

# ICELANDAIR GROUP



## Q1 2009 RESULTS

BJÖRGÓLFUR JÓHANNSSON  
PRESIDENT & CEO

### KEY POINTS Q1 2009

- Group results above management expectations

Icelandair  
Travel Service  
Lofleiðir Icelandic



SmartLynx  
Icelandair Cargo



- Cash flow stronger than expected – additional funding from the commercial bank not needed, as had been expected
- Capacity cuts and other cost cutting measures implemented last year within the Group effective
- Group revenue ISK 21 billion, a year on year increase of 48%
- EBITDA ISK -2.3 billion, compared to ISK -0.9 billion in 2008
- After tax loss ISK -3.6 billion compared to ISK -1.7 billion in 2008

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## ICELANDAIR GROUP COMPANIES



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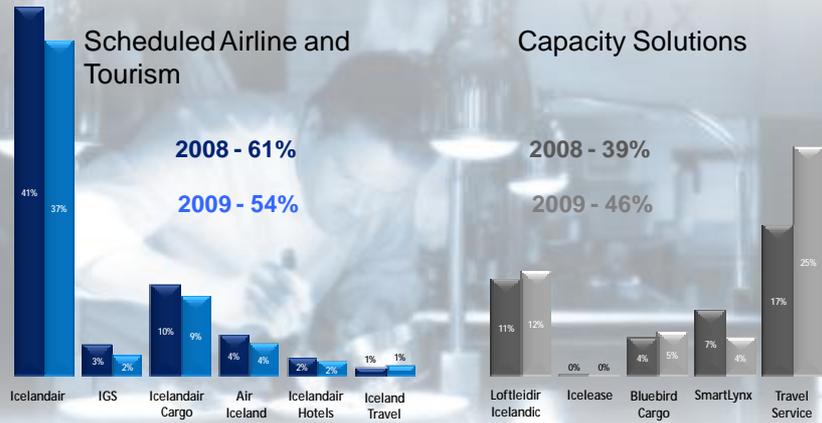
## ICELANDAIR GROUP ORGANIZATIONAL CHART



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## GROUP DYNAMICS

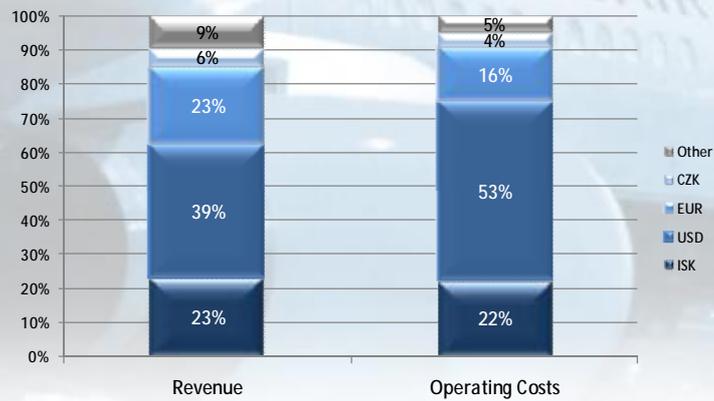
REVENUE DISTRIBUTION Q1 BY SEGMENTS AND COMPANIES



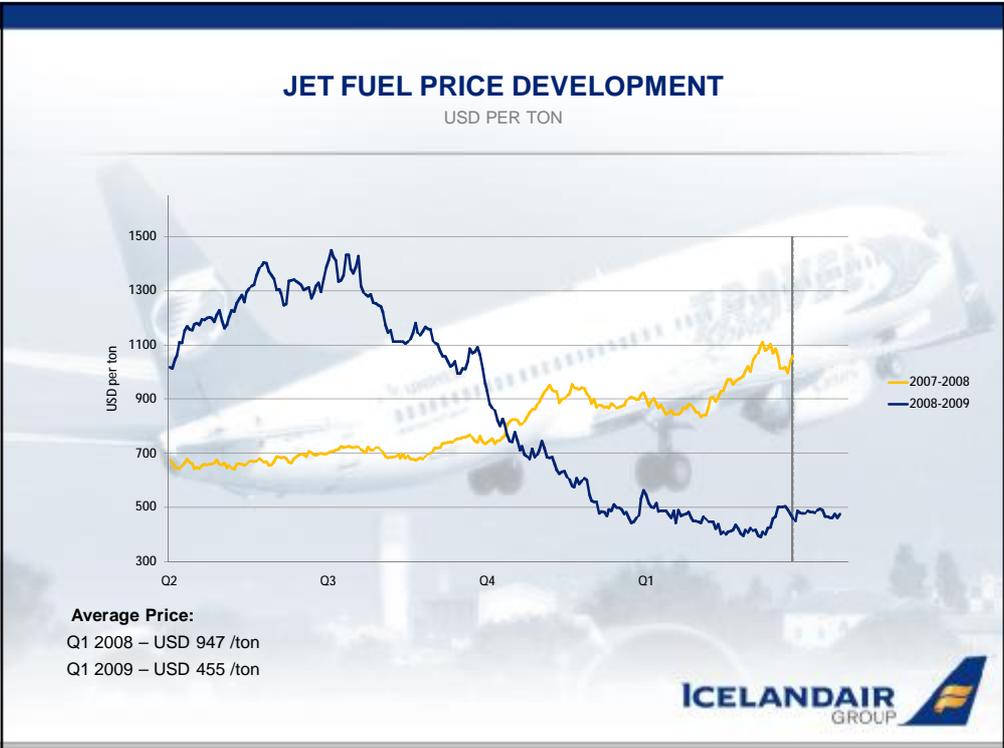
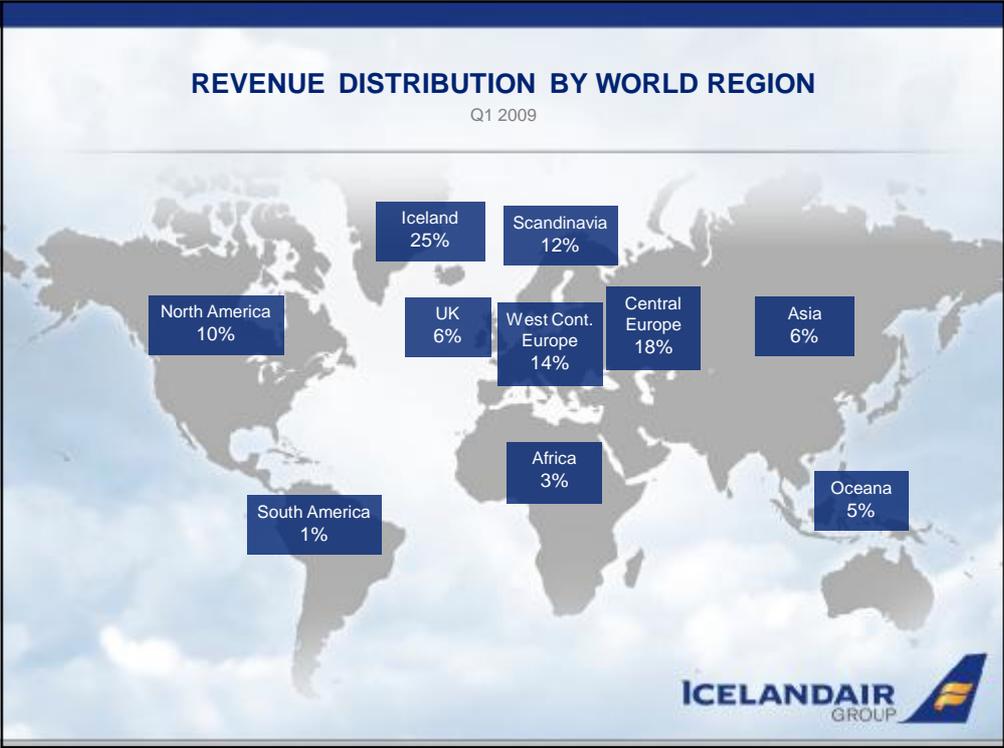
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## CURRENCY BREAKDOWN

PRE CURRENCY HEDGE Q1 2009



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## JET FUEL HEDGING



In tonnes	Q209	Q309	Q409	Q110	Total Volume	Total MTM In m. USD
Hedge (Scheduled services)	11.600	14.600	0	0	26.200	-14,9
Hedge ratio	34%	33%	0%	0%	23%	
Forecasted Effective Cost /ton *	735	725	-	-		
Hedge (Charter services)	11.897	18.120	2.267	0	32.284	-21,6

\*Based on forward curve as at 11 May 2009



## FINANCIAL STATEMENTS



## Q1 2009

ISK' 000.000	Q1 09		Actual Q1 08		Proforma Q1 08	
	Value	%	Value	%	Value	%
Transport revenue.....	7.310	35%	6.773	48%	7.109	41%
Aircraft and aircrew lease.....	11.273	54%	5.187	37%	8.257	47%
Other.....	2.133	10%	2.050	15%	2.158	12%
<b>Operating Income.....</b>	<b>20.716</b>	<b>100%</b>	<b>14.010</b>	<b>100%</b>	<b>17.524</b>	<b>100%</b>
Salaries and related expenses.....	5.392	26%	5.005	36%	5.600	32%
Aircraft fuel.....	3.847	19%	2.622	19%	3.628	21%
Aircraft and aircrew lease.....	4.892	24%	2.551	18%	3.149	18%
Aircraft servicing, handling and communication.....	2.568	12%	996	7%	1.730	10%
Aircraft maintenance.....	2.777	13%	1.112	8%	1.712	10%
Other.....	3.546	17%	2.581	18%	2.917	17%
<b>Operating Expenses.....</b>	<b>23.022</b>	<b>111%</b>	<b>14.867</b>	<b>106%</b>	<b>18.736</b>	<b>107%</b>
<b>EBITDA.....</b>	<b>-2.306</b>	<b>-11%</b>	<b>-857</b>	<b>-6%</b>	<b>-1.212</b>	<b>-7%</b>
<b>EBIT.....</b>	<b>-3.504</b>	<b>-17%</b>	<b>-1.663</b>	<b>-12%</b>	<b>-2.032</b>	<b>-12%</b>
<b>EBT.....</b>	<b>-4.055</b>	<b>-20%</b>	<b>-2.081</b>	<b>-15%</b>	<b>-2.379</b>	<b>-14%</b>
<b>Net Profit/Loss.....</b>	<b>-3.639</b>	<b>-18%</b>	<b>-1.678</b>	<b>-12%</b>	<b>-1.916</b>	<b>-11%</b>
<b>EBITDAR.....</b>	<b>2.388</b>	<b>12%</b>	<b>705</b>	<b>5%</b>	<b>1.528</b>	<b>9%</b>

Travel Service was incorporated Q2 2008. Travel Service operating income in Q1 09 total ISK 6.535 million.



## YEAR ON YEAR EBITDA CHANGE



## ICELANDIC COMPANIES

RESULTS WITHOUT SMARTLYNX AND TRAVEL SERVICE

ISK '000.000	Q1 09		Q1 08	
Revenue.....	14.072		12.621	
EBITDA.....	58	0%	-808	-6%
EBIT.....	-1.085	-8%	-1.578	-13%
EBT.....	-1.621	-12%	-1.853	-15%
Net Profit/Loss.....	-1.382	-10%	-1.472	-12%
EBITDAR.....	1.851	13%	273	2%



## EBITDA COMPARISON

ADJUSTED FOR GAIN ON SALE OF FIXED ASSETS



EBITDA by Quarters, EBITDA in Q109 ISK -2.3 billion



## BALANCE SHEET

ISK'000.000

	31/03/09	31/12/08		31.03.09	31.12.08
Operating Assets.....	36.571	36.798			
Intangible assets.....	29.217	29.306			
Investment in associates.....	1.009	1.008			
Aircraft purchase prepayments.....	4.365	4.226			
Long-term receivables.....	6.243	6.054			
Cash and cash equivalents.....	2.824	4.065	Equity ratio	17,2%	20,3%
Other assets.....	17.874	17.373	Current ratio	0,36	0,40
<b>Total assets.....</b>	<b>98.103</b>	<b>98.830</b>	Net interest bearing debt	41.721	39.570
Stockholders equity.....	16.921	20.080			
Total non-current liabilities.....	23.907	25.112			
Total current liabilities.....	57.275	53.638			
<b>Total equity and liabilities.....</b>	<b>98.103</b>	<b>98.830</b>			

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## CASH FLOW

ISK'000.000

	Q1 09	Q1 08	
Working capital (to) from operations.....	-2.715	156	
Net cash (to) from operating activities.....	-634	3.081	
Net cash (used in) from investing activities.....	-933	196	Investments in operating assets amounted to ISK 1.1 billion, mostly engine hours and spare parts.
Net cash (used in) from financing activities.....	472	-2.293	
<b>Increase in cash and cash equivalents.....</b>	<b>-1.095</b>	<b>984</b>	
Effect of exchange rate fluctuations on cash held.....	-146	284	
Cash and cash equivalents at 1 January.....	4.065	2.006	
<b>Cash and cash equivalents at 31 March.....</b>	<b>2.824</b>	<b>3.274</b>	

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## FINANCING AND RESTRUCTURING ISSUES

- The company has been working very closely with its commercial bank to restructure the capital profile of the company
- The task is to strengthen the Balance Sheet
  - Improve the equity ratio
  - Increase net tangible equity
  - Improve the debt maturity profile
- Good progress made so far

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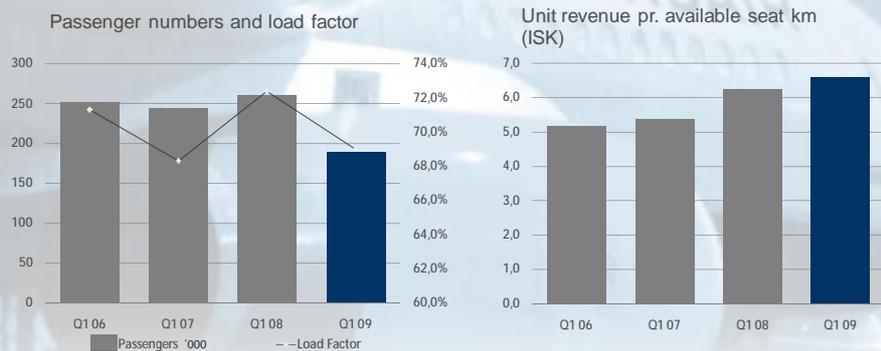
## ICELANDAIR IN Q1

- Load factor was 69%, 3 ppt. lower than Q1 2008, but similar to Q1 2004-2007
- Capacity was cut by 26% Q108-Q109
- Increased focus and sales on the TO market resulted in increased passenger sales by 11% year on year
- TO market is over 50% of sales during Q1 for the first time
- Competitors on the market TO and FROM Iceland cut a lot of capacity and Icelandair has increased market share on the TO market significantly
- VIA market is down in direct response to major US capacity cuts, but also some signs of weaker demand in Scandinavia. Showing improvement in Q2

Passenger mix by market	Q1 2008	Q1 2009	Pax ch. 08/09
TO Iceland	33%	51%	11%
FROM Iceland	42%	30%	-48%
VIA Iceland	25%	19%	-45%
ALL	100%	100%	-28%



## ICELANDAIR IN Q1



## HUB AND SPOKE IS THE KEY



- Major Trans-Atlantic capacity cuts from our competitors
- Seizing opportunities – Seattle

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## OUTLOOK

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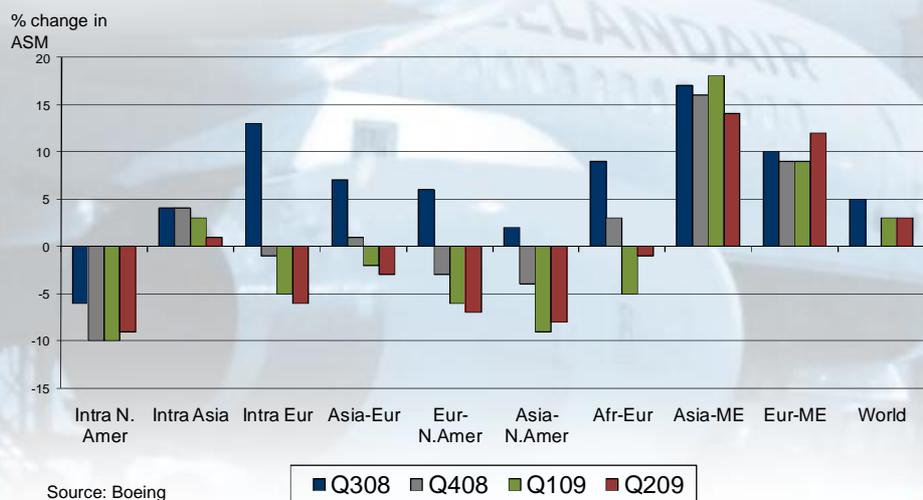
## BLEAK GDP OUTLOOK

Real GDP outlook - Annual % change				
	2008	2009	2010	2014
United States	1.1	-3.0	0.0	2.4
Germany	1.3	-6.0	-1.0	2.2
France	0.7	-3.0	0.4	2.3
Finland	0.9	-5.0	-1.2	3.5
Ireland	-2.3	-8.0	-3.0	2.6
United Kingdom	0.7	-4.0	-0.4	2.8
Czech Republic	3.2	-4.0	0.1	4.0
Norway	2.0	-2.0	0.3	1.7
Denmark	-1.1	-4.0	0.3	4.1
Iceland	0.3	-11.0	-0.2	3.8

Source: IMF



## GLOBAL TRAFFIC CHANGE



## OUTLOOK

### **Icelandair**

- FROM market around 40% down
- Opportunities in VIA and TO markets
- Seattle the first seized opportunity – current booking status is encouraging
- Forecasted total drop in demand is in line with capacity cut

### **Travel Service**

- Further growth under tough conditions
- CZK weaker
- CSA privatization being followed closely
- New markets entered in co-operation with strong customers

### **Other Capacity solutions**

- Bulk of Loftleidir Icelandic capacity contracted throughout the year
- SmartLynx with huge loss in Q1 because of very low utilization – strong improvement in Q2 and onwards, resulting in better operational results for the year



## OUTLOOK

### **Other tourism**

- Air Iceland, capacity cut leading to an acceptable load factor
- Iceland Travel – customers want extremely cheap holidays - slower bookings than expected
- Good utilization for VITA holiday tours but much lower production than initially expected

### **Cargo business**

- Exports are looking favourable
- Leaner operations improve profitability



## OUTLOOK

### Icelandair Group - Summary

- Extremely tough business environment
- High uncertainty regarding demand in all our business segments
- Weaker ISK improves competitiveness of Iceland
- Interest levels and currency fluctuations very influential
- Restructuring of the Group's Balance Sheet still in progress
- Based on current assumptions Icelandair Group is forecasting:
  - Improvement in EBITDA ratio from last year
  - EBITDA around 6 billion ISK 2009



## Q&A

BJÖRGÓLFUR JÓHANNSSON  
PRESIDENT & CEO

BOGI NILS BOGASON  
CFO

SIGÞÓR EINARSSON  
DEPUTY CEO



