

ICELANDAIR
GROUP



Q3 RESULTS

BJÖRGÓLFUR JÓHANNSSON
PRESIDENT & CEO

KEY POINTS

Improved results from last year

Diversity and flexibility are key success factors

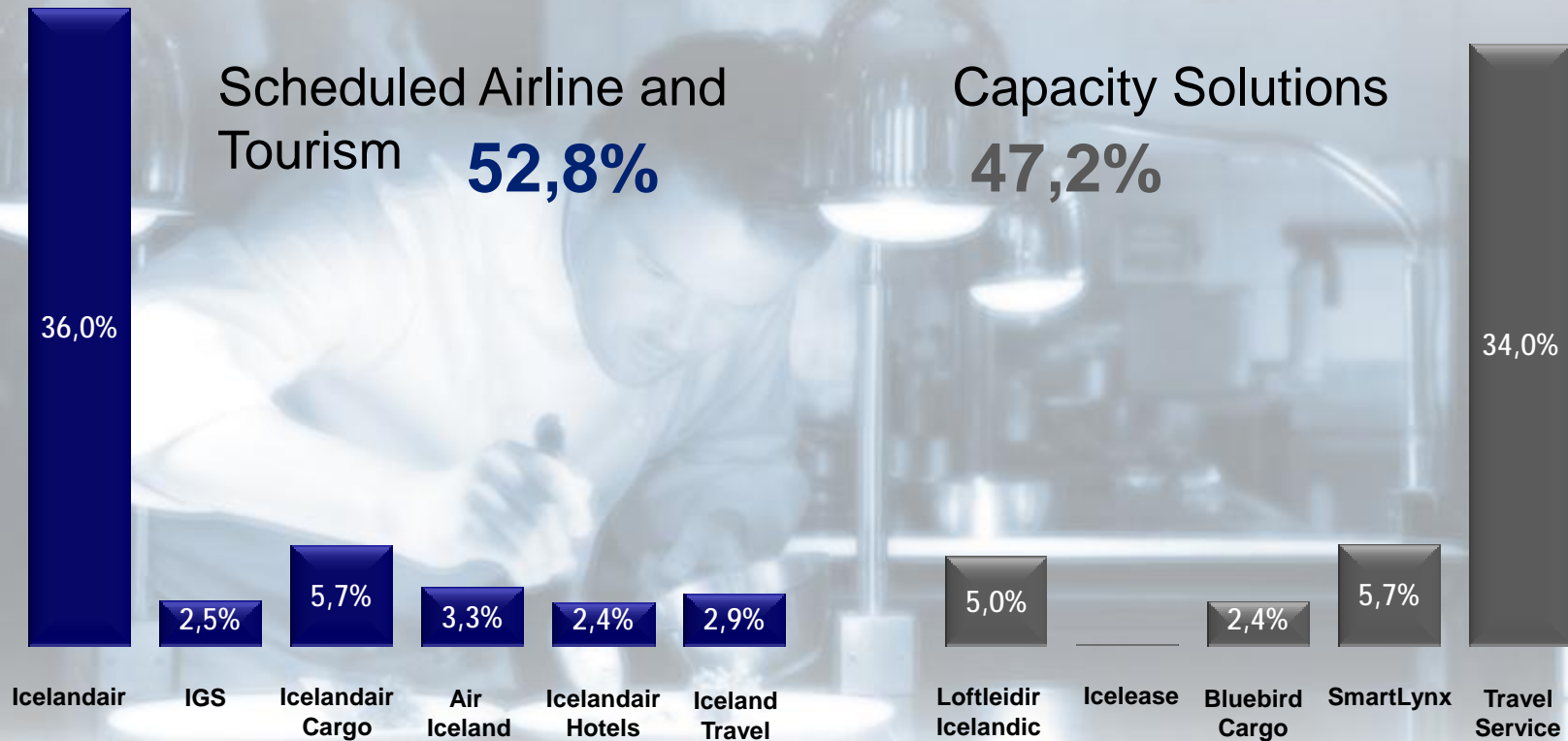
Solid foundations in a volatile business environment

ICELANDAIR GROUP COMPANIES



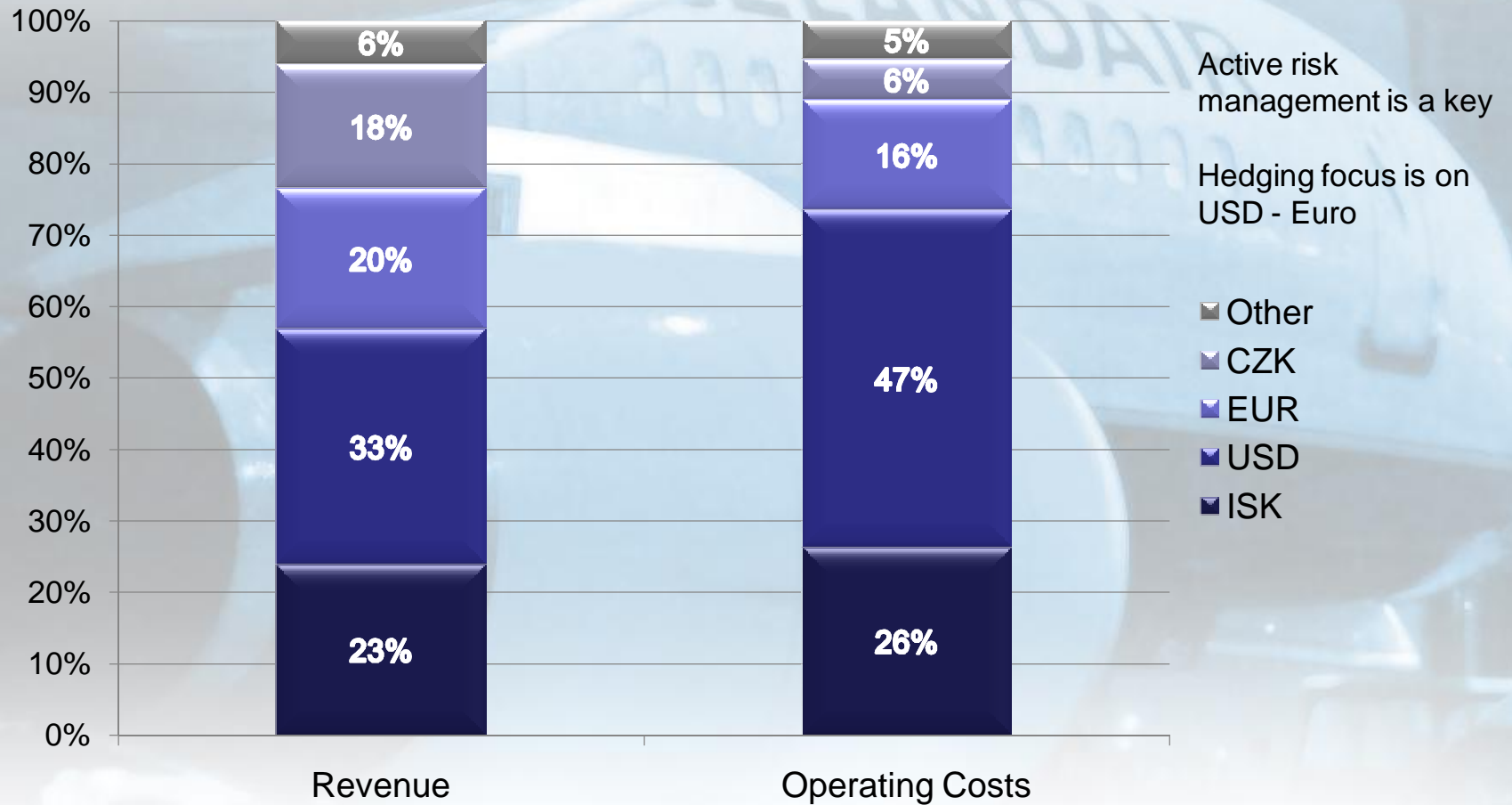
GROUP DYNAMICS

REVENUE DISTRIBUTION Q3 BY SEGMENTS AND COMPANIES



CURRENCY BREAKDOWN

PRE HEDGE FORECAST 2008



REVENUE DISTRIBUTION BY WORLD REGION

FORECAST 08



JET FUEL PRICE DEVELOPMENT

USD PER TON



Q3 FINANCIAL STATEMENTS

Q3 2008

ISK'000.000

	Q3 08	Q3 07	Diff
Transport revenue.....	17.409	11.994	45%
Aircraft and aircrew lease.....	19.441	4.615	321%
Other.....	4.615	3.429	35%
Operating Income.....	41.465	20.038	107%
Salaries and related expenses.....	6.455	4.672	38%
Aircraft fuel.....	9.977	3.039	228%
Aircraft and aircrew lease.....	3.788	2.297	65%
Aircraft servicing, handling and communication.....	6.405	1.366	369%
Aircraft maintenance.....	3.528	1.384	155%
Other.....	5.129	3.559	44%
Operating Expenses.....	35.282	16.317	116%
EBITDA.....	6.183	3.721	66%
EBIT.....	5.108	2.843	80%
EBT.....	5.104	2.519	103%
Net Profit.....	4.385	2.061	113%
EBITDAR.....	8.805	5.289	66%

Ø Travel Service was incorporated Q2 2008. Travel Service aircraft and aircrew lease income in 3Q 08 total ISK13.120 million.

Ø The increase in fuel cost is mainly explained by the acquisition of Travel Service and 65% increase in the price of jet fuel.

9M 2008

ISK'000.000

	9M 08	9M 07	Diff
Transport revenue.....	36.390	27.995	30%
Aircraft and aircrew lease.....	37.526	10.978	242%
Other.....	10.513	9.161	15%
Operating Income.....	84.429	48.134	75%
Salaries and related expenses.....	17.689	14.603	21%
Aircraft fuel.....	19.137	7.299	162%
Aircraft and aircrew lease.....	10.023	5.398	86%
Aircraft servicing, handling and communication.....	11.153	3.307	237%
Aircraft maintenance.....	7.347	3.490	111%
Other.....	11.899	9.075	31%
Operating Expenses.....	77.248	43.172	79%
EBITDA.....	7.181	4.962	45%
EBIT.....	4.346	2.646	64%
EBT.....	3.678	1.248	195%
Net Profit.....	3.102	1.037	199%
EBITDAR.....	14.789	8.940	65%

Ø In 9M 07 profit from aircraft trading was ISK 1.2 billion, none this year

Ø Travel Service was incorporated from Q2 2008. Travel Service aircraft and aircrew lease income in 9M 08 total ISK 20.184 million.

Ø The increase in fuel cost is mainly explained by the acquisition of Travel Service and 71% increase in the market price of jet fuel.

PRO FORMA Q3

TRAVEL SERVICE FIGURES INCLUDED IN 07

ISK'000.000	ACTUALS	PROFORMA	Diff
	Q3 08	Q3 07	
Transport revenue.....	17.409	12.847	36%
Aircraft and aircrew lease.....	19.441	10.707	82%
Other.....	4.615	3.957	17%
Operating Income.....	41.465	27.511	51%
Salaries and related expenses.....	6.455	5.063	27%
Aircraft fuel.....	9.977	4.743	110%
Aircraft and aircrew lease.....	3.788	3.376	12%
Aircraft servicing, handling and communication.....	6.405	3.627	77%
Aircraft maintenance.....	3.528	1.892	86%
Other.....	5.129	4.383	17%
Operating Expenses.....	35.282	23.084	53%
EBITDA.....	6.183	4.427	40%
EBIT.....	5.108	3.539	44%
EBT.....	5.104	3.264	56%
Net Profit.....	4.385	2.657	65%

Ø Results show strong organic growth and profits

PRO FORMA 9M

TRAVEL SERVICE FIGURES INCLUDED IN 07

ISK'000.000	ACTUALS		PROFORMA	Diff
	9M 08	9M 07	9M 07	
Transport revenue.....	36.390	29.742	29.742	22%
Aircraft and aircrew lease.....	37.526	21.408	21.408	75%
Other.....	10.513	9.906	9.906	6%
Operating Income.....	84.429	61.056	61.056	38%
Salaries and related expenses.....	17.689	15.365	15.365	15%
Aircraft fuel.....	19.137	10.020	10.020	91%
Aircraft and aircrew lease.....	10.023	7.201	7.201	39%
Aircraft servicing, handling and communication.....	11.153	6.955	6.955	60%
Aircraft maintenance.....	7.347	4.448	4.448	65%
Other.....	11.899	10.295	10.295	16%
Operating Expenses.....	77.248	54.284	54.284	42%
EBITDA.....	7.181	6.772	6.772	6%
EBIT.....	4.346	4.437	4.437	-2%
EBT.....	3.678	3.045	3.045	21%
Net Profit.....	3.102	2.475	2.475	25%

Ø Results show strong organic growth and profits



BALANCE SHEET

ISK'000.000

	30.9.2008	31.12.2007	Diff.
Operating Assets.....	34.341	22.832	11.509
Intangible assets.....	34.472	26.846	7.626
Investment in associates.....	828	2.335	-1.507
Aircraft purchase prepayments.....	2.857	249	2.608
Long-term receivables	4.781	1.788	2.993
Cash and cash equivalents.....	7.417	2.006	5.411
Other assets.....	16.796	10.704	6.092
Total assets.....	101.492	66.760	34.732
Stockholders equity.....	33.578	25.033	8.545
Total non-current liabilities.....	23.685	14.174	9.511
Total current liabilities.....	44.229	27.553	16.676
Total equity and liabilities.....	101.492	66.760	34.732

Ø Increased assets mostly due to the incorporation of Travel Service and exchange rate effects.

	30.09.08	31.12.07
Equity ratio	33,1%	37,5%
Current ratio	0,55	0,46
Net interest bearing debt	27.801	23.092

CASH FLOW

ISK'000.000

	9M 08	9M 07
Working capital from operations.....	8.131	2.054
Net cash from operating activities.....	9.318	3.924
Net cash used in investing activities.....	-3.245	-2.369
Net cash used in financing activities.....	-2.106	-463
Increase in cash and cash equivalents.....	3.967	1.092
Effect of exchange rate fluctuations on cash held.....	1.444	-106
Cash and cash equivalents at 1 January.....	2.006	2.776
Cash and cash equivalents at 30 September.....	7.417	3.762



FINANCIAL INCOME AND EXPENSES

ISK '000.000

	Q3 08	Q3 07	Diff.
Interest income.....	122	101	21
Interest expenses.....	-844	-525	-319
Currency effect.....	673	52	621
Net finance cost.....	-49	-372	323

ISK '000.000

	9M 08	9M 07	Diff.
Interest income.....	311	223	88
Interest expenses.....	-2.515	-1.822	-693
Currency effect.....	1.109	26	1.135
Gain from sale of derivatives.....	306	0	306
Net finance cost.....	-789	-1.573	784

Ø Financial income

- Increased cash balance
- Higher interest rates

Ø Financial expenses

- Higher market interest rates and margins
- Higher debt due to acquisition of Travel Service
- Higher average interest bearing debt due to weakening of ISK

Ø Currency effect

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



OUTLOOK

- ▶ In the present economic situation the future outlook is uncertain
- ▶ Sustained liquidity is a key focus point of the Group's operations
- ▶ Due to the sudden economic downturn, plans have been implemented in all companies to tackle cost and revenue issues
- ▶ We are alert to opportunities in a volatile environment
- ▶ Diversity, flexibility and bottom-line focus will get us through the current turmoil



SUMMARY

Good Q3

- ▶ 107% revenue growth
- ▶ 113% profit growth
- ▶ Fuel prices still high
- ▶ Icelandair adapts further to transformed environment

First 9 months improved

- ▶ Travel Service generating good revenue and profits
- ▶ Healthy organic growth
- ▶ Improved cash generation

Balance sheet

- ▶ Improved cash position
- ▶ Assets growth 52% from year end 2007

Q&A

BJÖRGÓLFUR JÓHANNSSON
PRESIDENT & CEO

BOGI NILS BOGASON
CFO

SIGÞÓR EINARSSON
DEPUTY CEO

BIRKIR HÓLM GUÐNASON
CEO ICELANDAIR

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