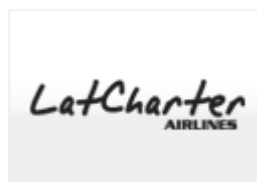
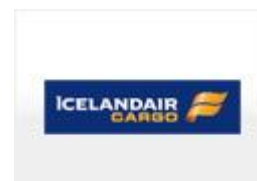


# Q1 2008 RESULTS



BJÖRGÓLFUR  
JÓHANNSSON  
PRESIDENT & CEO

## SUMMARY

- Q1 results are better than anticipated and demonstrate improving operations in a challenging business environment
- Fuel cost is up ISK 1 billion vs Q1 last year
- Several important changes within the Group have been made to increase flexibility and reduce exposure to external risks
- New leadership and new Group structure
- Contract backlog in Capacity Solutions is good for the full year and booking status in Scheduled Airline and Tourism is strong
- First Boeing 787 Dreamliner has been leased out

## AGENDA

- **Q1 Group Results**
- New Group Structure
- Q1 Business Segment Results and Financial effects
- Main Currents and Highlights in Q1
- Outlook

Q1 2008

ISK'000.000

	Q1 08	Q1 07	Chg.
Transport revenue	6.773	6.315	7%
Aircraft and aircrew lease	5.187	2.613	99%
Other	2.050	2.977	-31%
<b>Operating Revenue</b>	<b>14.010</b>	<b>11.905</b>	<b>18%</b>
Salaries and related expenses	5.005	4.602	9%
Aircraft fuel	2.622	1.679	56%
Other	7.239	5.705	27%
<b>EBITDA</b>	<b>-857</b>	<b>-81</b>	<b>-</b>
<b>EBIT</b>	<b>-1.663</b>	<b>-833</b>	<b>-</b>
<b>EBT</b>	<b>-2.081</b>	<b>-1.541</b>	<b>-35%</b>
<b>Net Profit</b>	<b>-1.678</b>	<b>-1.229</b>	<b>-37%</b>

Revenue ↑ 18%

Fuel Cost ↑ 56%

EBITDA ↓ 775m

Net operating cash:  
3 billion

No aircraft trading in Q1 2008. In Q1 2007 profit from aircraft trading was ISK 1,2 billion

## AGENDA

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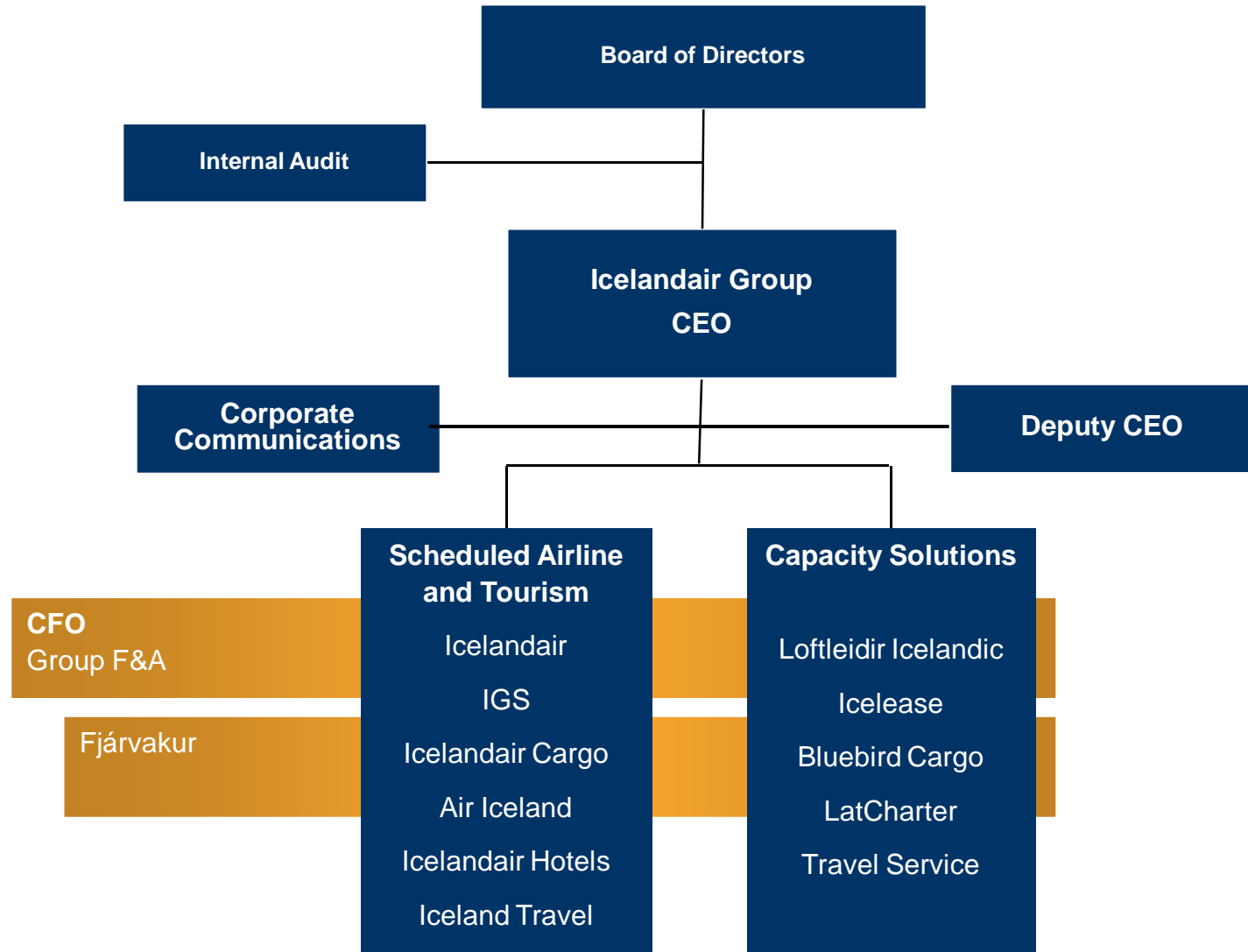
## SIMPLIFIED STRUCTURE

Icelandair Group owns and operates companies in the airline and tourism industries

New and simplified Group structure:

- Two core business units headed by Group CEO and deputy CEO
- Companies grouped according to nature of operation
- Short lines of command and communication and clear accountability
- Each unit responsible for growth and development
- Clear role of Group finance and administration

NEW  
GROUP  
STRUCTURE



## AGENDA

- Q1 Group Results
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SCHEDULED  
AIRLINE AND  
TOURISM



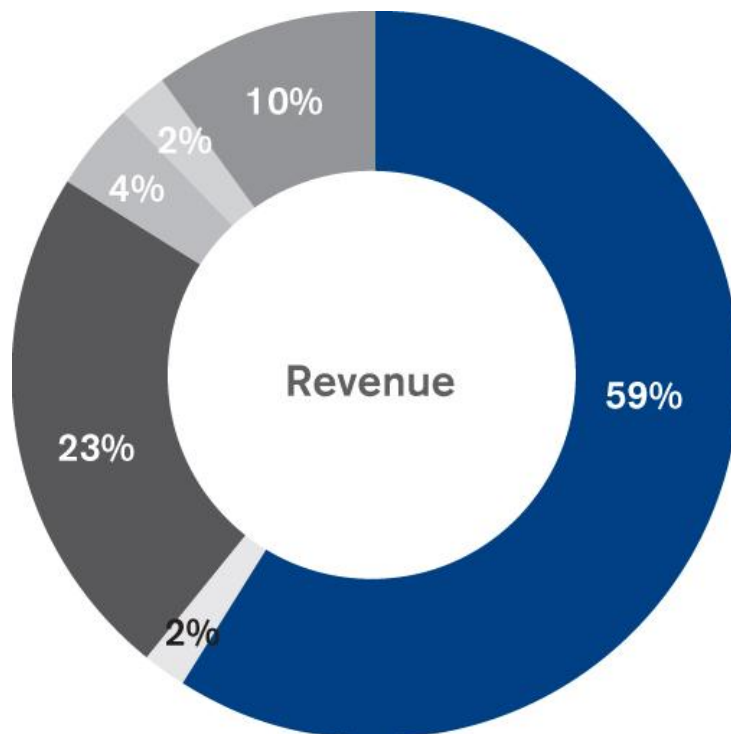
## SCHEDULED AIRLINE AND TOURISM



ISK '000.000			
	Q1 08	Q1 07	
Transport revenue	6.850	6.396	7%
Aircraft and aircrew lease	3.055	2.243	36%
Other	3.121	3.110	0%
<b>Segment revenue</b>	<b>13.026</b>	<b>11.749</b>	<b>11%</b>
Inter-group revenue	3.708	3.067	21%
External revenue	9.318	8.682	7%
Salaries and related expenses	4.408	4.145	6%
Aircraft fuel	2.331	1.628	43%
Aircraft and aircrew lease	2.591	2.260	15%
Aircraft servicing	1.052	892	18%
Aircraft maintenance	816	939	-13%
Other operating expenses	2.818	2.696	5%
<b>Segment expenses</b>	<b>14.016</b>	<b>12.560</b>	<b>12%</b>
<b>EBITDA</b>	<b>-990</b>	<b>-811</b>	<b>-22%</b>
<b>EBIT</b>	<b>-1.618</b>	<b>-1.375</b>	<b>-18%</b>
<b>EBT</b>	<b>-1.526</b>	<b>-1.586</b>	<b>4%</b>
<b>Net Profit</b>	<b>-1.259</b>	<b>-1.309</b>	<b>4%</b>
<b>EBITDAR</b>	<b>-35</b>	<b>55</b>	<b>-</b>

Sales profit from  
aircraft trading  
ISK 409m in Q1  
07

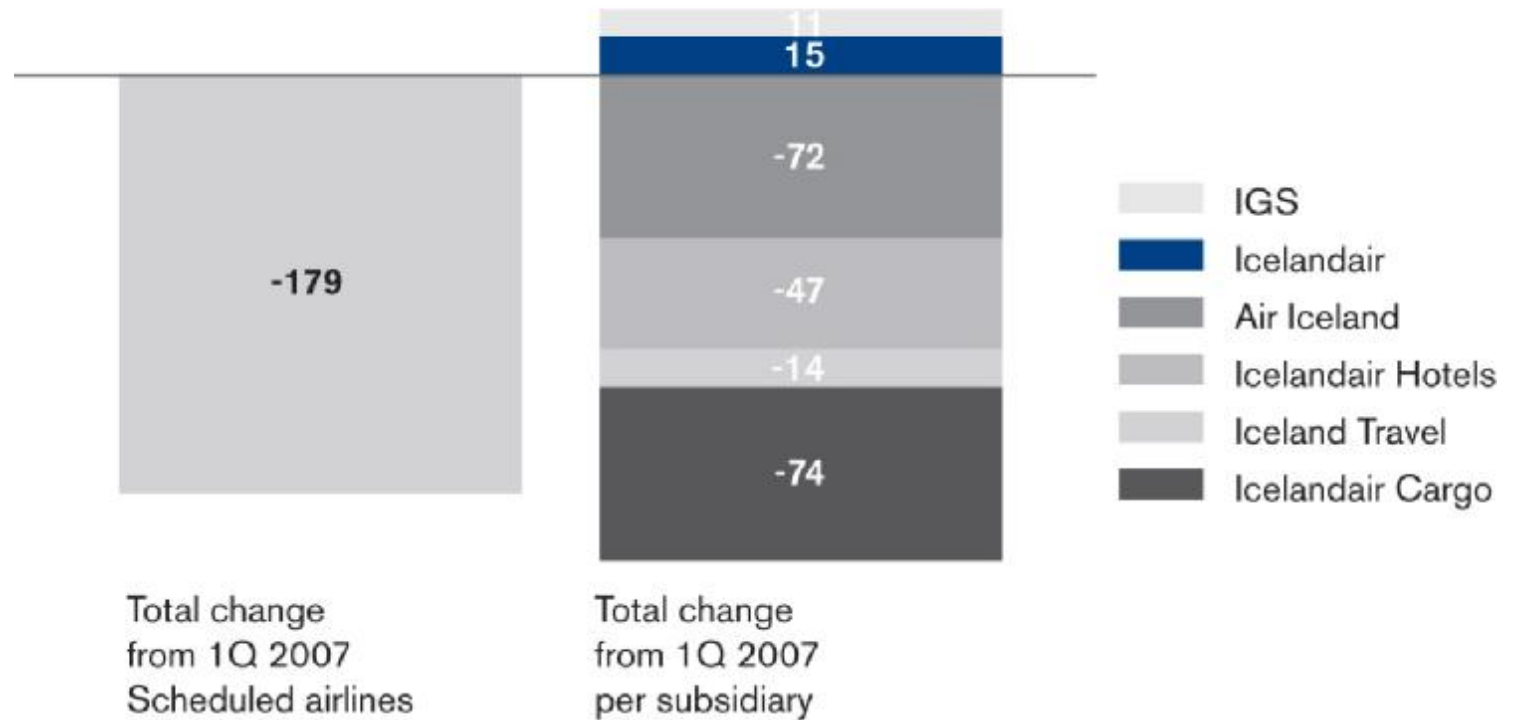
## SCHEDULED AIRLINE AND TOURISM



# SCHEDULED AIRLINE AND TOURISM



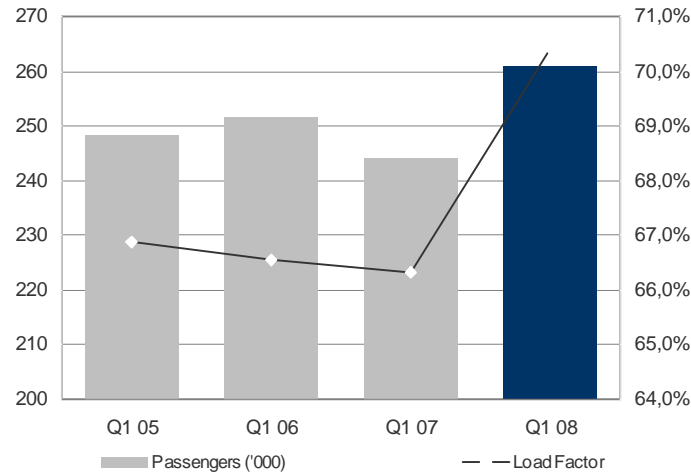
## EBITDA Development



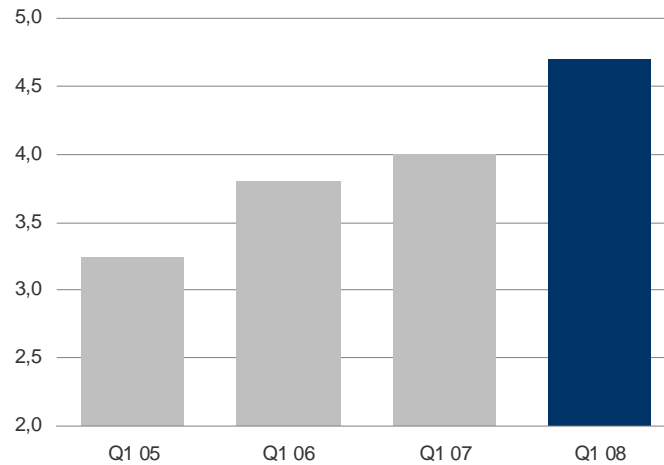
# ICELANDAIR



Passenger and Load Factor



Unit revenue pr available seat kilometer



- Q1 2008 –passenger revenue increased by 16% from Q1 2007
- Passenger numbers up 7% to 261.000
- Higher Load Factor - from 66,5% to 70,4% from Q1 last year
- Unit revenue (adjusted for currency fluctuations) up 9% due to better To/From/Via passenger mix

CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



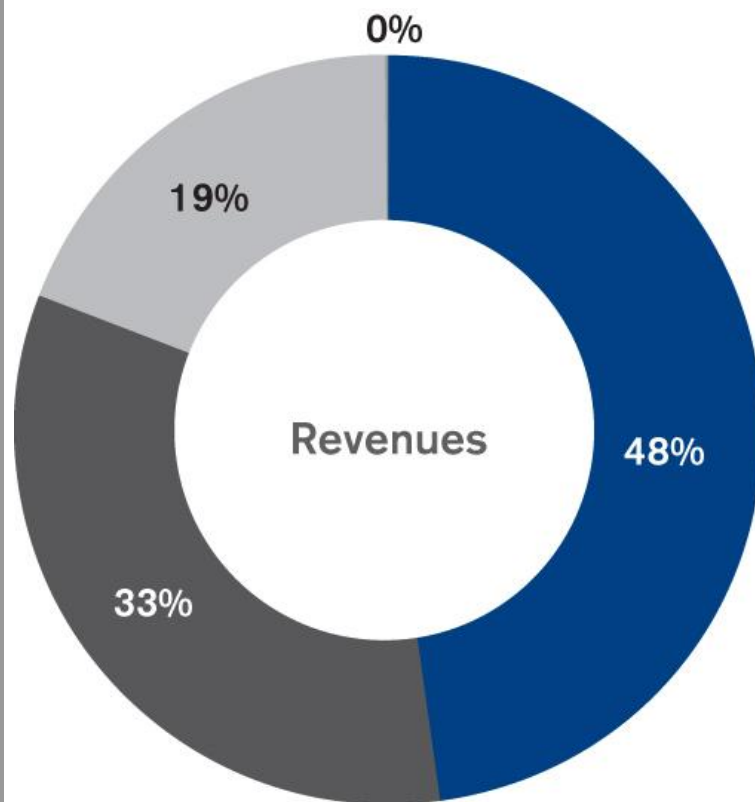
CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



ISK'000.000			
	Q1 08	Q1 07	
Transport revenue	120	120	0%
Aircraft and aircrew lease	4.480	2.214	102%
Other	81	864	-91%
<b>Segment revenue</b>	<b>4.681</b>	<b>3.198</b>	<b>46%</b>
Inter-group revenue	39	10	290%
External revenue	4.642	3.188	46%
Salaries and related expenses	368	241	53%
Aircraft fuel	291	51	471%
Aircraft and aircrew lease	2.992	1.544	94%
Aircraft servicing	170	120	42%
Aircraft maintenance	310	148	109%
Other operating expenses	256	185	38%
<b>Segment expenses</b>	<b>4.387</b>	<b>2.289</b>	<b>92%</b>
<b>EBITDA</b>	<b>294</b>	<b>909</b>	<b>-68%</b>
<b>EBIT</b>	<b>122</b>	<b>726</b>	<b>-83%</b>
<b>EBT</b>	<b>21</b>	<b>691</b>	<b>-97%</b>
<b>Net Profit</b>	<b>-10</b>	<b>574</b>	<b>-102%</b>
<b>EBITDAR</b>	<b>901</b>	<b>1.151</b>	<b>-22%</b>

Sales profit from aircraft trading ISK 786m in Q1 07

CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



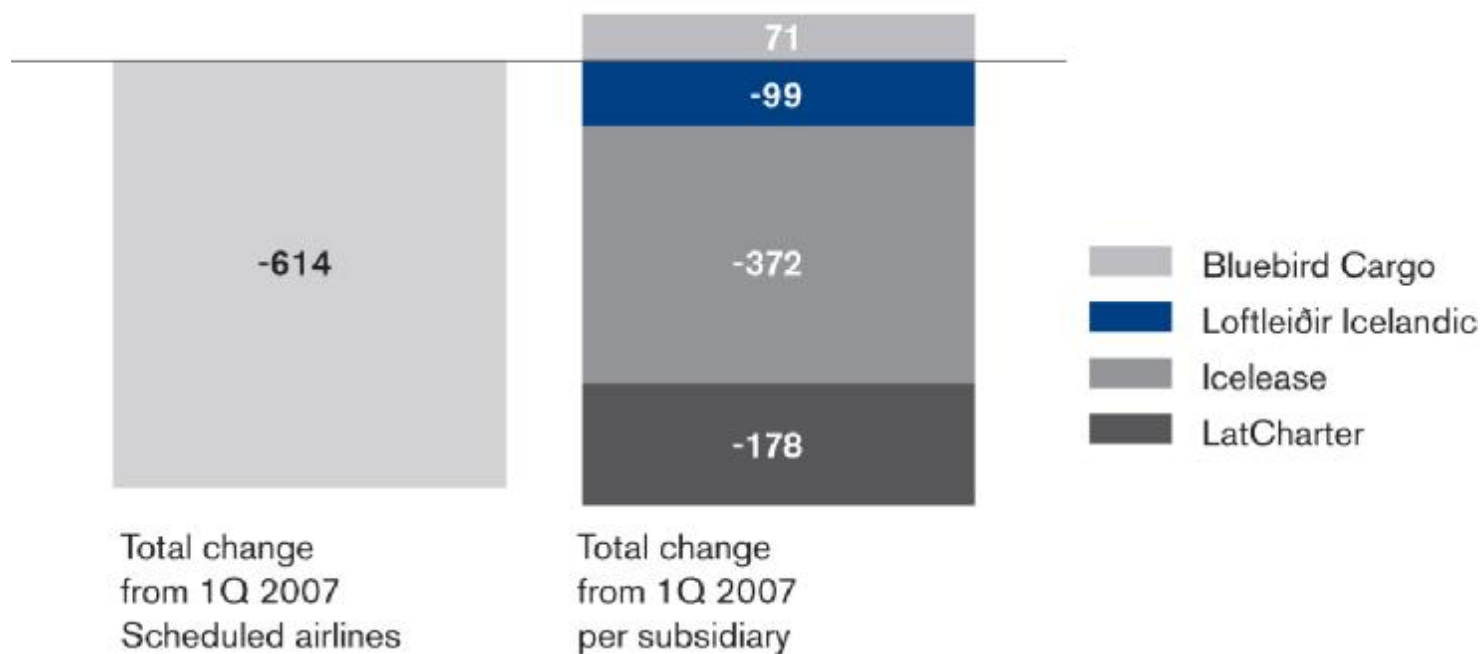
- Loftleiðir Icelandic
- LatCharter
- Bluebird Cargo
- Icelease



CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



EBITDA Development



## FINANCIAL INCOME AND EXPENSES

ISK'000.000	Q1 2008	Q1 2007	Diff.
Finance income	88	46	42
Finance expense	-861	-700	-161
Currency effect	406	-115	521
<b>Net financial costs</b>	<b>-367</b>	<b>-769</b>	<b>402</b>

### **Financial income**

Increased cash balance  
Higher interest rates

### **Financial expenses**

Cost of refinancing debt  
Higher market interest rates and margins

### **Currency effect**

Translation gain in value of foreign assets due to weakening of ISK

**BALANCE  
SHEET**

Working Capital  
Ratio 0,45

Equity Ratio 34%

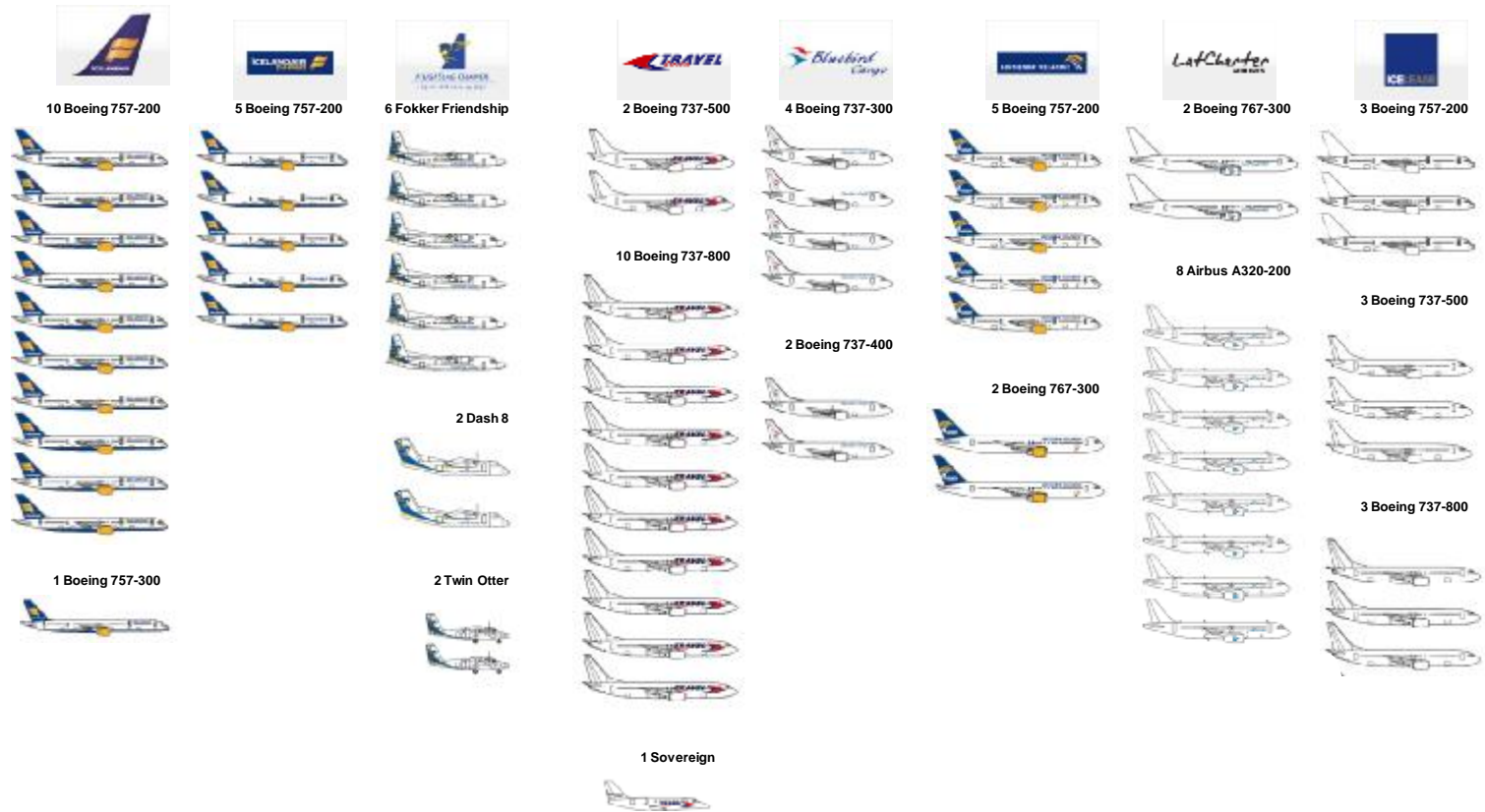
ISK'000.000	31/03/08	31/12/07	Diff.
Operating Assets	26.715	22.832	17%
Intangible assets	28.339	26.846	6%
Investment in associates	2.944	2.335	26%
Aircraft purchase prepayments	300	249	20%
Long-term receivables	1.366	1.788	-24%
Cash and cash equivalents	3.274	2.006	63%
Other current assets	10.872	10.704	2%
<b>Total Assets</b>	<b>73.810</b>	<b>66.760</b>	<b>11%</b>

ISK'000.000	31/03/08	31/12/07	Diff.
Stockholders equity	25.446	25.033	2%
Total non-current liabilities	17.190	14.174	21%
Total current liabilities	31.174	27.553	13%
<b>Total equity and liabilities</b>	<b>73.810</b>	<b>66.760</b>	<b>11%</b>

## AGENDA

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# ICELANDAIR GROUP FLEET

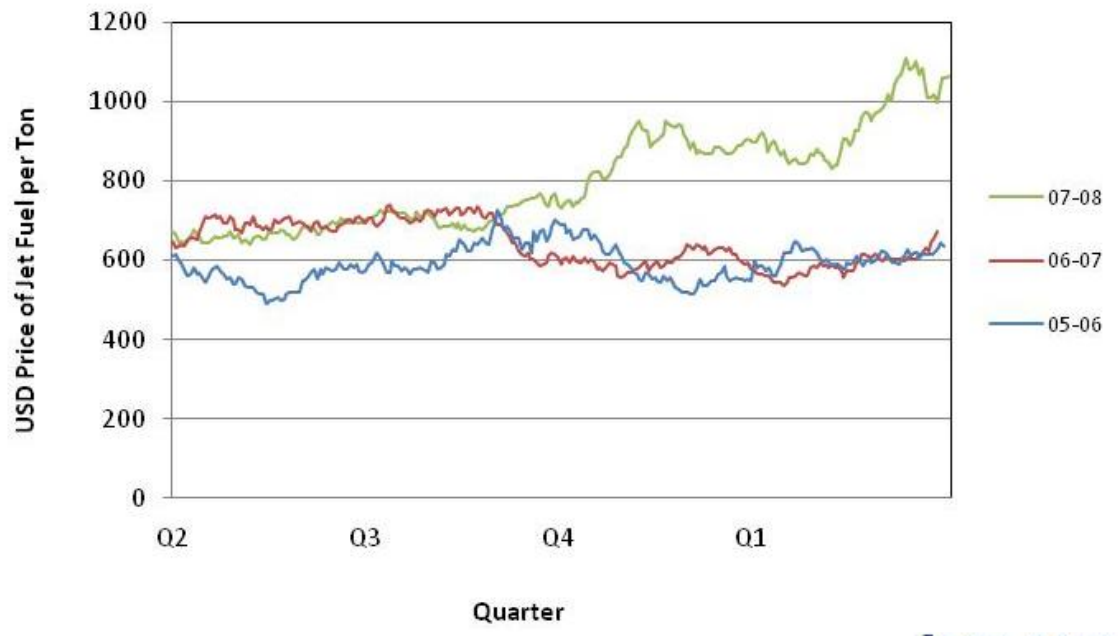
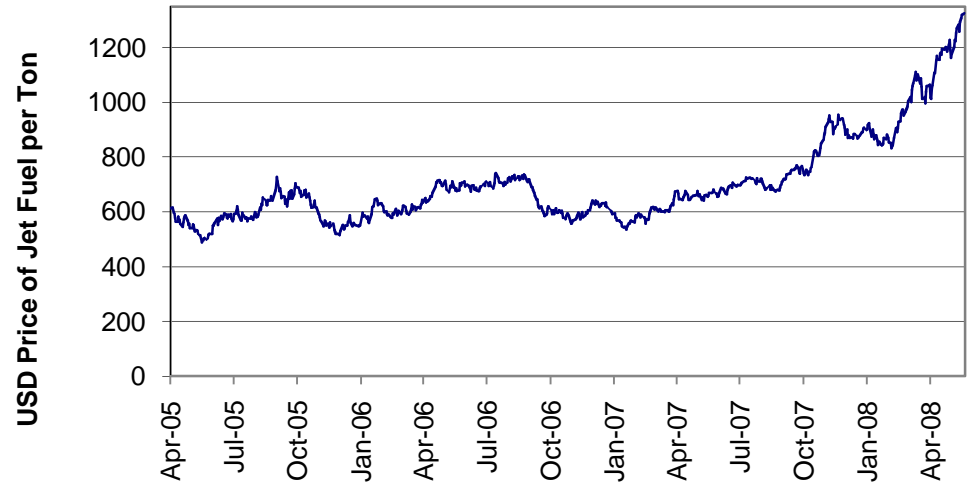


# ICELANDAIR GROUP FLEET

# FUEL RISK EXPOSURE

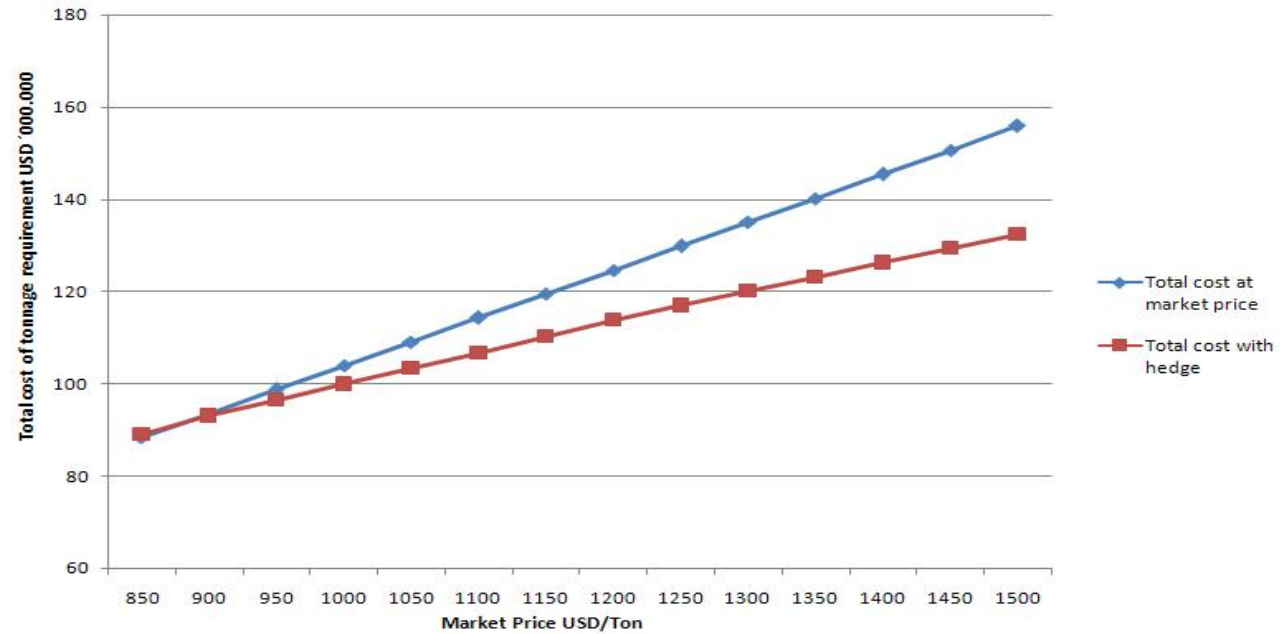


# FUEL



# HEDGING POSITION ICELANDAIR

Jet Fuel Hedge from May-Dec 2008



	Q208	Q308	Q408	Q109
Predicted fuel consumption (ton)	36.354	45.977	30.798	24.692
Hedge (ton)	20.500	26.000	13.000	9.000
Hedge ratio	56%	57%	42%	36%
Limited cover	36%	23%	8%	0%
Unlimited	64%	77%	92%	100%
Total	100%	100%	100%	100%



## AIRCRAFT TRADING

### **B787 - Dreamliner**

Icelandair Group has leased the first of its 787 aircraft on order with Boeing to Air Niugini, securing the Group a substantial income. The leased aircraft will be delivered in 2012. The details of the agreement are confidential.

Icelandair Group has 4 firm orders for Boeing 787 and options for three more. In addition Travel Service has one firm Boeing 787 order and one purchase option.

### **A330F**

Icelandair Group has cancelled Airbus A330F plans for Icelandair Cargo to minimize risk.

### **Other Trading**

Trading activity was minimal in Q1 - trading deals expected to materialize

## MANAGEMENT CHANGES

- New Deputy CEO of Icelandair Group, Sigbór Einarsson
- New Icelandair CEO, Birkir Hólm Guðnason
- New Managing Director of Icelandair Cargo, Gunnar Már Sigurfinnsson
- New SVP Sales and Marketing Icelandair, Helgi Már Björgvinsson
- New SVP Capacity Solutions - Commercial Coordination, Erlendur Svavarsson
- New SVP Capacity Solutions - Finance Controlling, Árni Hermannsson
- Sales and Marketing at Icelandair restructured, 3 directors instead of 8

## TOUR OPERATING BUSINESS

- Icelandair Group expands service offering to the Icelandic market
- New tour operator brand created
- Focuses on the most popular holiday package trip destinations of Icelanders and incoming tourism
- Increases utilization of resources
- Hörður Gunnarsson joins Icelandair Group

## AGENDA

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## OUTLOOK

- Diversification in operation and geography will be the key to manage seasonal fluctuations and industrial cycles
- Focus on cost issues and new revenue streams in all companies due to economic slowdown and high fuel prices
- Less capacity in Scheduled Airline and Tourism than last year
- Restructuring of Icelandair has been started with the entrance of new management
- Contract backlog in Capacity Solutions is good for the full year
- Booking status in Scheduled Airline and Tourism is strong
- Travel Service becomes a subsidiary of Icelandair Group as of Q2 2008

Q & A

