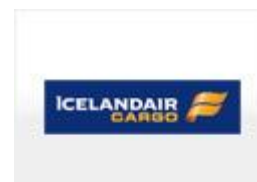


# Q2 2008 RESULTS



BJÖRGÓLFUR  
JÓHANNSSON  
PRESIDENT & CEO

## SUMMARY

Better Q2 performance than last year shows strength in a demanding business environment

Group revenue jumps as a result of inclusion of Czech airline Travel Service

Travel Service shows good performance and is now the second largest company in the Group with 26% of revenue

Icelandair Group operates on all continents - 75% of revenue coming from outside Iceland

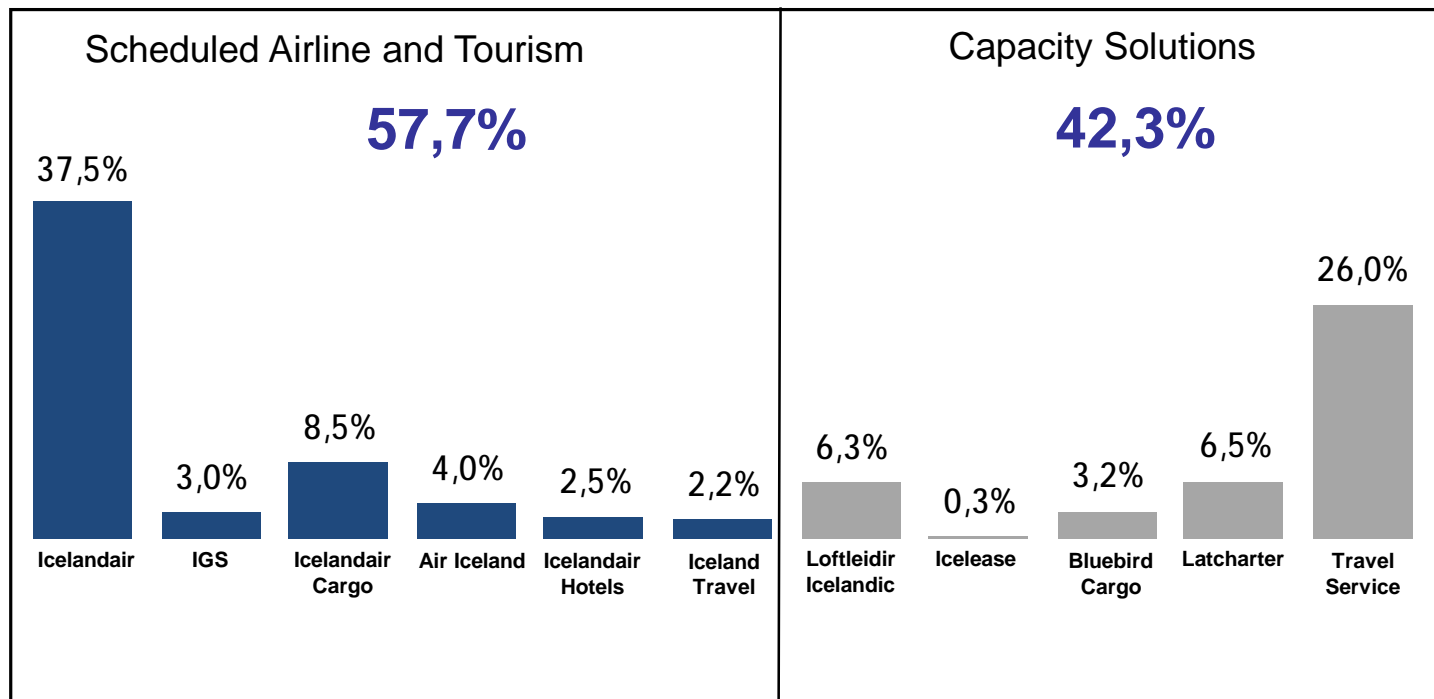
The largest company of the Group, Icelandair, has responded to high fuel prices and less demand by cutting costs and managing revenue streams with promising results

## AGENDA

- **Changed Group Dynamics**
- Q2/H1 Group Results
- Q2/H1 Business Segment Results and Financial effects
- Main Currents and Highlights in H1/Q2
- Outlook

NEW  
GROUP  
DYNAMICS

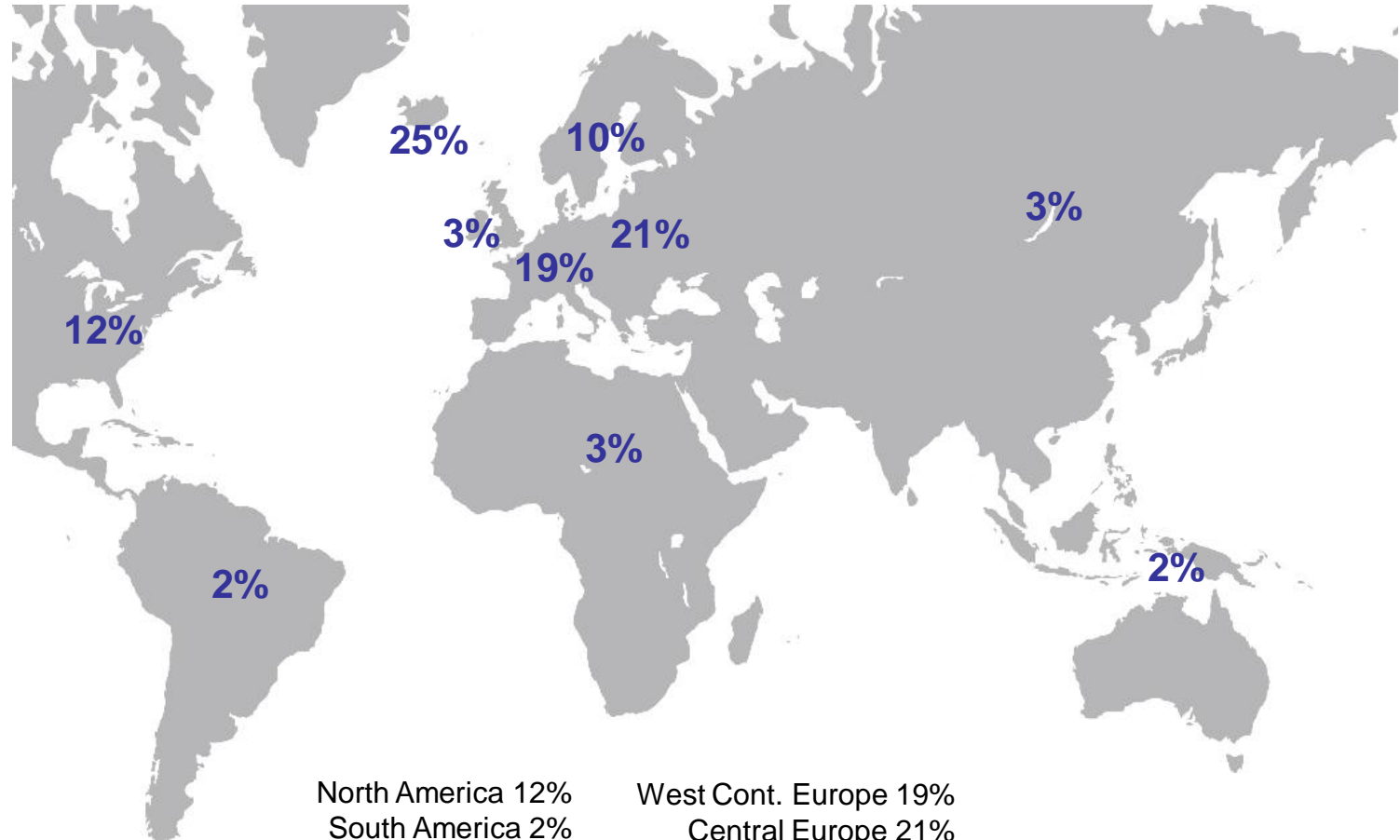
REVENUE  
DISTRIBUTION  
Q2 BY  
SEGMENTS  
AND  
COMPANIES



NEW  
GROUP  
DYNAMICS

REVENUE  
DISTRIBUTION  
BY WORLD  
REGION

FORECAST 08



North America 12%  
South America 2%  
Iceland 25%  
UK 3%  
Scandinavia 10%

West Cont. Europe 19%  
Central Europe 21%  
Africa 3%  
Asia 3%  
Oceania 2%

## AGENDA

- Changed Group Dynamics
- **Q2/H1 Group Results**
- Q2/H1 Business Segment Results and Financial effects
- Main Currents and Highlights in Q2/H1
- Outlook

Q2 2008

ISK '000.000

Revenue ↑ 79%  
 Fuel Cost ↑ 153%  
 EBITDA ↑ 533m

	Q2 08	Q2 07	Chg.
Transport revenue	12.208	9.686	26%
Aircraft and aircrew lease	12.898	3.750	244%
Other	3.848	2.755	40%
<b>Operating Revenue</b>	<b>28.954</b>	<b>16.191</b>	<b>79%</b>
Salaries and related expenses	6.229	5.329	17%
Aircraft fuel	6.538	2.581	153%
Other	14.332	6.959	106%
<b>EBITDA</b>	<b>1.855</b>	<b>1.322</b>	<b>40%</b>
<b>EBIT</b>	<b>901</b>	<b>636</b>	<b>42%</b>
<b>EBT</b>	<b>655</b>	<b>270</b>	<b>143%</b>
<b>Net Profit</b>	<b>395</b>	<b>205</b>	<b>93%</b>
<b>EBITDAR</b>	<b>5.279</b>	<b>2.624</b>	<b>101%</b>

EXPLODING FUEL COST

6M 2008

ISK '000.000			
	6M 08	6M 07	Chg.
Transport revenue	18.981	16.001	19%
Aircraft and aircrew lease	18.085	6.363	184%
Other	5.898	5.732	3%
<b>Operating Revenue</b>	<b>42.964</b>	<b>28.096</b>	<b>53%</b>
Salaries and related expenses	11.234	9.931	13%
Aircraft fuel	9.160	4.260	115%
Other	21.572	12.664	70%
<b>EBITDA</b>	<b>998</b>	<b>1.241</b>	<b>-20%</b>
<b>EBIT</b>	<b>-762</b>	<b>-197</b>	<b>-287%</b>
<b>EBT</b>	<b>-1.426</b>	<b>-1.271</b>	<b>-12%</b>
<b>Net Profit</b>	<b>-1.283</b>	<b>-1.024</b>	<b>-25%</b>
<b>EBITDAR</b>	<b>5.984</b>	<b>3.651</b>	<b>64%</b>

ISK 1.2 BILLION PROFIT FROM  
AIRCRAFT TRADING IN Q1 07



## AGENDA

- Q2/H1 Group Results
- New Group Structure
- **Q2/H1 Business Segment Results and Financial effects**
- Main Currents and Highlights in Q2/H1
- Outlook

## SCHEDULED AIRLINE AND TOURISM



ISK '000.000			
	Q2 08	Q2 07	
Transport revenue	11.001	9.771	13%
Aircraft and aircrew lease	3.303	2.406	37%
Other	4.613	3.730	24%
<b>Segment revenue</b>	<b>18.917</b>	<b>15.907</b>	<b>19%</b>
Inter-group revenue	3.661	3.196	15%
External revenue	15.256	12.711	20%
Salaries and related expenses	4.742	4.778	-1%
Aircraft fuel	3.832	2.278	68%
Aircraft and aircrew lease	3.146	2.245	40%
Aircraft servicing	1.499	1.264	19%
Aircraft maintenance	1.155	769	50%
Other operating expenses	3.576	3.291	9%
<b>Segment expenses</b>	<b>17.949</b>	<b>14.625</b>	<b>23%</b>
<b>EBITDA</b>	<b>968</b>	<b>1.282</b>	<b>-24%</b>
<b>EBIT</b>	<b>229</b>	<b>669</b>	<b>-66%</b>
<b>EBT</b>	<b>26</b>	<b>502</b>	<b>-95%</b>
<b>Net Profit</b>	<b>-11</b>	<b>399</b>	<b>-103%</b>
<b>EBITDAR</b>	<b>2.109</b>	<b>2.140</b>	<b>-1%</b>

## SCHEDULED AIRLINE AND TOURISM



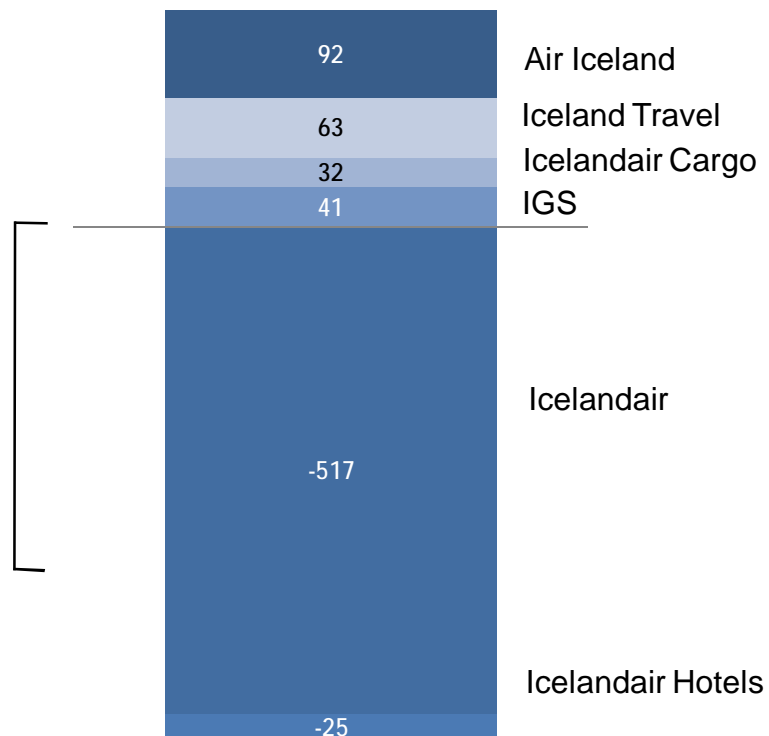
ISK'000.000			
	6M 08	6M 07	
Transport revenue	17.851	16.167	10%
Aircraft and aircrew lease	6.358	4.649	37%
Other	7.734	6.840	13%
<b>Segment revenue</b>	<b>31.943</b>	<b>27.656</b>	<b>16%</b>
Inter-group revenue	7.369	6.263	18%
External revenue	24.574	21.393	15%
Salaries and related expenses	9.150	8.923	3%
Aircraft fuel	6.163	3.906	58%
Aircraft and aircrew lease	5.737	4.505	27%
Aircraft servicing	2.551	2.156	18%
Aircraft maintenance	1.971	1.708	15%
Other operating expenses	6.394	5.987	7%
<b>Segment expenses</b>	<b>31.965</b>	<b>27.185</b>	<b>18%</b>
<b>EBITDA</b>	<b>-22</b>	<b>471</b>	<b>-105%</b>
<b>EBIT</b>	<b>-1.367</b>	<b>-664</b>	<b>106%</b>
<b>EBT</b>	<b>-1.478</b>	<b>-1.042</b>	<b>42%</b>
<b>Net Profit</b>	<b>-1.249</b>	<b>-868</b>	<b>44%</b>
<b>EBITDAR</b>	<b>2.074</b>	<b>2.195</b>	<b>-6%</b>

# SCHEDULED AIRLINE AND TOURISM



EBITDA Development by subsidiary  
from Q2 2007

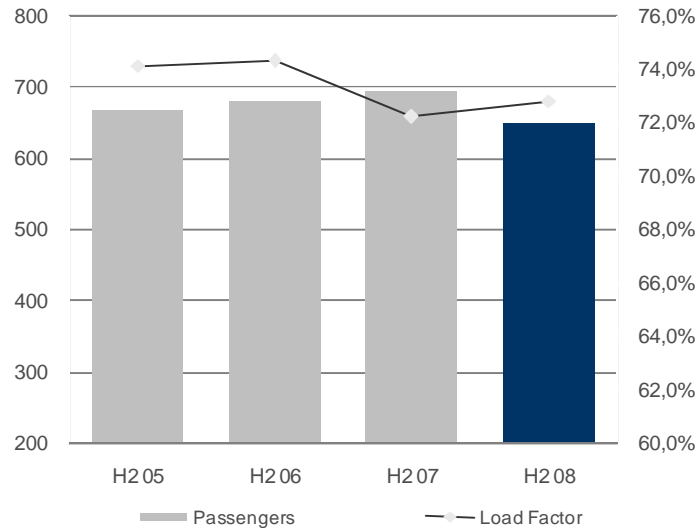
Total EBITDA  
down by 314  
million ISK



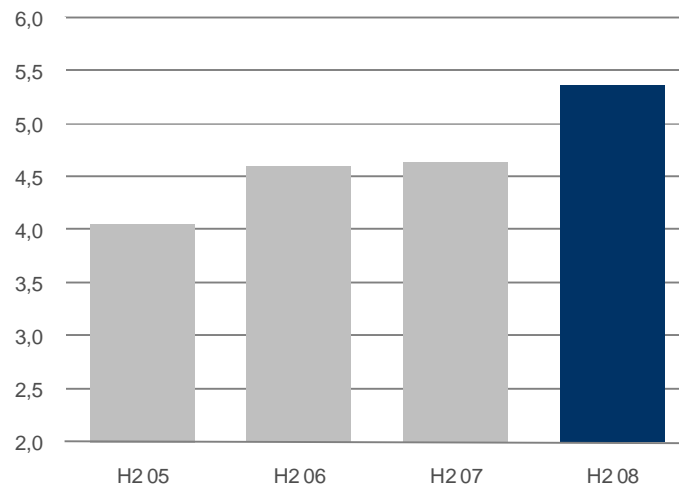
# ICELANDAIR



Passenger numbers and load factor



Unit revenue pr. available seat kilometer



- H1 2008 – passenger revenue increased by 5% from H1 2007
- Passenger numbers down 6.3% to 649.000 due to less production
- Load factor up by 0.6ppt. to 72,8% from H1 last year
- Unit revenue (adjusted for currency fluctuations) up 15,5% due to better yield management. (To/from/via mix)

CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



ISK '000.000			
	Q2 08	Q2 07	Diff
Transport revenue	1.428	126	1.302
Aircraft and aircrew lease	11.987	3.248	8.739
Other	490	90	400
<b>Segment revenue</b>	<b>13.905</b>	<b>3.464</b>	<b>10.441</b>
Inter-group revenue	267	1	266
External revenue	13.638	3.463	10.175
Salaries and related expenses	1.279	350	929
Aircraft fuel	2.706	303	2.403
Aircraft and aircrew lease	3.584	1.965	1.619
Aircraft servicing	2.550	162	2.388
Aircraft maintenance	1.568	280	1.288
Other operating expenses	996	288	708
<b>Segment expenses</b>	<b>12.683</b>	<b>3.348</b>	<b>9.335</b>
<b>EBITDA</b>	<b>1.222</b>	<b>116</b>	<b>1.106</b>
<b>EBIT</b>	<b>951</b>	<b>-84</b>	<b>1.035</b>
<b>EBT</b>	<b>1.327</b>	<b>-112</b>	<b>1.439</b>
<b>Net Profit</b>	<b>1.164</b>	<b>-140</b>	<b>1.304</b>
<b>EBITDAR</b>	<b>3.505</b>	<b>560</b>	<b>2.945</b>

CAPACITY  
SOLUTIONS  
AND  
AIRCRAFT  
TRADING



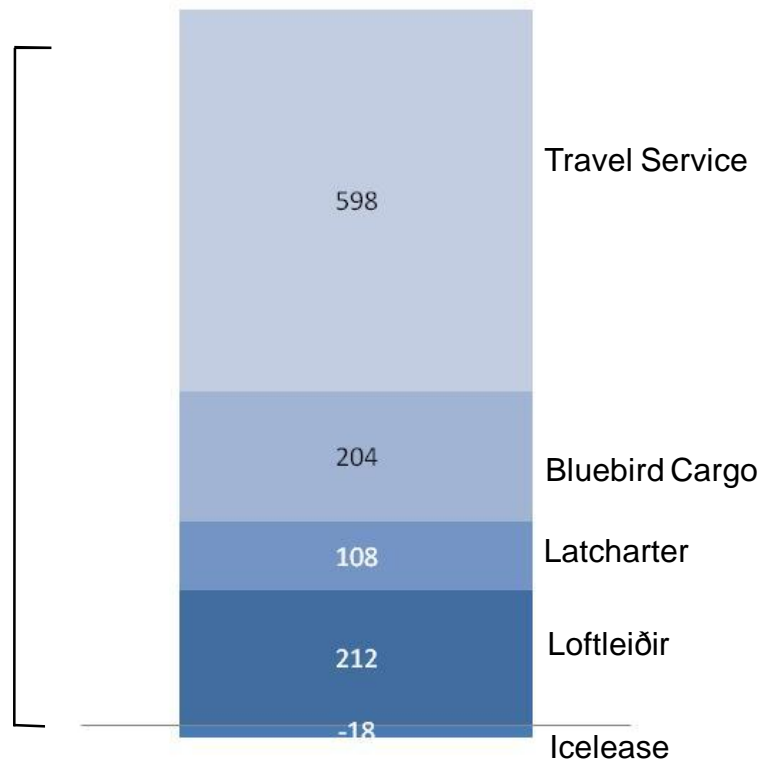
ISK '000.000			
	6M 08	6M 07	Diff
Transport revenue	1.548	246	1.302
Aircraft and aircrew lease	16.467	5.462	11.005
Other	571	954	-383
<b>Segment revenue</b>	<b>18.586</b>	<b>6.662</b>	<b>11.924</b>
Inter-group revenue	306	11	295
External revenue	18.280	6.651	11.629
Salaries and related expenses	1.647	591	1.056
Aircraft fuel	2.997	354	2.643
Aircraft and aircrew lease	6.576	3.509	3.067
Aircraft servicing	2.720	282	2.438
Aircraft maintenance	1.878	428	1.450
Other operating expenses	1.253	473	780
<b>Segment expenses</b>	<b>17.071</b>	<b>5.637</b>	<b>11.434</b>
<b>EBITDA</b>	<b>1.517</b>	<b>1.025</b>	<b>492</b>
<b>EBIT</b>	<b>1.115</b>	<b>730</b>	<b>385</b>
<b>EBT</b>	<b>1.390</b>	<b>667</b>	<b>723</b>
<b>Net Profit</b>	<b>1.196</b>	<b>522</b>	<b>674</b>
<b>EBITDAR</b>	<b>4.407</b>	<b>1.711</b>	<b>2.696</b>

# CAPACITY SOLUTIONS AND AIRCRAFT TRADING



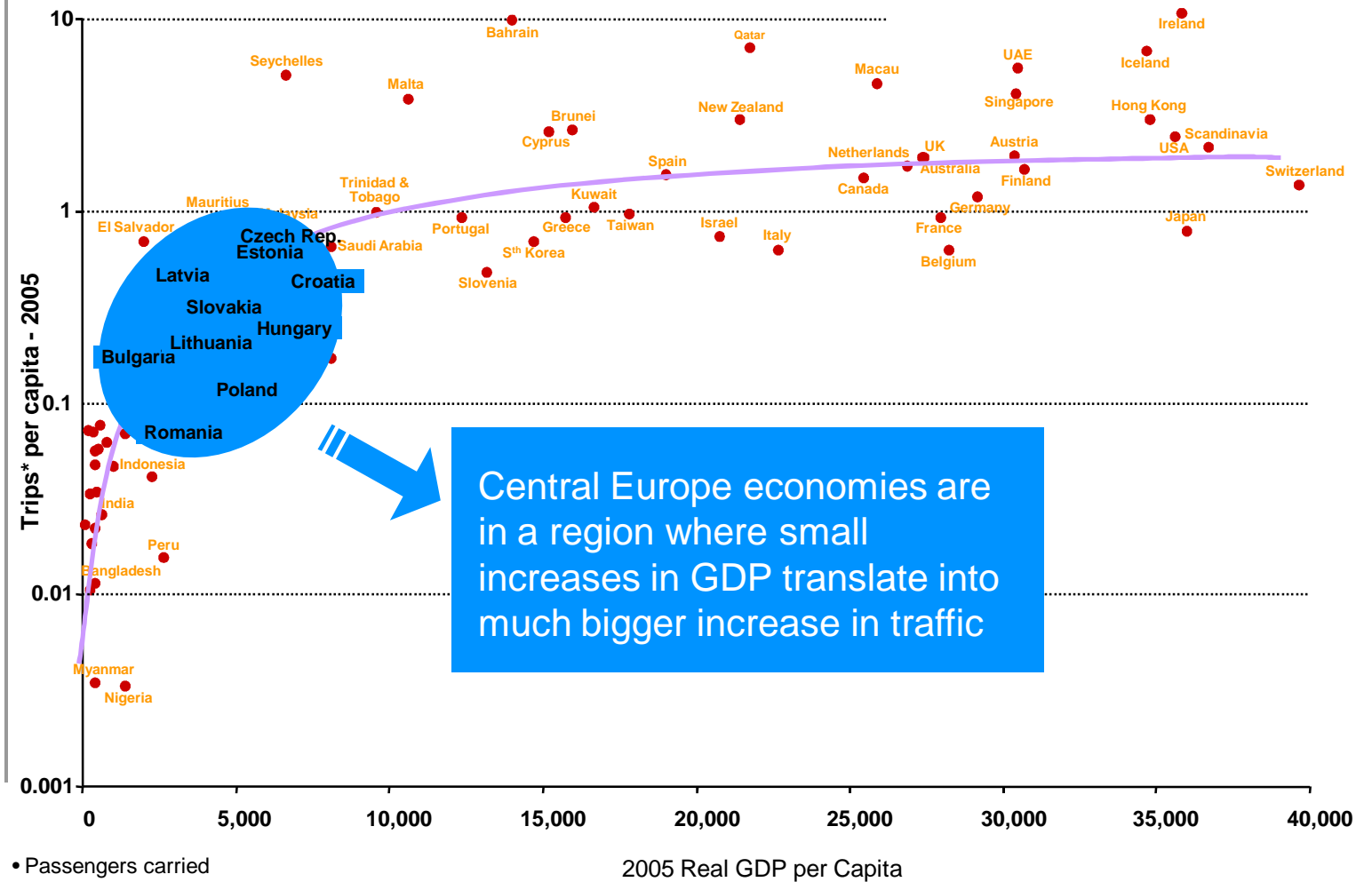
Total EBITDA  
up by 1.105  
million ISK

### EBITDA Development by subsidiary From Q2 2007





# LARGE POTENTIAL FOR INCREASE IN TRAVEL



• Passengers carried by airlines domiciled in the country  
 Note: GDP In 1997 US\$  
 Source: ICAO, Global Insight, Airbus



CENTRAL  
EUROPE IS A  
GROWING  
MARKET:



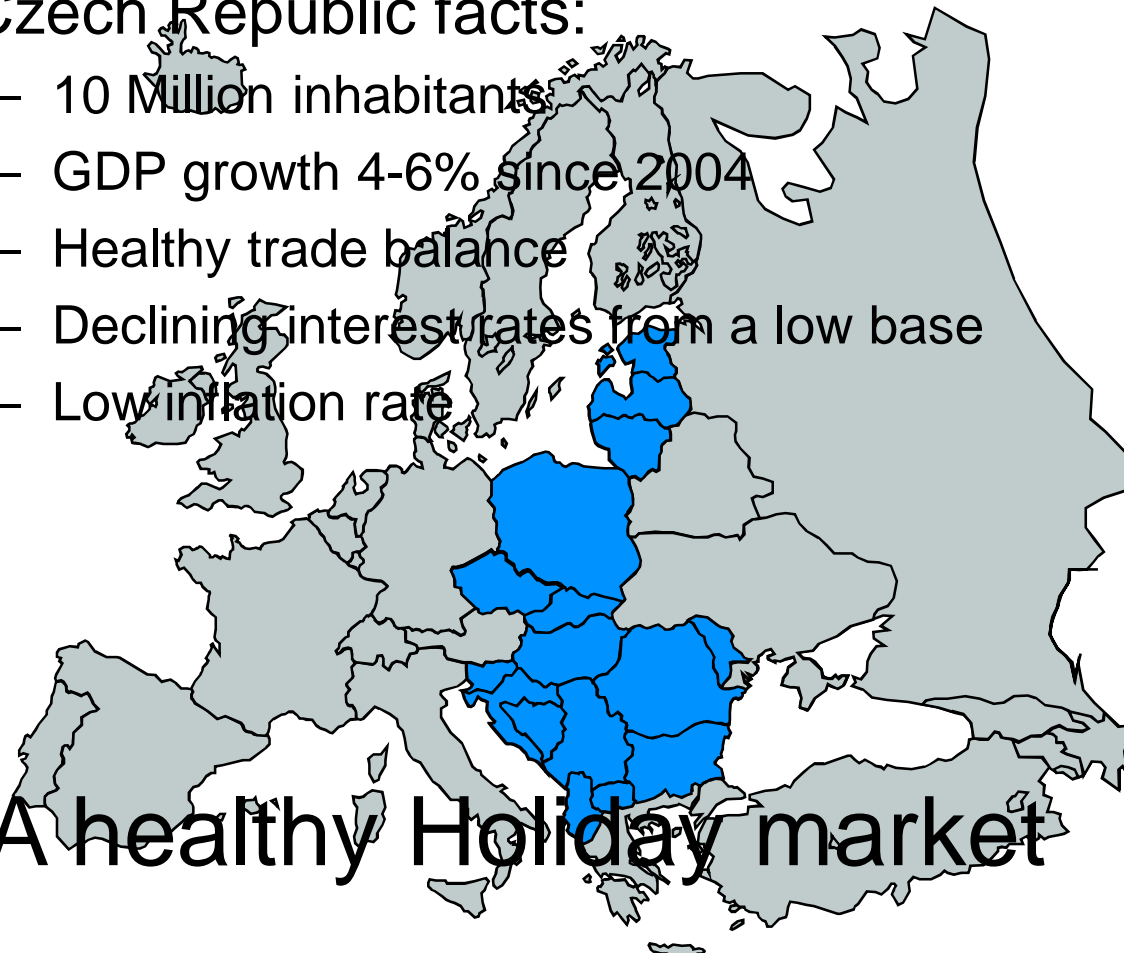
>20% OF  
EUROPE'S  
POPULATION

STRONG GDP  
GROWTH

- Czech Republic facts:

- 10 Million inhabitants
- GDP growth 4-6% since 2004
- Healthy trade balance
- Declining interest rates from a low base
- Low inflation rate

= A healthy Holiday market

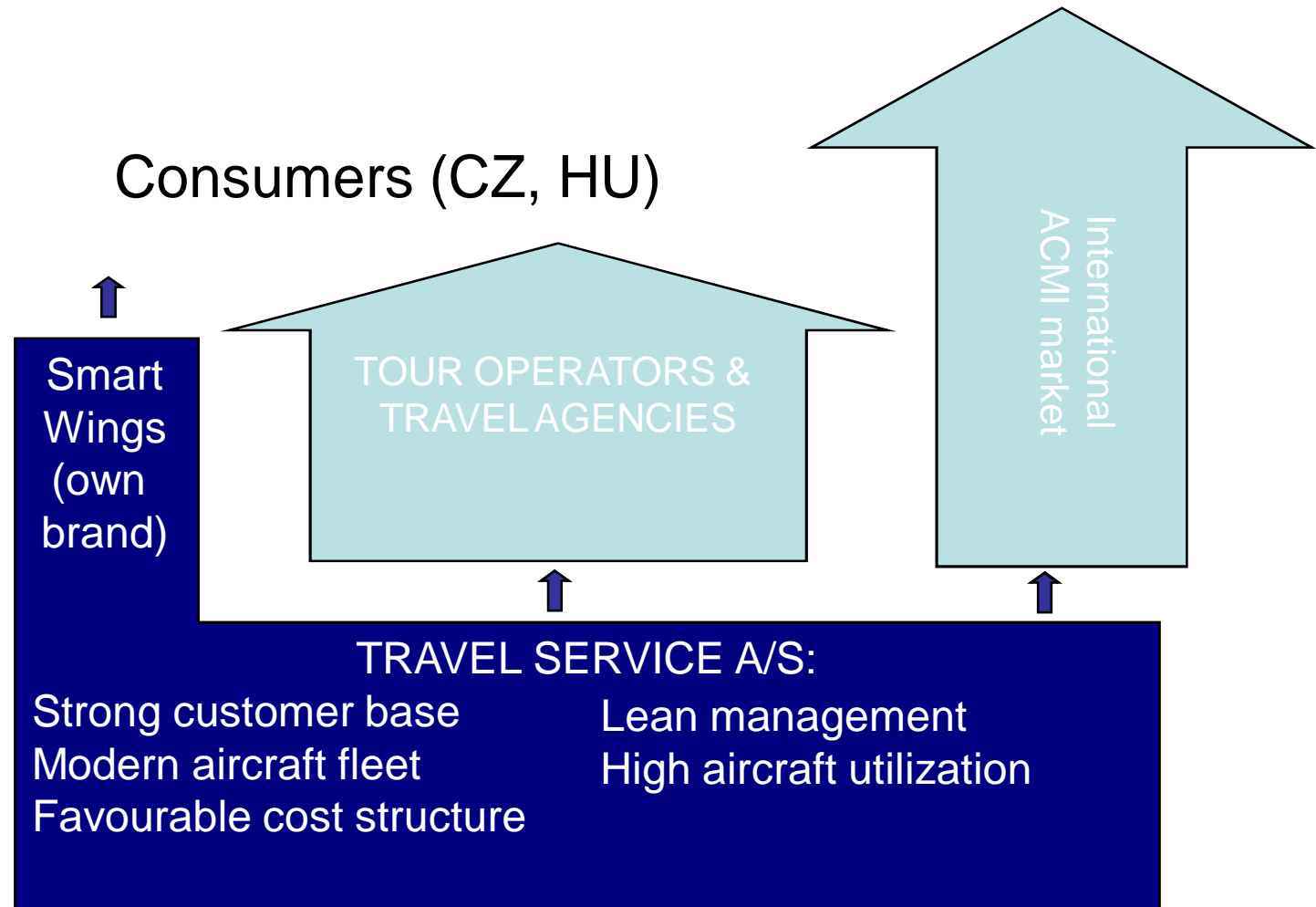


A SUSTAIN-  
ABLE  
BUSINESS  
MODEL



BASIC FACTS:  
600 EMPLOYEES  
12 BOEING 737  
AIRCRAFT

ORDERBOOK:  
2 BOEING 737  
1 BOEING 787



## FINANCIAL INCOME AND EXPENSES

ISK'000.000			
	Q2 08	Q2 07	Diff.
Interest income	102	76	26
Interest expenses	-808	-597	-211
Currency effect	30	89	119
Gain from sale of derivatives	303		
<b>Net finance cost</b>	<b>-373</b>	<b>-432</b>	<b>59</b>

ISK'000.000			
	H1 08	H1 07	Diff.
Interest income	192	122	70
Interest expenses	-1.671	-1.297	-374
Currency effect	436	-26	410
Gain from sale of derivatives	303		303
<b>Net finance cost</b>	<b>-740</b>	<b>-1.201</b>	<b>461</b>

### Financial income

Increased cash balance  
Higher interest rates

### Currency effect

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

### Financial expenses

Higher market interest rates and margins  
Higher debt due to purchase of TS  
Higher average interest bearing debt due to  
weakening of ISK

## CASH FLOW

ISK'000.000		
	H1 08	H1 07
Working capital from (to) operations	1.365	-1.681
Net cash from operating activities	7.619	3.585
Net cash from (used in) investing activities	-2.354	-1.270
Net cash (used in) from financing activities	-1.485	-801
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3.780</b>	<b>1.514</b>
Effect of exchange rate fluctuations on cash held	513	-104
Cash and cash equivalents at 1 January	2.006	2.776
<b>Cash and cash equivalents at 30 June</b>	<b>6.299</b>	<b>4.186</b>

## BALANCE SHEET

ISK'000.000

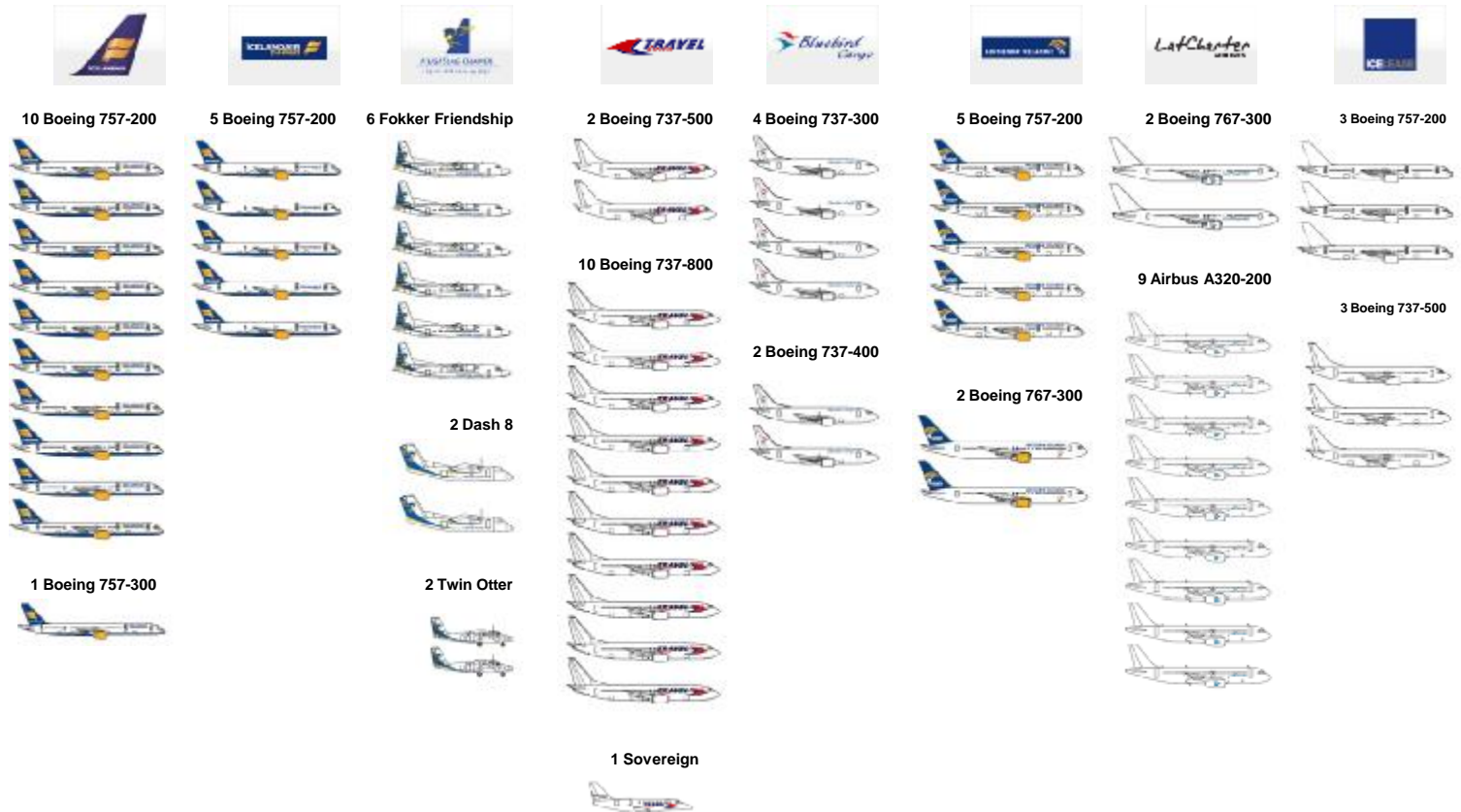
	30.6.2008	31/12/07	Diff.
Operating Assets	27.762	22.832	4.930
Working Capital			
Ratio 0,56			
Intangible assets	31.351	26.846	4.505
Investment in associates	938	2.335	-1.397
Aircraft purchase prepayments	2.188	249	1.939
Long-term receivables	3.909	1.788	2.121
Equity Ratio 30%			
Cash and cash equivalents	6.299	2.006	4.293
Other current assets	17.377	10.704	6.673
<b>Total assets</b>	<b>89.824</b>	<b>66.760</b>	<b>23.064</b>
Stockholders equity	27.271	25.033	2.238
Total non-current liabilities	20.275	14.174	6.101
Total current liabilities	42.278	27.553	14.725
<b>Total equity and liabilities</b>	<b>89.824</b>	<b>66.760</b>	<b>23.064</b>

## AGENDA

- Q2/H1 Group Results
- New Group Structure
- Q2/H1 Business Segment Results and Financial effects
- **Main Currents and Highlights in Q2/H1**
- Outlook

# ICELANDAIR GROUP FLEET

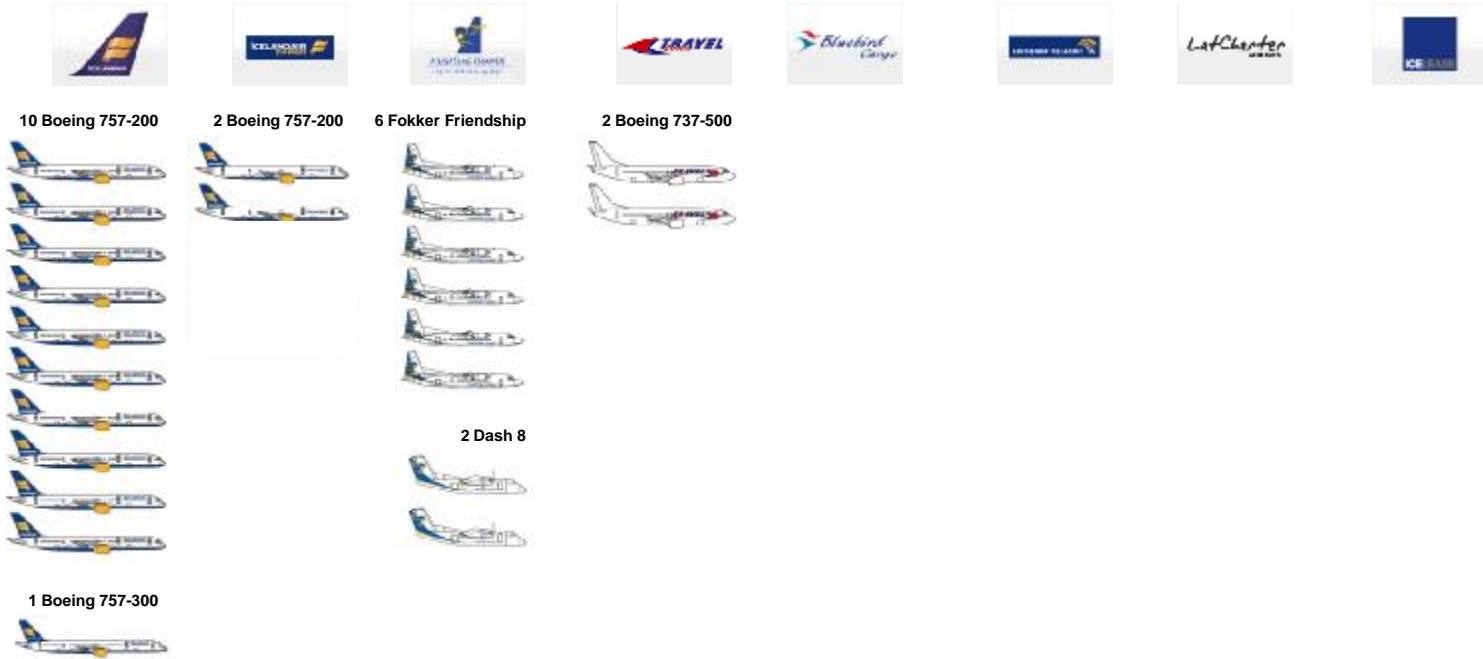
TOTAL  
NUMBER OF  
AIRCRAFT: 69



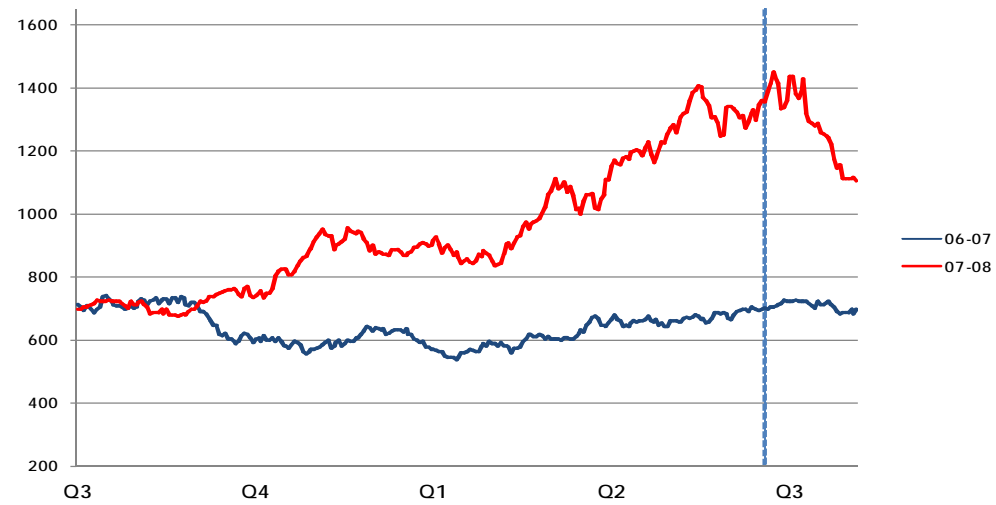
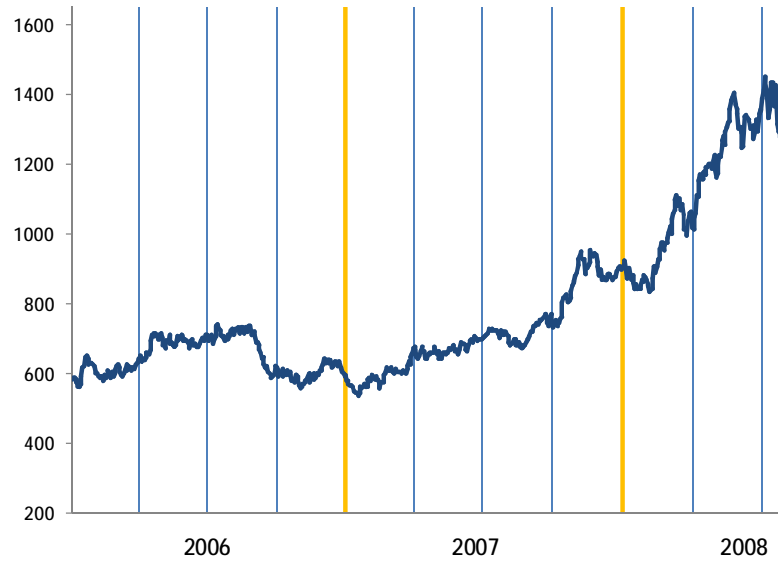


# ICELANDAIR GROUP FLEET

## FUEL RISK EXPOSURE

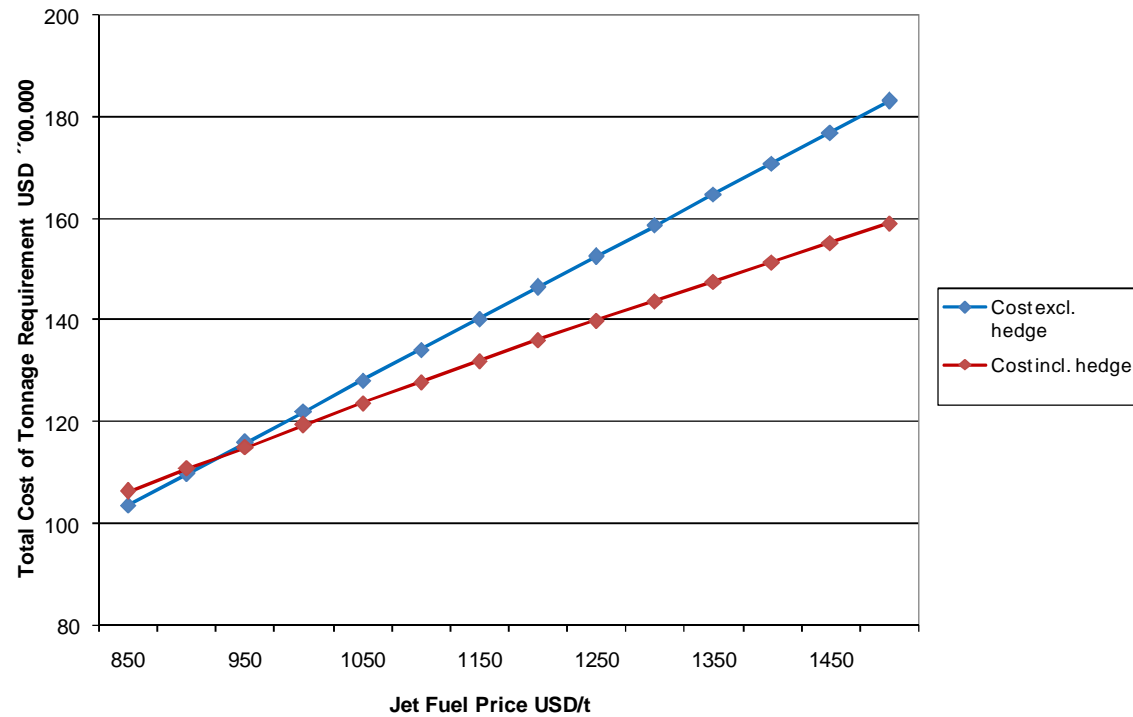


# JET FUEL PRICE DEVELOPMENT BY QUARTER



HEDGING  
POSITION  
ICELANDAIR  
AND AIR  
ICELAND

Jet Fuel Hedge Jul 2008 - Jun 2009



Figures in tonnes	Q308	Q408	Q109	Q209
Predicted fuel consumption (ton)	45.604	27.556	21.729	31.085
Hedge (ton)	27.154	13.793	11.000	5.000
Hedge ratio	60%	50%	51%	16%
Limited cover	22%	7%	0%	0%
Unlimited	78%	93%	100%	100%
Total	100%	100%	100%	100%

## ICELANDAIR CHANGES



- New management took charge at Icelandair in May
- Icelandair and Icelandair Ground Services announced production changes in June in order to cut cost and laid off 330 employees – effective H2
- Supply this coming winter will be down by 14% in anticipation of less demand
- Further changes will be implemented, aimed at revenue enhancement
- Tight control and cost focus in order to reach profitability in a very tough economic environment

## TOUR OPERATING BUSINESS



- VITA, a new brand for the Icelandic outgoing tourism market formed in July.
- Based on In-house knowhow and existing infrastructure
- Minimum risk start up and operation
- Supported by Icelandair frequent flyer club, brand recognition and market position



## AGENDA

- Q2/H1 Group Results
- New Group Structure
- Q2/H1 Business Segment Results and Financial effects
- Main Currents and Highlights in Q2/H1
- **Outlook**

## OUTLOOK

- 2008 will be a tough year, but Icelandair Group has the flexibility and staff dedication to show positive results.
- New look Icelandair Group, with diverse world wide operation, will be dynamic and opportunistic in a threatening environment.
- The increasing strength of Central Europe's economy will continue to be the focus of Icelandair Group's growth strategy
- Operational plans implemented in all companies to tackle cost and revenue issues, due to economic slowdown and high fuel prices
- Profitable Icelandair operation in 2008 despite continued tough business environment. Less demand met by less production.
- Contract backlog in Capacity Solutions is good for the full year.

## Q & A

