



H1 RESULTS 2007  
Jón Karl Ólafsson, CEO



## Agenda

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## H1 Highlights

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Aggressive fleet growth characterizes H1 results

- 12 aircraft added, 1 returned and 1 sold
- late arrival of new aircraft led to unexpected expenses

Passenger revenue in Q2 below expectations

A strong ISK had a negative effect on net financial income

Revenue growth 17%

EBITDA ISK 1.241 million

EBITAR ISK 3.651 million

Net Profit ISK -1.024 million

Acquisition of Travel Service will fuel forthcoming growth

- Signature next week – subject to approval by Czech competition authority

New Group structure



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## EBITDA in H1 ISK 1.241 million

Fleet additions and lower passenger revenue than expected characterizes H1 2007  
EBITDAR improves from last year

ISK '000,000

	Actuals H1 07	Proforma H1 06	Chg.	
Transport revenue	16.001	15.168	5%	833
Aircraft and aircrew lease	6.363	4.485	42%	1.878
Other	5.732	4.423	30%	1.309
<b>Operating Income</b>	<b>28.096</b>	<b>24.076</b>	<b>17%</b>	<b>4.020</b>
Salaries and related expenses	9.931	8.287	20%	1.644
Aircraft fuel	4.013	4.229	-5%	-216
Aircraft and aircrew lease	3.852	2.128	81%	1.724
Aircraft maintenance	1.863	1.503	24%	360
Other	9.678	9.228	5%	450
<b>EBITDA</b>	<b>1.241</b>	<b>1.299</b>		<b>-58</b>
<b>EBIT</b>	<b>-197</b>	<b>-17</b>		<b>-180</b>
<b>EBT</b>	<b>-1.271</b>	<b>803</b>		<b>-2.074</b>
<b>Net Profit/Loss</b>	<b>-1.024</b>	<b>658</b>		<b>-1.682</b>
<b>EBITDAR</b>	<b>3.651</b>	<b>2.953</b>		<b>698</b>

## H1 Overall results in line with the management's expectations

Good results in Q1 offset results which were below expectations in Q2

ISK'000.000			
	Actuals	Budget	
	H1 07	H1 07	Chg.
<b>EBITDA</b>	<b>1.241</b>	<b>1.081</b>	<b>160</b>
Depreciaton	-1.438	-1.392	-46
<b>EBIT</b>	<b>-197</b>	<b>-312</b>	<b>115</b>
Net financial expenses	-1.074	-765	-309
<b>EBT</b>	<b>-1.271</b>	<b>-1.076</b>	<b>-195</b>

## Net finance costs

ISK 1.201 millions in H1

ISK '000.000			
	Actuals	Proforma	Chg.
	H1 07	H1 06	
Net Interest	-1.175	-359	-227%
Net foreign exchange gain	-27	1.112	-102%
<b>Net financial income</b>	<b>-1.201</b>	<b>753</b>	<b>-259%</b>

### Net interest

- Additional loans for financing and investments
- Higher market interest rates and margins
- Lower cash position due to bridge financing for aircraft trading
- Costs of restructuring debt and refinancing

### Net foreign exchange

- ISK appreciated in 2007 by 9,4% but depreciated by 30% in 2006
- Higher cash position in 2006
- Engine reserves now accounted for in a USD-subsiidiary



## Results in Q2 below expectations

Transport revenue only 1% higher vs. Q2 last year

Passenger revenue below expectations

### Late delivery of new aircraft

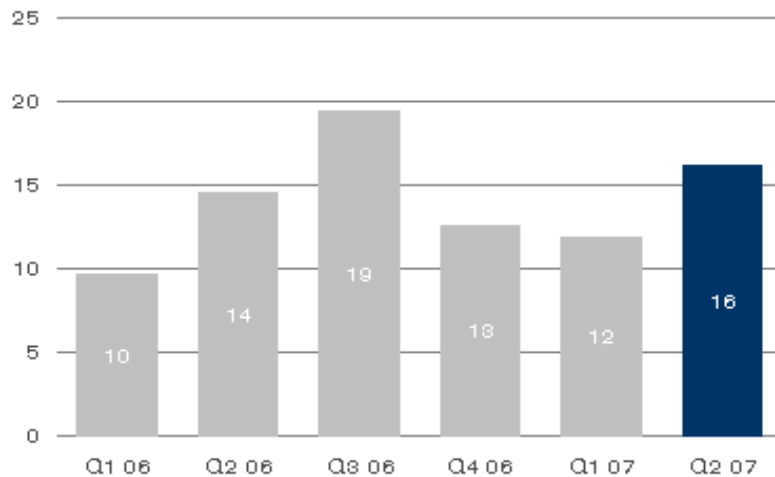
Higher cost e.g. from subleasing - affected Icelandair and Loftleidir

### Revenue increase predominantly from Global Capacity Solutions

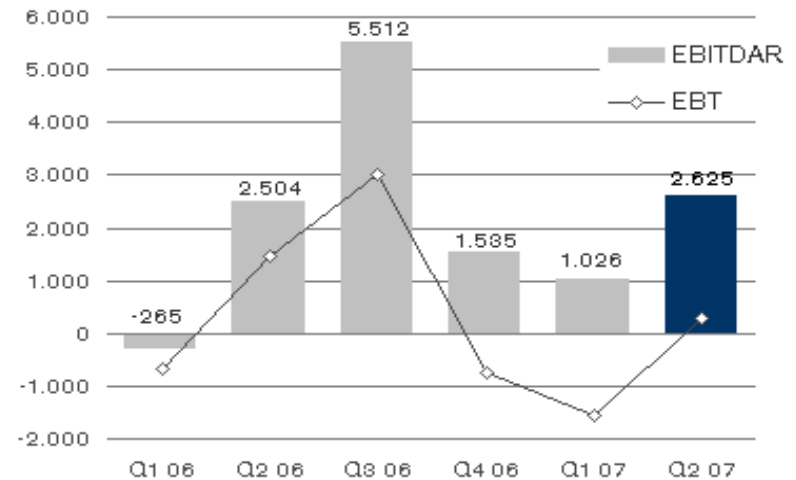
Aircraft and aircrew lease 65% higher vs. Q2 last year

LatCharter operation and more projects by Icelandair Cargo

Total Revenue - Quarterly Comparison  
(ISK'000.000.000)



EBITDAR and EBT - Quarterly Comparison  
(ISK'000.000)



## Assets ISK 72 billion

### Operating assets

Aircraft and engine reserves lower in ISK due to currency exchange

### Aircraft purchase prepayments (PDP)

5 Boeing 737 800 aircraft sold in Q1

### Stockholders equity

Reduces by ISK 2.1 billion from year end 2006

Net earnings in 2007

Foreign currency translation differences for foreign operations

Stockholders equity ratio 32%

ISK '000.000	30/06/07	31/12/06	Diff.
Operating Assets	21.478	22.935	-6%
Intangible assets	27.289	27.845	-2%
Investment in associates	2.169	2.058	5%
Aircraft purchase prepayments	257	9.669	-97%
Long-term receivables	2.703	2.689	1%
Cash and cash equivalents	4.186	2.776	51%
Other current assets	13.516	8.645	56%
<b>Total assets</b>	<b>71.598</b>	<b>76.617</b>	<b>-7%</b>
Stockholders equity	23.865	26.004	-8%
Total non-current liabilities	16.874	21.967	-23%
Total current liabilities	30.859	28.646	8%
<b>Total equity and liabilities</b>	<b>71.598</b>	<b>76.617</b>	<b>-7%</b>

## Scheduled Airline Operations

EBITDA in H1 ISK 252 million

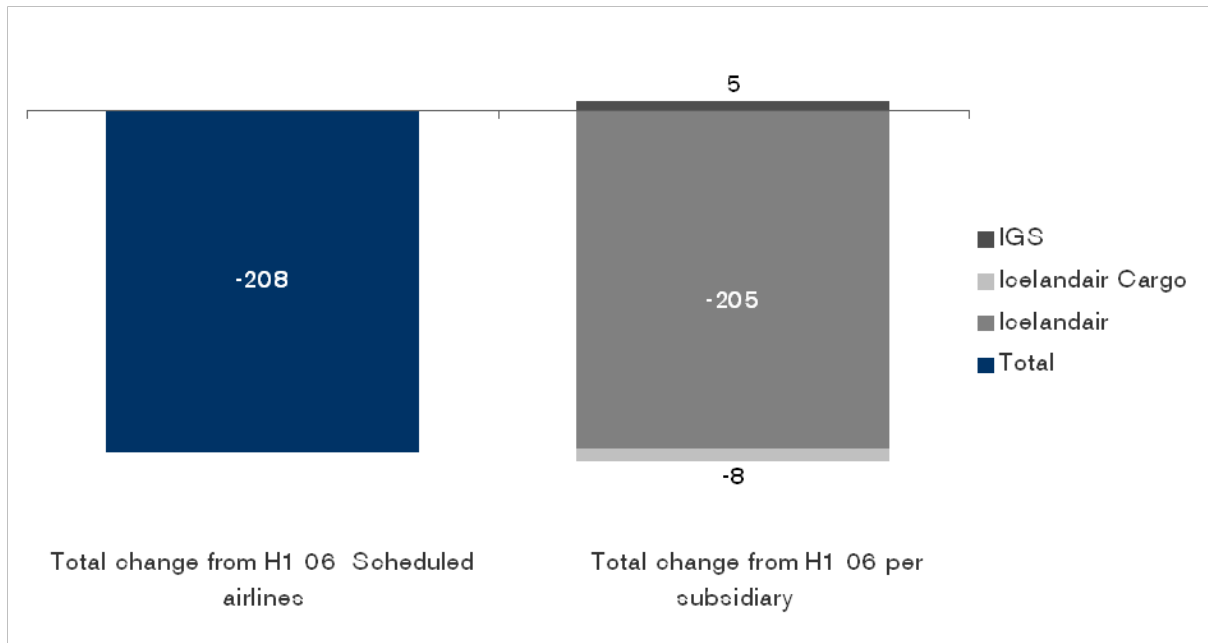


### Deviation from last year ISK -208 million

Lower passenger revenue than expected in Q2

Increased cost

- Higher maintenance cost at Icelandair technical services
- Crew cost
- Late delivery of 2 aircraft



# Icelandair

Passenger revenue 2% higher than H1 2006



## Passengers up 2%

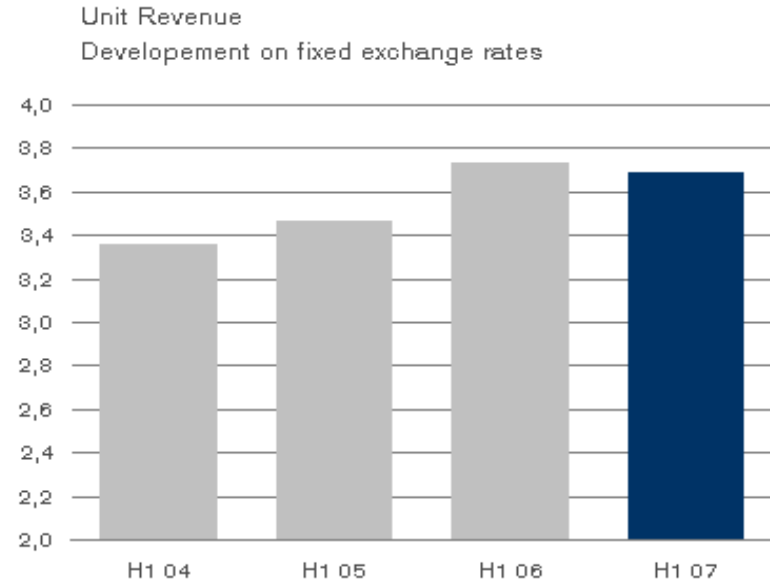
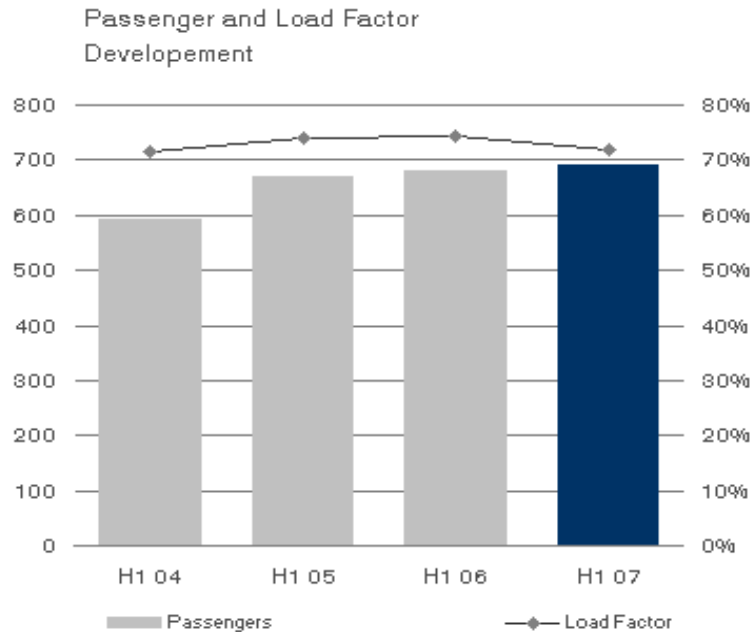
## Load Factor down 3% points

Increased capacity

Mainly affecting the Trans Atlantic market

## Unit revenue down 1%

Fierce competition – increased capacity on the market



Unit Revenue = Passenger Revenue on fixed exchange rates per available seat km

## Global Capacity Solutions EBITDA in H1 ISK 1.025 million



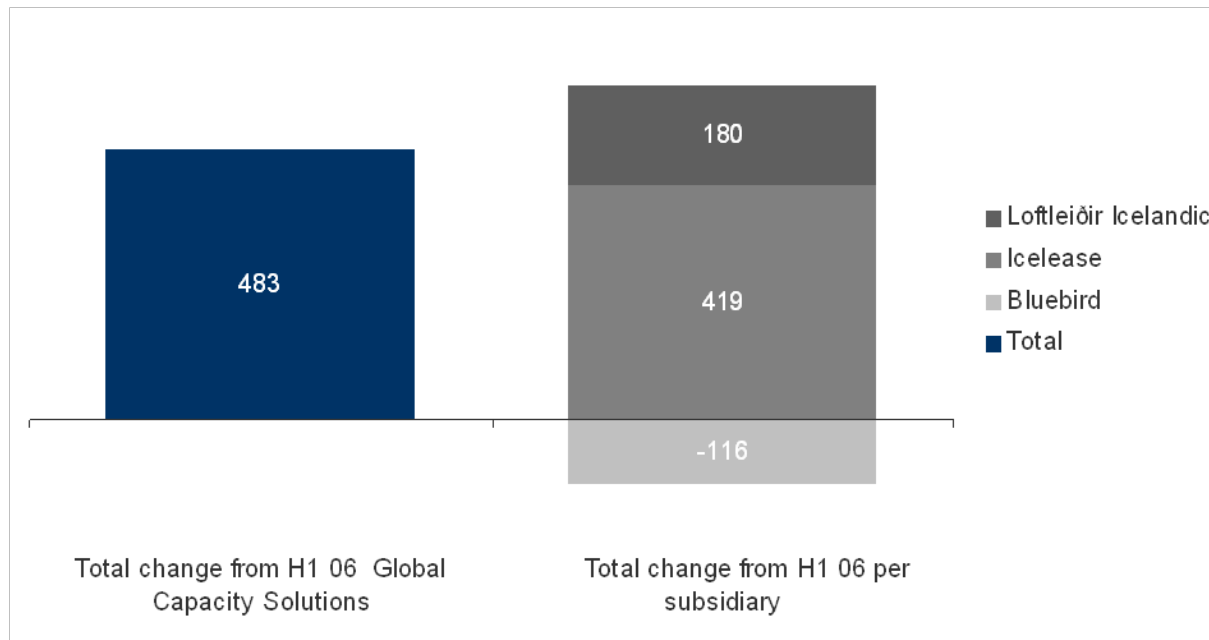
### Increase from last year ISK 483 million

Aircraft trading continues to contribute strongly to bottom line

Positive development of Loftleidir operational results

LatCharter operation profitable despite aggressive growth (from 2 to 9 aircraft within 6 months)

Project status low in spring/summer at Bluebird – winter outlook good



## Travel Tourism EBITDA ISK 219 million

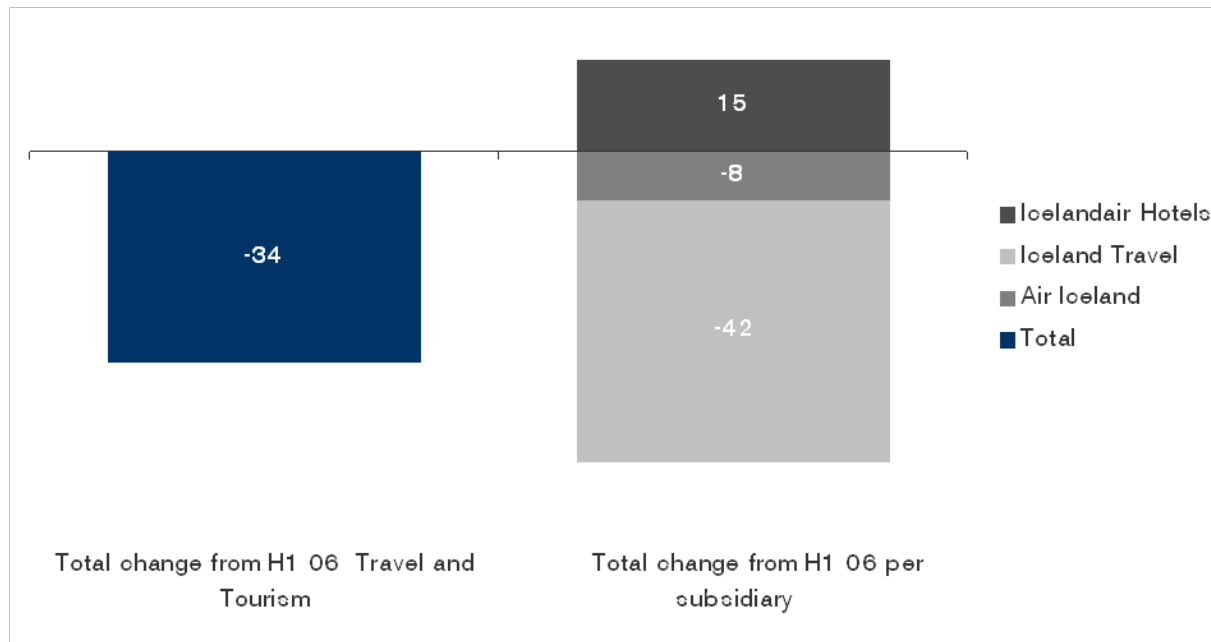


### Deviation from last year ISK -34 million

Better hotel utilization and tight cost control

Structural changes at Iceland Travel

Higher salaries and maintenance cost at Air Iceland



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New group structure will further emphasize the business segments

Icelandair bookings for the summer and autumn are looking good

Ongoing pressure on yield

Capacity increase not yielding as expected – network adjustment and group wide fleet flexibility optimizes profit from fleet additions

Opportunities in the new flexible fare structure

The market from Iceland continues to be very strong

Ongoing fierce competition in the North Atlantic market

Ongoing tight cost control

Travel Service deal signed next week – positive near-term influence

Project status in global capacity solutions very strong

Agreement with Hilton should kick-in in September/October



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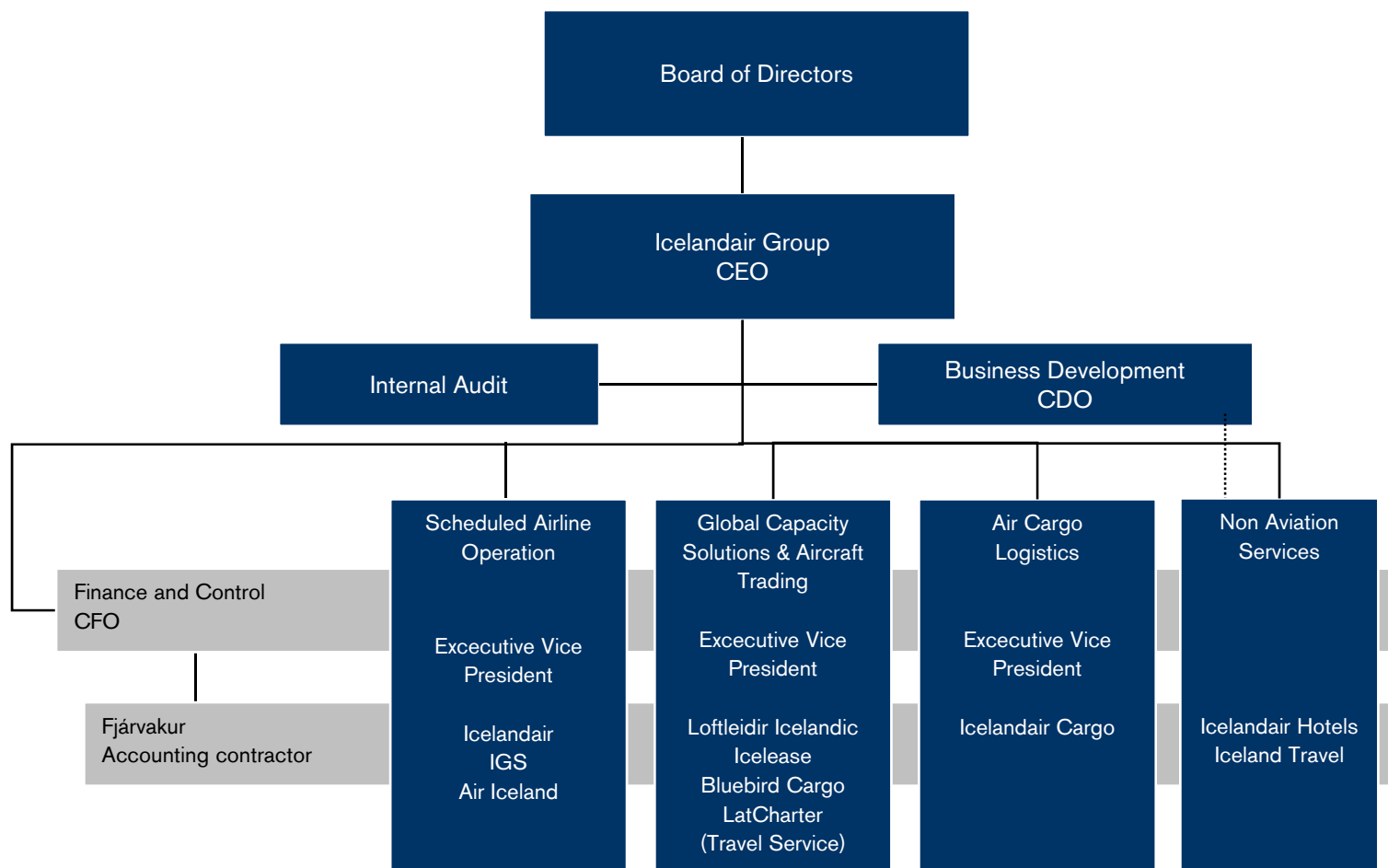
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# Icelandair Group – Organization



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