	1,028	49%
March	13,681	5,250	1,001	38%
April	14,457	5,250	1,000	36%
May	18,023	4,250	1,010	24%
June	23,785	4,300	1,012	18%
July	25,531	2,400	1,019	9%
August	25,450	2,400	1,007	9%
September	20,509	2,250	994	11%
October	17,271	2,000	995	12%
November	14,970	0	0	0%
December	12,163	0	0	0%
<b>Total</b>	<b>208,281</b>	<b>38,500</b>	<b>1,010</b>	<b>18%</b>

In addition to contractual hedging, the Company has defined the interaction of EUR/USD and fuel price as an internal hedge

## Fuel price in USD per Tonne

2012 vs. 2011

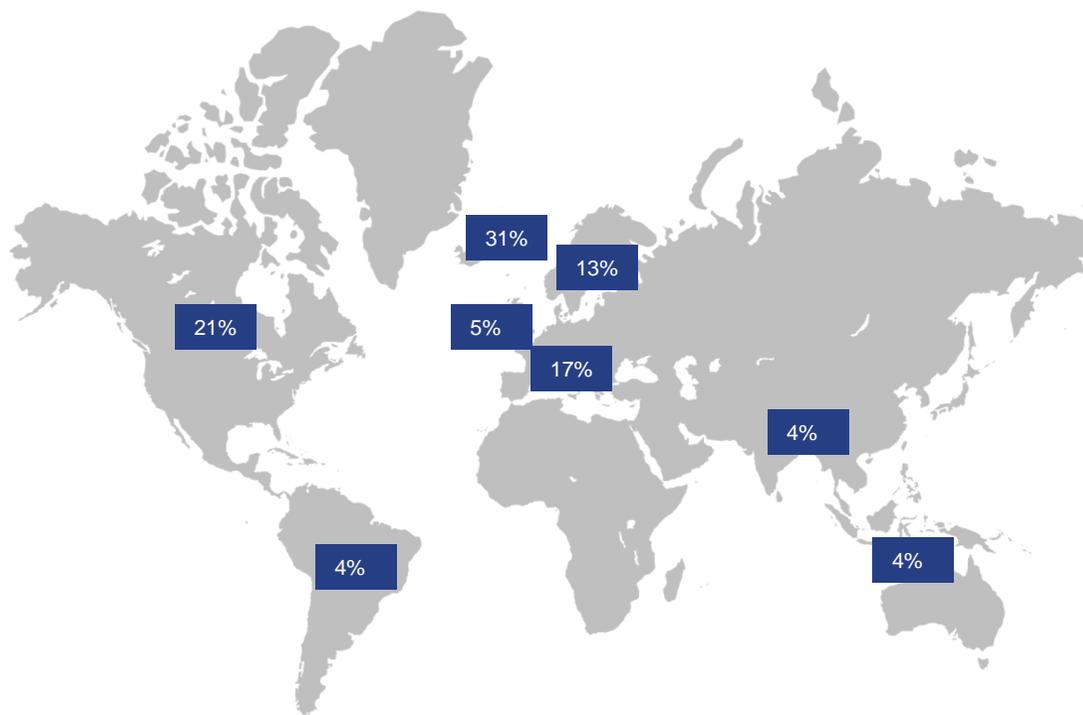


# REVENUE AND EXPENSES

## SPLIT BY CURRENCY AND LOCATION

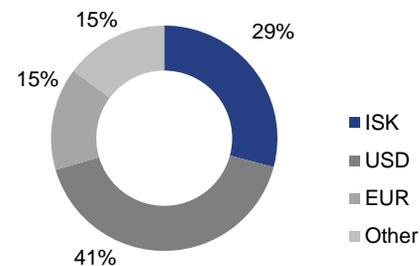
### Total revenue

Split by geographic location for 2011



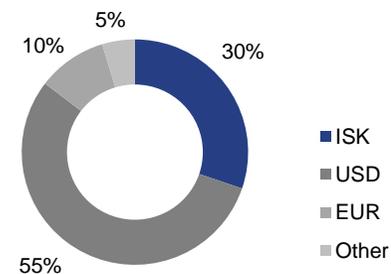
### Total revenue

Currency split



### Total expenses

Currency split

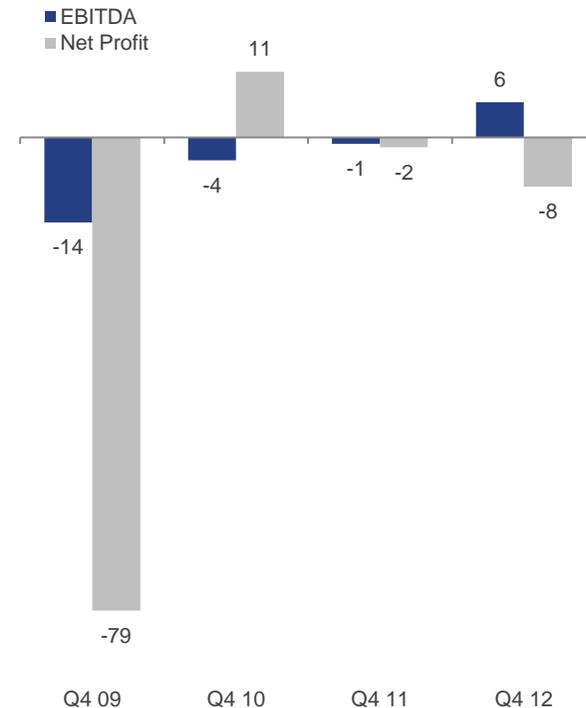


# EBITDA INCREASES FROM Q4 2011

USD million	Q4 2012	Q4 2011	% Chg.
<b>Operating Income</b>	<b>189.4</b>	<b>163.3</b>	<b>16%</b>
Salaries and related expenses	53.4	49.0	9%
Aircraft fuel	49.5	39.3	26%
Aircraft and aircrew lease	17.3	18.7	-8%
Aircraft handling, landing and comm.	13.8	11.5	20%
Aircraft maintenance expenses	13.5	14.5	-7%
Other expenses	36.0	31.3	15%
<b>EBITDA</b>	<b>5.9</b>	<b>-1.1</b>	<b>-</b>
<b>EBIT</b>	<b>-8.2</b>	<b>-12.5</b>	<b>-</b>
<b>EBT</b>	<b>-8.5</b>	<b>-14.1</b>	<b>-</b>
<b>Loss for the period</b>	<b>-8.2</b>	<b>-1.6</b>	<b>-</b>
<b>EBITDA ratio</b>	<b>3%</b>	<b>-1%</b>	<b>3.8 ppt</b>
<b>EBITDAR</b>	<b>19.1</b>	<b>13.6</b>	<b>-</b>
<b>EBITDAR ratio</b>	<b>10%</b>	<b>8%</b>	<b>1.7 ppt</b>

## EBITDA and net profit (like-for-like\*)

USD million



\* not incl. figures for Bluebird in 2009 and 2010

# BALANCE SHEET STRONG

## WITH 39% EQUITY RATIO AT YEAR END

| Cash, cash equivalents and marketable securities USD 132.8 million

| Interest-bearing debt USD 150.9 million

USD million	31.12 2012	31.12 2011
<b>Assets</b>		
Operating Assets	283.0	276.2
Intangible assets	176.7	176.7
Other non-current assets	14.2	30.2
<b>Total non-current assets</b>	<b>473.9</b>	<b>483.1</b>
Other current-assets	156.2	140.0
Markatable securities	15.7	27.3
Cash and cash equivalents	117.1	79.4
<b>Total current assets</b>	<b>289.0</b>	<b>246.7</b>
<b>Total assets</b>	<b>762.9</b>	<b>729.7</b>

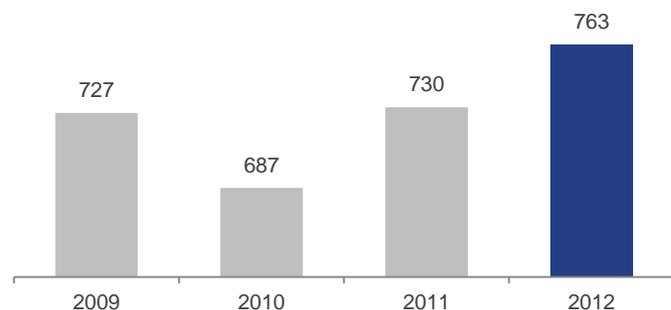
USD million	31.12 2012	31.12 2011
<b>Equity and liabilities</b>		
<b>Stockholders equity</b>	<b>295.9</b>	<b>263.4</b>
Loans and borrowings non-current	119.4	163.1
Other non-current liabilities	41.7	33.5
<b>Total non-current liabilities</b>	<b>161.1</b>	<b>196.6</b>
Loans and borrowings current	31.5	33.7
Trade and other payables	152.7	135.0
Deferred income	122.1	101.0
<b>Total current liabilities</b>	<b>305.9</b>	<b>269.8</b>
<b>Total equity and liabilities</b>	<b>762.9</b>	<b>729.7</b>
Equity ratio	39%	36%
Current ratio	0.94	0.91
Net interest bearing debt	18.1	90.2
Interest bearing debt	150.9	196.9

# SOUND FINANCIAL POSITION

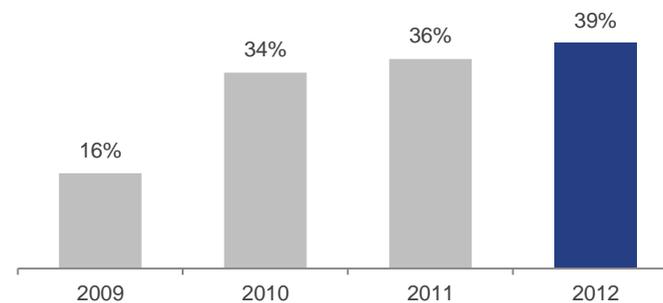
## BASIS FOR FURTHER GROWTH

### Total Assets

USD million

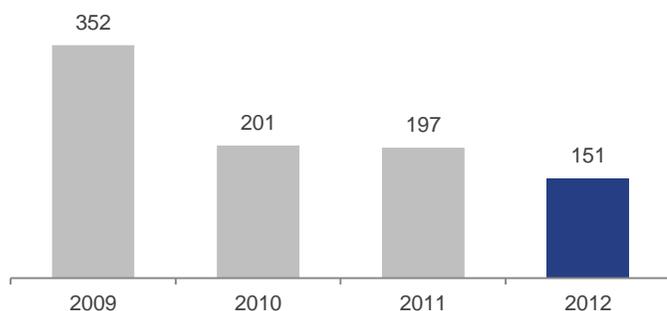


### Equity ratio

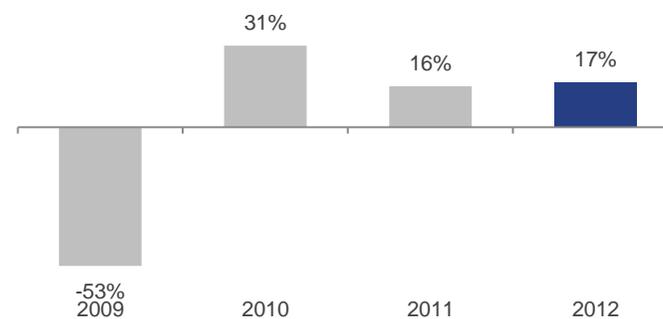


### Interest bearing debt

USD million



### ROE



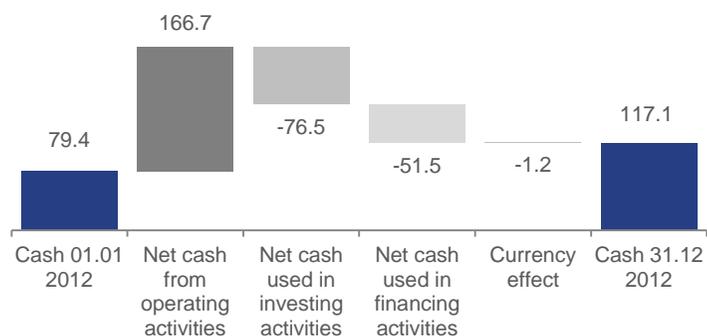
# CASH FLOW

## NET CASH FROM OPERATION 167 MILLION USD

USD million	2012	2011
Working capital from operations	141.5	102.3
Net cash from operating activities	166.7	117.3
Net cash used in investing activities	-76.5	-106.2
Net cash used in financing activities	-51.5	-27.6
<b>Increase in cash and cash equivalents</b>	<b>38.8</b>	<b>-16.4</b>
<b>Cash and cash equivalents end of period</b>	<b>117.1</b>	<b>79.4</b>

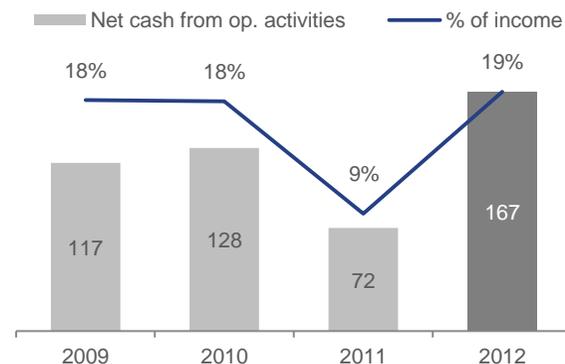
### Changes in Cash in 2012

USD million



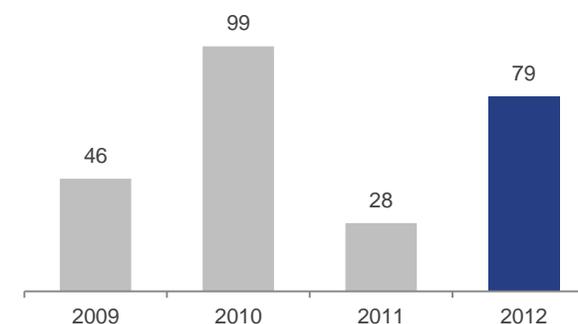
### Net cash from operations and as % of income

USD million



### Free cash flow

USD million

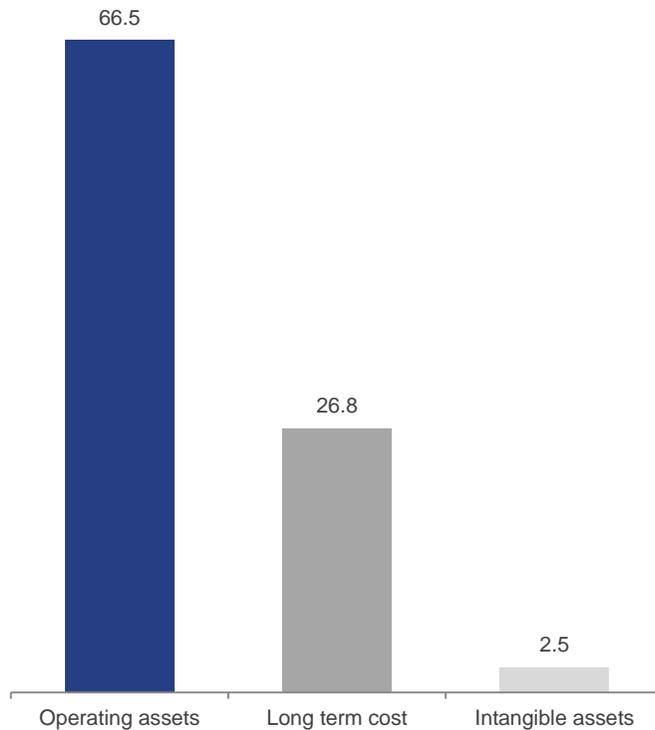


# CAPEX

USD 95.9 MILLION IN 2012

## Main investments 2012

in USD millions



### Operating assets:

- | Aircraft and aircraft components  
USD 44.7 million
- | Overhaul own aircraft  
USD 12.3 million
- | Other investments in operating assets  
USD 9.7 million

### Long term cost:

- | Overhaul leased aircraft  
USD 26.8 million
- | Expensed long term cost  
USD 26.3 million

# CLEAR STRATEGY DELIVERING RESULTS

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO



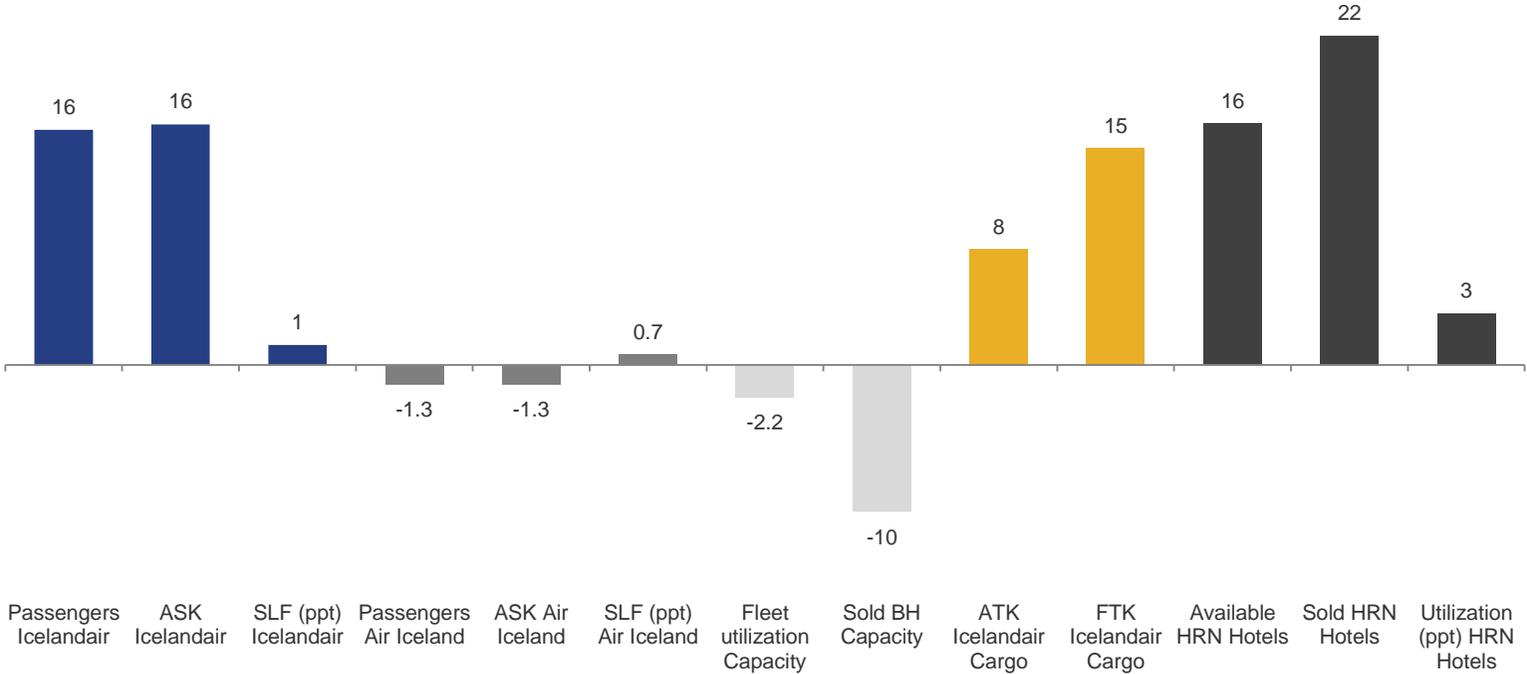
# CLEAR STRATEGY DELIVERING RESULTS

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

- 1 Focus on the route network and tourism services
- 2 Reduce seasonality in the Groups' 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

# 2012 CHARACTERIZED BY PROFITABLE GROWTH

Traffic data  
Year-on-Year change in %

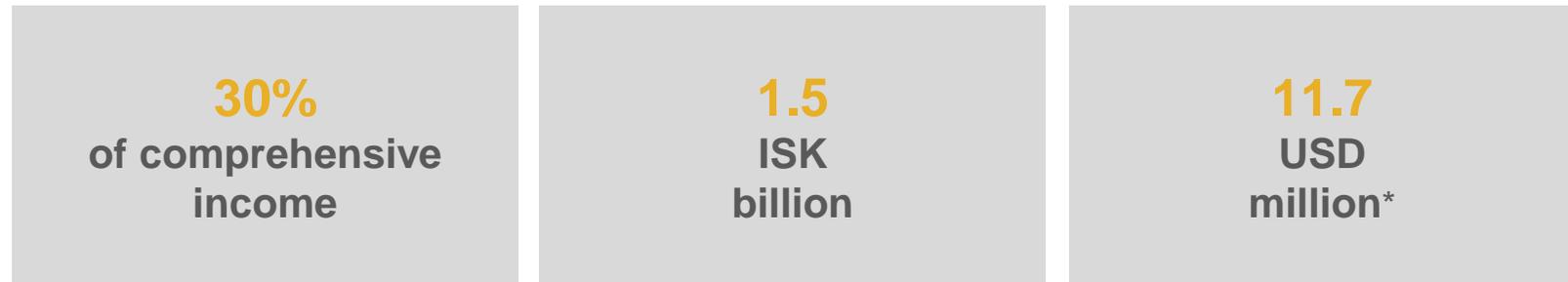


# DIVIDEND PROPOSAL TO SHAREHOLDERS

## Our Dividend Policy:

The goal is to pay 20-40% of each year's net profit as dividend. Final annual dividend payments will be based on the financial position of the Company, operating capital requirements and market conditions.

The Board of Directors proposes to pay as a dividend in 2013:



\* 1 USD = 128.59 ISK

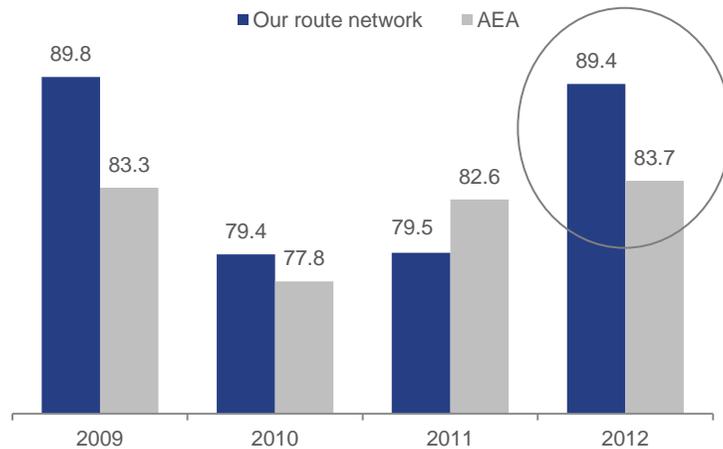
# GREAT PUNCTUALITY COMPARED TO PEERS

## IN THE ROUTE NETWORK

- Schedule punctuality has been well maintained in 2012 and we have been among the most punctual in international flights among airlines within AEA, the Association of European Airlines
- The average overall punctuality in our route network was **89.4%** in 2012 compared to an average overall punctuality of all airlines within AEA of 83.7%

### On time performance (OTP) in %

Our route network vs. AEA average 2009-2012



### On time performance (OTP) in %

Our route network per month 2012 vs. 2011



# NEW AIRCRAFT ORDERED FROM BOEING

FIRST DELIVERIES 2018

## COMMITMENTS

8 737 MAX 8

4 737 MAX 9

## PURCHASE RIGHTS

12 737 MAX



- | The new aircraft will have substantial fuel efficiency gains for the Company
- | The Boeing 757 will still be an integral part of our future
- | The new aircraft will increase flexibility and capability for growth, with opportunities to
  - | increase frequency on existing routes
  - | fly to new destinations which are unprofitable with larger aircraft
  - | increase frequency in winter season

# HIGHLIGHTS FOR 2013

**15%**

increase in number  
of international flights

**12%**

decrease in regional flights  
due to less demand

**40**

aircraft in the  
Group fleet

**Further increase**  
in tourists to Iceland  
expected

**2.3 million**

passenger forecasted  
in our route network

**5%**

increase in available  
hotel room nights

**Continued  
renovation**  
of our hotels

**WiFi**

installation in our  
route network aircraft

**3 new**

destinations in  
our route network

# THE GROUP IS GOING GREEN

Commitment to obtain ISO-14001 certification

The project has started and involves all of the Group companies

The aim is to obtain the certification by 2016

Project not limited to flight operations

Project involves ground facilities, offices and maintenance area

We are proud of focusing on improving our environment!

# EXEMPLARY IN CORPORATE GOVERNANCE

The Company strives to follow the Corporate Governance guidelines, issued by the Iceland Chamber of Commerce, Nasdaq OMX Iceland and the Confederation of Icelandic Employers and laws and regulations regarding corporate governance.

KPMG recently reviewed the Company's corporate governance procedures to ensure that the Company adheres in all respects to the aforementioned guidelines and regulations

The Centre for Corporate Governance at the University of Iceland awarded the Company as "Exemplary in Corporate Governance"

Icelandair Group is the first Nasdaq OMX listed company in Iceland to be awarded the exemplary recognition in corporate governance.

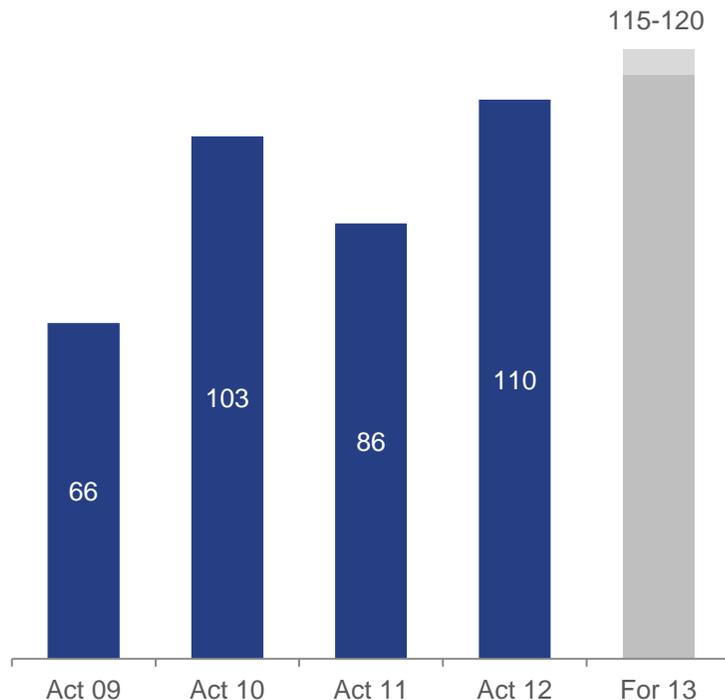


EXEMPLARY IN  
CORPORATE GOVERNANCE

# OUTLOOK FOR 2013

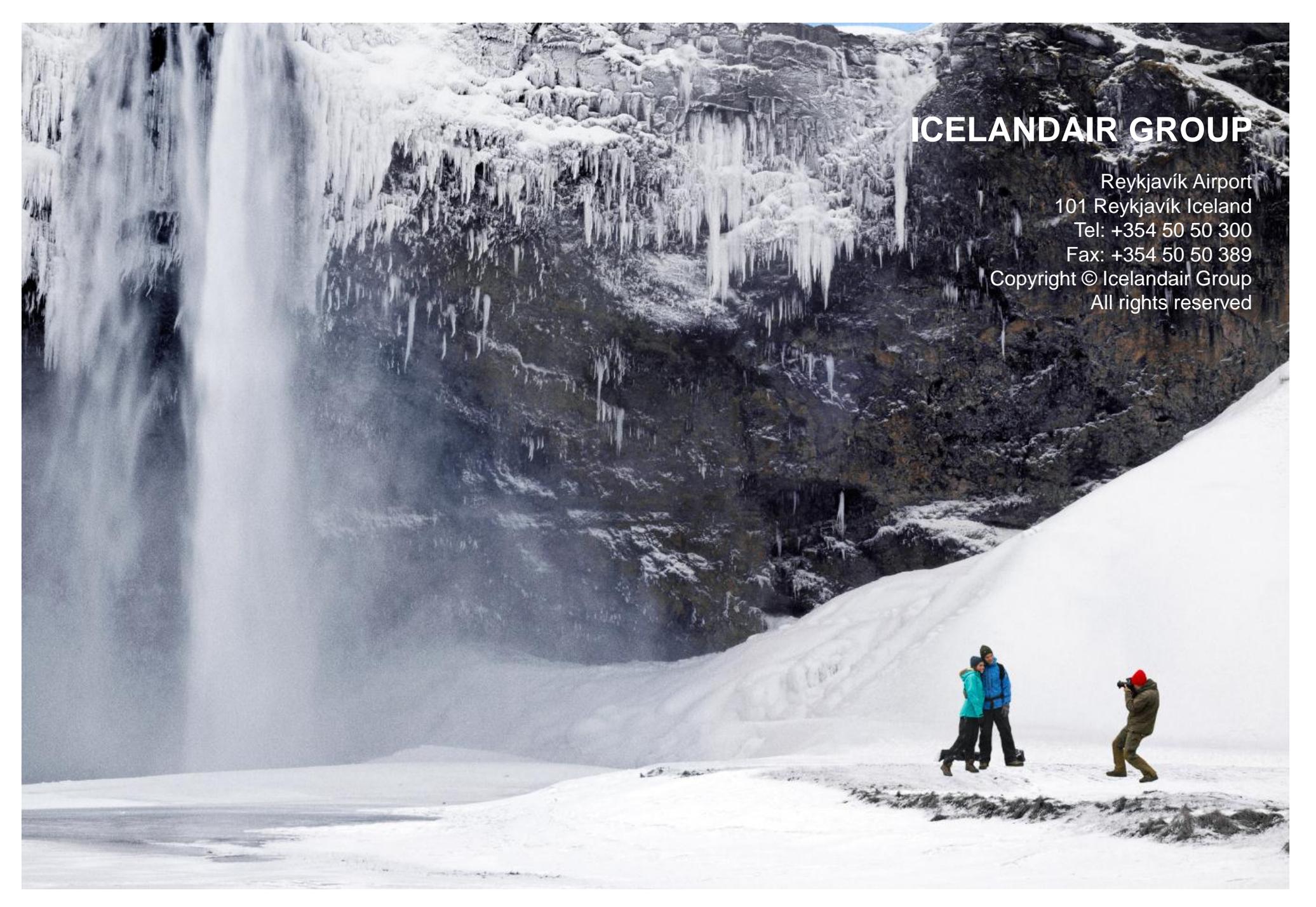
## EBITDA FORECAST USD 115-120 MILLION

### EBITDA development 2008-2013 in USD million



#### Main forecast assumptions:

- | EUR/USD exchange rate 1.30
- | Fuel price (excluding hedging): 1,050
- | Cost per available seat kilometre (CASK) less fuel cost in our route network is expected to decrease by 1.4% for the full year and revenue per available seat kilometre (RASK) to increase for the same period by 1.1%
- | Bookings for the coming months on international flights in line with growth plan
- | On going growth planned in all of the Group major businesses
- | EBITDA Q1 2013 expected to decrease compared to EBITDA Q1 2012. Cost related to increased peak-season capacity expensed in the quarter (advertising, booking fees, credit card commissions, introduction cost of new aircraft)
- | Strong financial position basis for further profitable organic growth



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