

**ICELANDAIR**  
GROUP



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## 2008 RESULTS

BJÖRGÓLFUR JÓHANSSON  
PRESIDENT & CEO

## KEY POINTS 2008

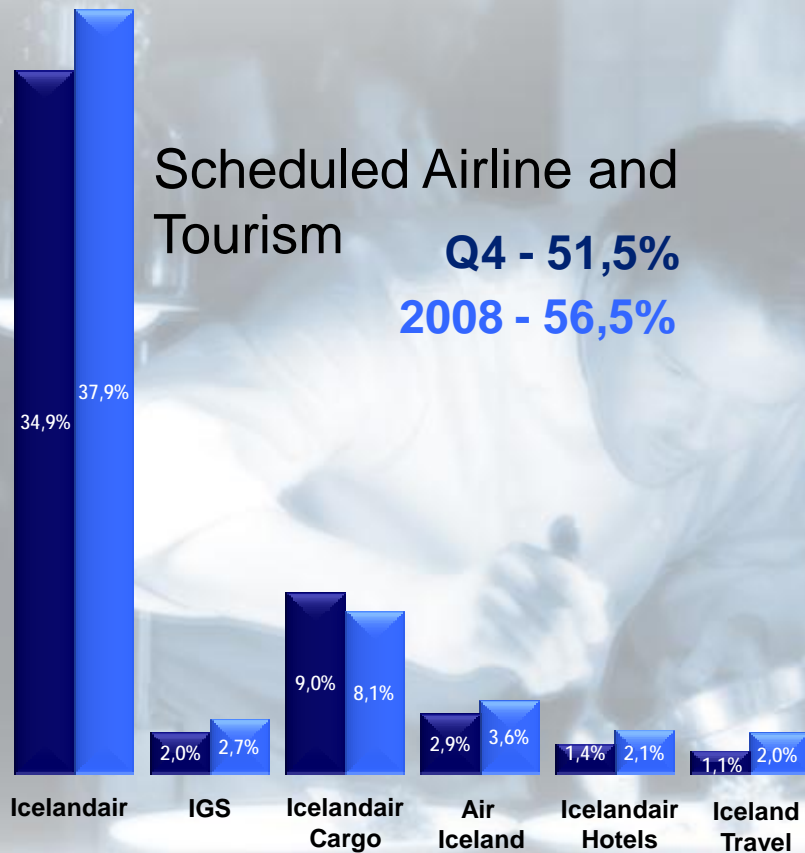
- Group revenue 112.7 billion ISK, an increase of 78% which is mostly due to the acquisition of Travel Service and currency effects
- EBITDA 4.8 billion ISK, compared to 5.5 billion ISK in 2007, which included 1.8 billion ISK in gain from sales of aircraft
- Impairment of intangible assets amounted to 6.4 billion ISK
- After tax loss 7.5 billion ISK compared to 0.3 billion ISK profit in 2007
- High fuel prices and less international demand affected operations
- The sudden economic downturn dominated Q4
- Drastic cost cutting measures implemented within the Group

# ICELANDAIR GROUP COMPANIES



# GROUP DYNAMICS

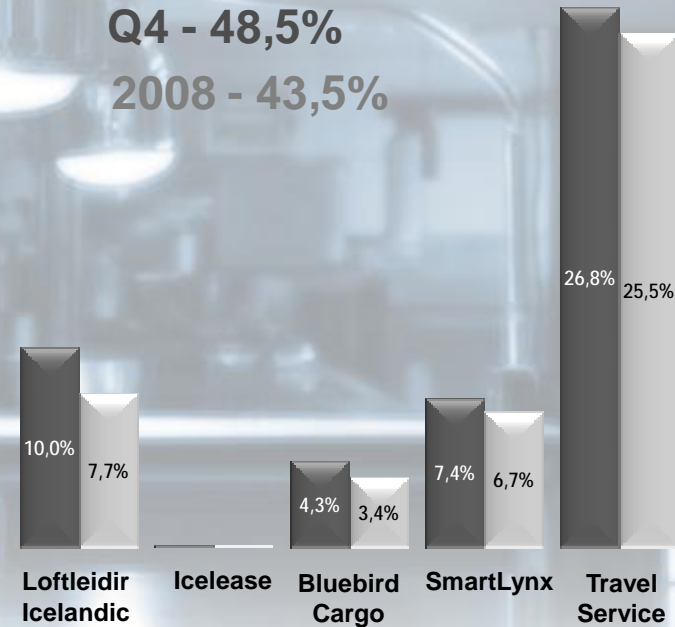
## REVENUE DISTRIBUTION Q4/2008 BY SEGMENTS AND COMPANIES



### Capacity Solutions

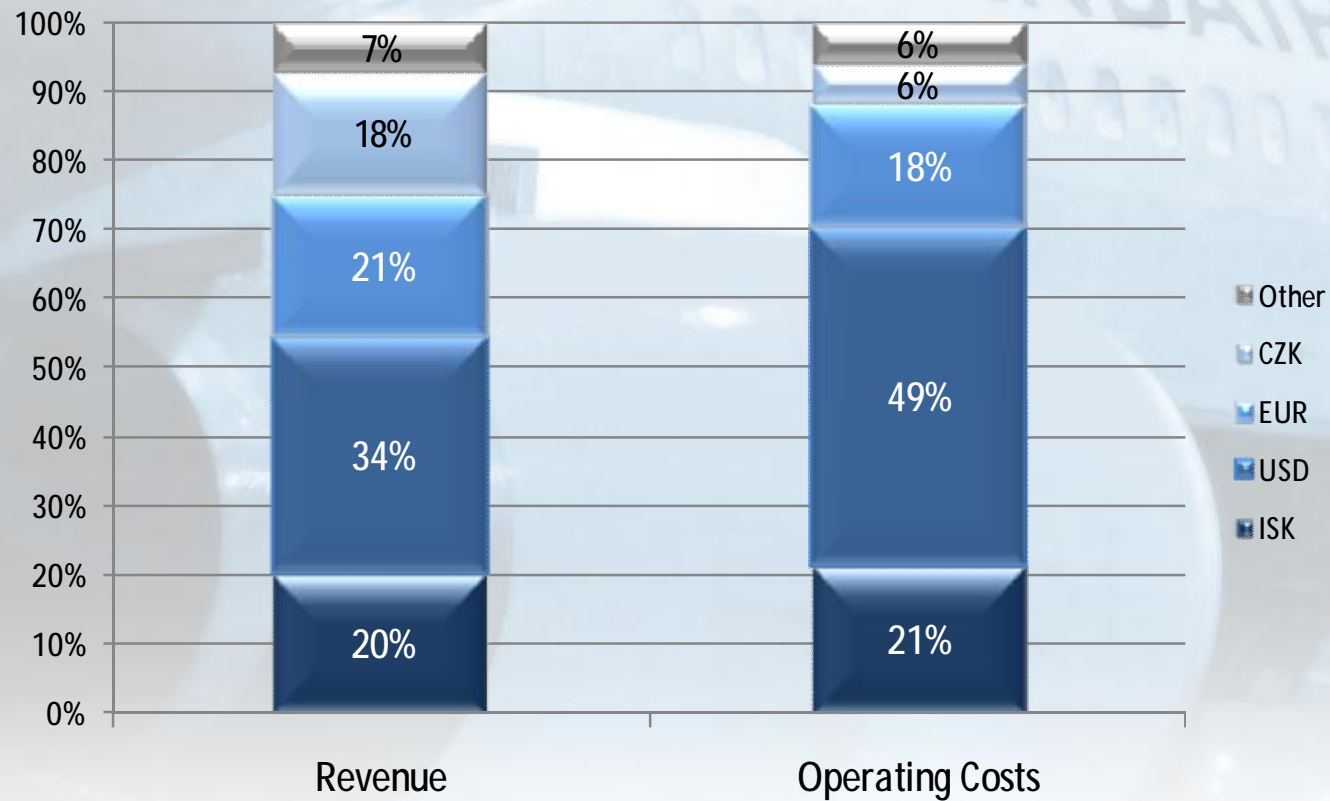
**Q4 - 48,5%**

**2008 - 43,5%**



# CURRENCY BREAKDOWN

PRE HEDGE 2008



# REVENUE DISTRIBUTION BY WORLD REGION

2008

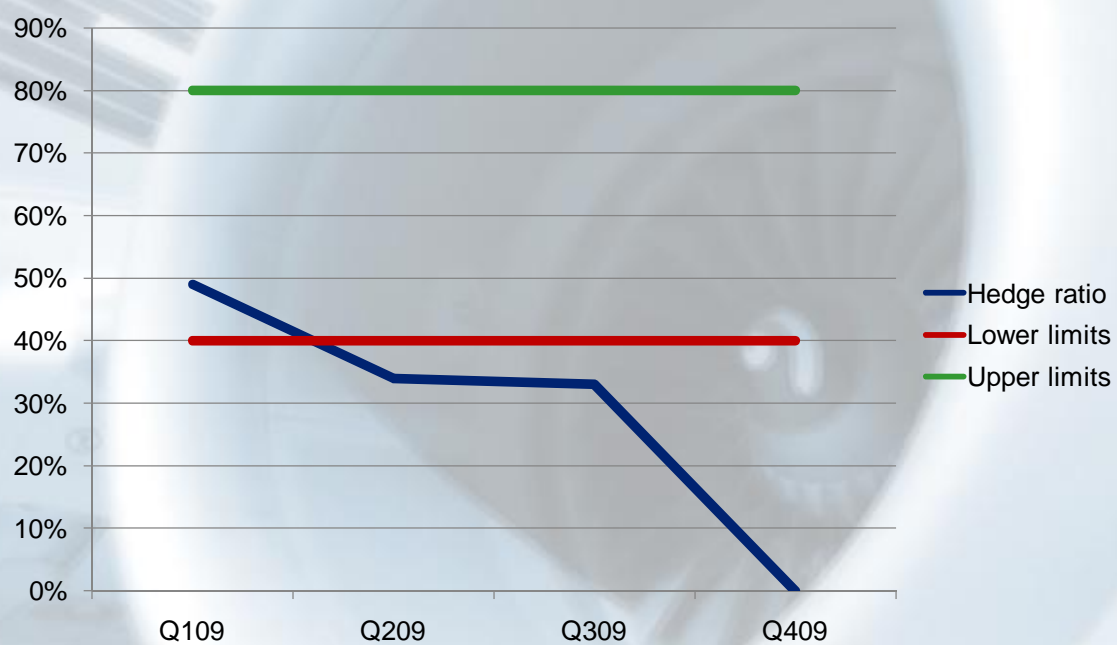


# JET FUEL PRICE DEVELOPMENT

USD PER TON



## JET FUEL HEDGING – SCHEDULED SERVICES



In tons					Total MTM	
	Q109	Q209	Q309	Q409	Total volume	In m. USD
Hedge (Scheduled services)	11.600	11.600	14.600	0	37.800	-20
Hedge ratio	49%	34%	33%	0%	31%	
Hedge (Charter services)	7.500	11.000	16.500	2.000	37.000	-27



# FINANCIAL STATEMENTS

## Q4 2008

ISK'000.000

	Q4 08	Q4 07
Operating Income.....	28.310	15.343
EBITDA.....	-2.333	515
Impairment and Depreciation.....	-7.702	-824
EBIT.....	-10.035	-309
EBT.....	<u>-10.503</u>	<u>-1.119</u>
Net Loss.....	<u><u>-10.570</u></u>	<u><u>-780</u></u>
EBITDAR.....	2.377	2.116

Travel Service was incorporated Q2 2008. Travel Service operating income in Q4 08 total ISK 8.097 million.

	2008	2007
Aircraft fuel	6.750	2.470

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## 2008

ISK '000.000

	2008	2007
Operating Income.....	112.739	63.477
EBITDA.....	4.848	5.477
Impairment and Depreciation.....	-10.537	-3.140
EBIT.....	-5.689	2.337
EBT.....	<u>-6.825</u>	<u>129</u>
Net Profit/Loss.....	<u><u>-7.468</u></u>	<u><u>257</u></u>
EBITDAR.....	17.166	11.056

Travel Service was incorporated Q2 2008. Travel Service operating income in 2008 total ISK 33.2 billion

	2008	2007
Aircraft fuel	25.887	9.769

In 2007 profit from aircraft trading was ISK 1.8 billion. Compared to ISK 0.2 billion in 2008

# PRO FORMA Q4

TRAVEL SERVICE FIGURES INCLUDED IN 07

ISK'000.000	ACTUALS Q4 08	PROFORMA Q4 07
Operating Income.....	28.310	18.723
EBITDA.....	-2.333	-222
Impairment and Depreciation.....	-7.702	-836
EBIT.....	-10.035	-1.058
EBT.....	-10.503	-1.716
Net Loss.....	-10.570	-1.213
EBITDAR.....	2.377	2.351

# PRO FORMA 2008

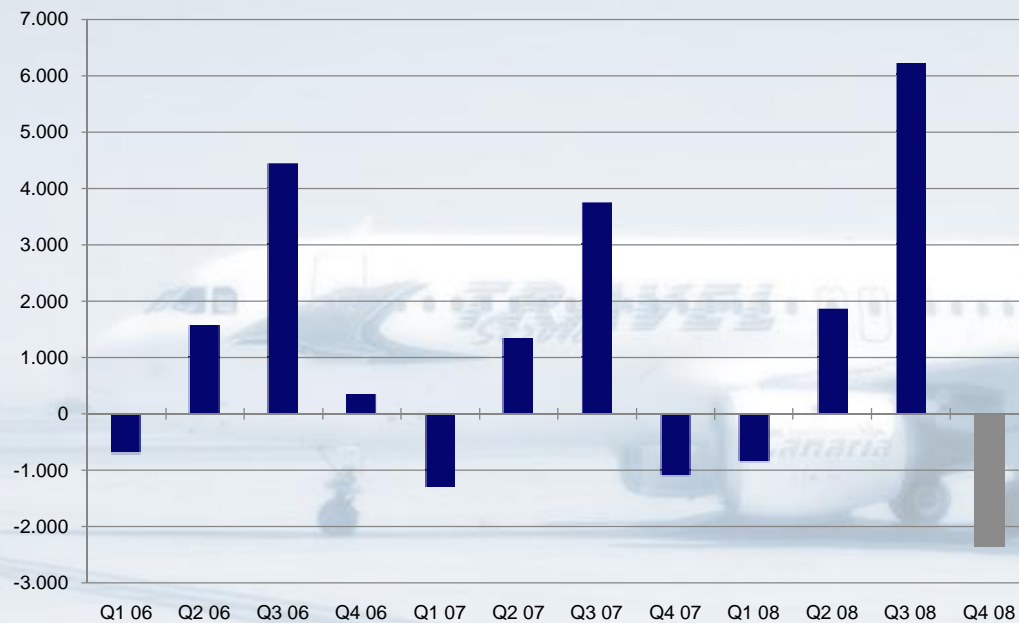
TRAVEL SERVICE FIGURES INCLUDED IN 07

ISK'000.000	ACTUALS	PROFORMA	
	2008	2007	
Operating Income.....	112.739	79.779	
EBITDA.....	4.848	6.550	
Impairment and Depreciation.....	-10.537	-3.171	In 2007 profit from aircraft trading was ISK 1.8 billion
EBIT.....	-5.689	3.379	
EBT.....	-6.825	1.329	Aircraft fuel
Net Profit/Loss.....	-7.468	1.262	2008 2007 25.887 13.470
EBITDAR.....	17.166	13.807	

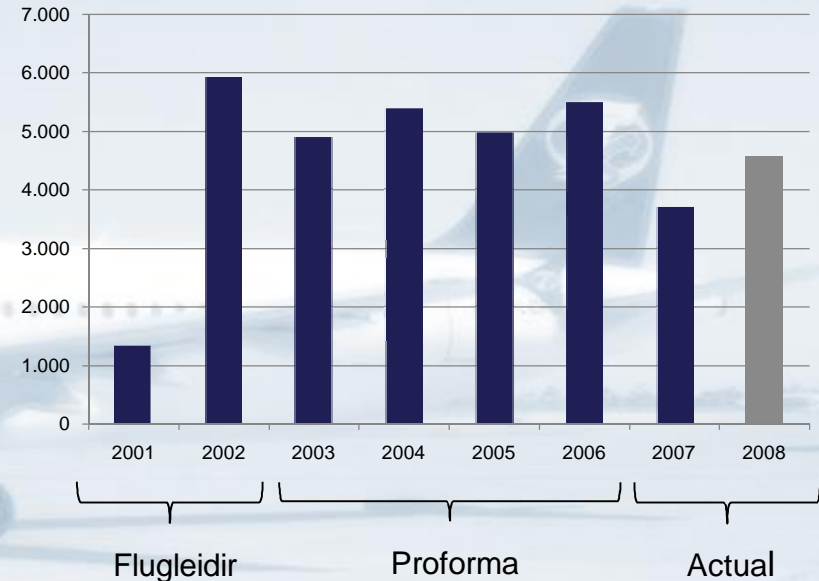


# EBITDA COMPARISON

ADJUSTED FOR GAIN ON SALE OF FIXED ASSETS



EBITDA by Quarters, EBITDA in Q408 -2.3 billion ISK



EBITDA by Years, EBITDA in 2008 4.6 billion ISK

## BALANCE SHEET

ISK'000.000

	31.12.2008	31.12.2007		31.12.08	31.12.07
Operating Assets.....	36.798	22.832			
Intangible assets.....	29.306	26.846			
Investment in associates.....	1.008	2.335			
Aircraft purchase prepayments.....	4.226	249			
Long-term receivables .....	6.054	1.788	Equity ratio	20,3%	37,5%
Cash and cash equivalents.....	4.065	2.006	Current ratio	0,40	0,46
Other assets.....	17.373	10.704	Net interest bearing debt	39.570	23.092
<b>Total assets.....</b>	<b>98.830</b>	<b>66.760</b>			
Stockholders equity.....	20.080	25.033			
Total non-current liabilities.....	25.112	14.174			
Total current liabilities.....	53.638	27.553			
<b>Total equity and liabilities.....</b>	<b>98.830</b>	<b>66.760</b>			

## CASH FLOW

ISK'000.000

	2008	2007	
Working capital from operations.....	2.911	1.495	
Net cash from operating activities.....	2.938	3.889	New seats and entertainment systems for Icelandair's aircraft 1.7 billion
Net cash used in investing activities.....	-5.580	-5.461	
Net cash from financing activities.....	2.892	853	Investments in engine hours 1.0 billion
<b>Increase in cash and cash equivalents.....</b>	<b>250</b>	<b>-719</b>	
Effect of exchange rate fluctuations on cash held.....	1.809	-51	Advance payments in connection with aircraft purchases 2.2 billion
Cash and cash equivalents at 1 January.....	2.006	2.776	
<b>Cash and cash equivalents at 31 December.....</b>	<b>4.065</b>	<b>2.006</b>	



## FINANCIAL INCOME AND EXPENSES

ISK'000.000

	Q4 08	Q4 07
Interest income.....	-128	116
Interest expenses.....	-1.182	-723
Currency effect.....	615	31
Gain from sale of derivatives.....	170	0
<b>Net finance cost.....</b>	<b>-525</b>	<b>-576</b>

### Financial expenses

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

ISK'000.000

	2008	2007
Interest income.....	183	339
Interest expenses.....	-3.697	-2.545
Currency effect.....	1.724	57
Gain from sale of derivatives.....	476	0
<b>Net finance cost.....</b>	<b>-1.314</b>	<b>-2.149</b>

### Currency effect

Translation gain due to weakening of ISK



# OUTLOOK 2009

## CHALLENGING OUTLOOK FOR 2009

### **Icelandair**

- Less demand in the FROM market,
- Opportunities in VIA and TO markets
- Capacity cut to increase load factor and unit revenue

### **Capacity solutions**

- Loftleidir Icelandic has 83% of its 2009 capacity already contracted
- Economical downturn in Central and Eastern Europe affects Travel Service
- Drastic management and operational changes in SmartLynx

### **Other tourism**

- Air Iceland cuts capacity to meet less demand, growth in Greenland
- Icelandair Hotels and Iceland Travel gain from increase in the TO market
- Slow start but good utilization for VITA holiday tours

### **Cargo business**

- Big cost and efficiency measures taken
- Leaner operations improve profitability
- Huge fall in imports but export will remain strong

## CHALLENGING OUTLOOK FOR 2009

### Icelandair Group

- All Group companies taking measures to adapt to volatile business environment
- Lower fuel prices
- Interest levels and currency fluctuations uncertain
- Improvements of the Group's debt maturity profile expected to be finalized within a few months
- First quarter 2009 loss making as in previous years
- Improvement in EBITDA margin for full year 2009 forecasted

# Q&A

BJÖRGÓLFUR JÓHANNSSON  
PRESIDENT & CEO

BOGI NILS BOGASON  
CFO

SIGPÓR EINARSSON  
DEPUTY CEO

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