



# ICELANDAIR GROUP hf.

Presentation of Q1 2010 Results

Björgólfur Jóhannsson – President and CEO of Icelandair Group | 5 May 2010

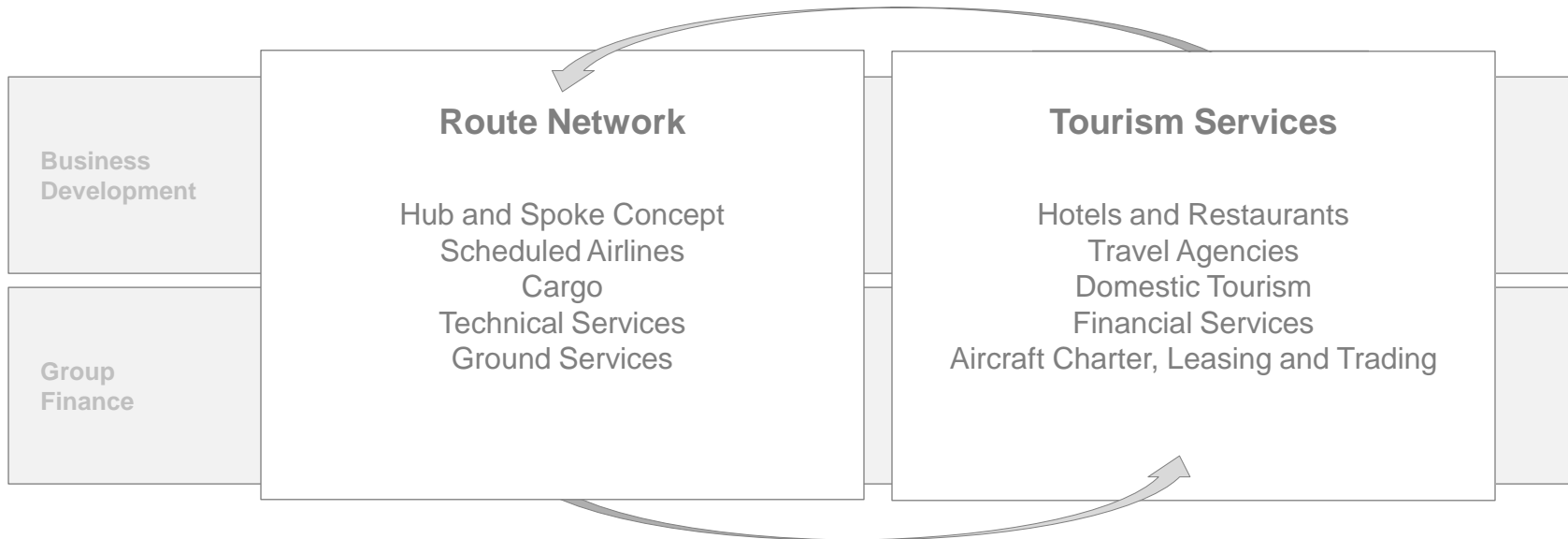


## AGENDA

- + About Icelandair Group
- + Icelandair Group: Q1 2010 Results
- + Outlook and Q&A

# Introducing a New Business Structure

- + Icelandair Group is an operational company with focus on international route network and tourism.
- + Icelandair Group comprises two business segments. Both segments are inter-related and support each other, both through revenue generation and in cost-sharing



- + The Group is moving from being a holding company and has redefined itself as an operating company with subsidiaries focused on the international airline and tourism sectors. This marks a strategic shift for the Group going forward.
- + Icelandair is by far the largest contributor to the Group, representing around 55% of total revenues.



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# Overview of Q1 Results

- + Icelandair Group is reporting a net loss of ISK 1.9 Bn in Q1 2010.
- + Main contributors to the loss are depreciation of ISK 1.3 Bn and net finance cost of ISK 0.7 Bn

Group Net Loss Q1 2010

**ISK 1.8 Bn**



- + Net loss from continuing operations amounted to ISK 1.5 Bn.
- + No write-offs were performed in the quarter.

Group Revenue Q1 2010

**ISK 16.2 Bn**



- + Total revenue increased by 16% from Q1 2009.
- + Transport revenue increased by 22% and amounted to ISK 8.7 Bn.

Group EBITDA Q1 2010

**ISK 0.2 Bn**



- + Q1 EBITDA improved by 208% as compared to Q1 2009.
- + Q1 EBITDA outperforms budget by ISK 788 million

Group EBITDAR Q1 2010

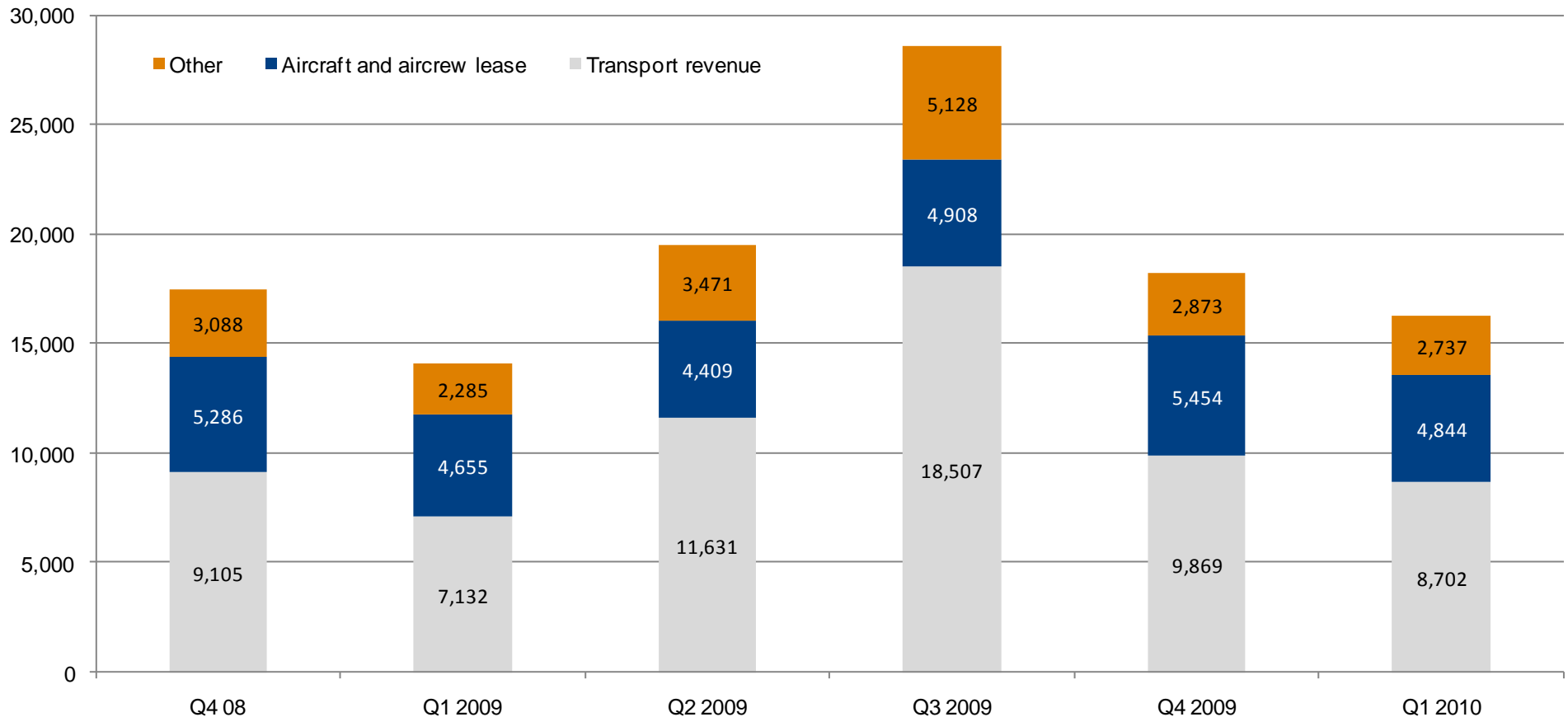
**ISK 2.2 Bn**



- + Q1 EBITDAR increased by ISK 328 million (18%) as compared to Q4 2008.

# Revenue Breakdown of Icelandair Group

+ Transport revenue increased by 22% and total revenue increased by 16% from Q1 2009



# Income Statement Q1 2010

## Financial Highlights of Q1 2010 and Q1 2009

	Q1 10	Q1 09	% Chg.
Transport revenue	8,702	7,132	22%
Aircraft and aircrew lease	4,844	4,655	4%
Other	2,737	2,285	20%
<b>Operating Income</b>	<b>16,283</b>	<b>14,072</b>	<b>16%</b>
Salaries and related expenses	4,503	4,236	6%
Aircraft fuel	2,671	1,981	35%
Aircraft and aircrew lease	2,850	2,678	6%
Aircraft servicing, handling and comm.	1,134	960	18%
Aircraft maintenance	1,564	1,302	20%
Other	3,382	2,857	18%
<b>EBITDA</b>	<b>178</b>	<b>58</b>	<b>208%</b>
<b>EBIT</b>	<b>-1,163</b>	<b>-1,085</b>	<b>7%</b>
<b>EBT from continuing operations</b>	<b>-1,836</b>	<b>-1,621</b>	<b>13%</b>
<b>Net Loss from continuing operations</b>	<b>-1,485</b>	<b>-1,382</b>	<b>7%</b>
<b>Loss from discontinuing operations</b>	<b>-400</b>	<b>-2,257</b>	<b>-82%</b>
<b>Loss for the year</b>	<b>-1,885</b>	<b>-3,639</b>	<b>-48%</b>
<b>EBITDAR</b>	<b>2,179</b>	<b>1,851</b>	<b>18%</b>

# Balance Sheet 31 March 2010

Balance Sheet (mISK)	31/3/10	31/12/09	Diff.
Operating Assets.....	30,734	27,014	3,720
Intangible assets.....	23,782	23,598	184
Investment in associates.....	611	545	66
Aircraft purchase prepayments.....	1,167	1,134	33
Long-term receivables .....	3,324	3,449	-125
Long-term cost.....	1,398	1,347	51
Cash and cash equivalents.....	4,054	1,909	2,145
Assets held for sale.....	13,413	17,500	-4,087
Other assets.....	15,100	12,608	2,492
<b>Total assets.....</b>	<b>93,583</b>	<b>89,104</b>	<b>4,479</b>
Stockholders equity.....	13,057	14,605	-1,548
Total non-current liabilities.....	19,126	19,618	-492
Liabilities held for sale.....	6,859	10,597	-3,738
Other liabilities.....	54,541	44,284	10,257
<b>Total equity and liabilities.....</b>	<b>93,583</b>	<b>89,104</b>	<b>4,479</b>
Equity ratio.....	14.0%	16.4%	
Current ratio.....	0.35	0.33	
Net interestbearing dept.....	42,645	41,227	

+ Included in interest bearing loan figure at year end 2009 is financing of three aircraft amounting to ISK 3.5 Bn.

+ Lease rentals are expensed in the P&L statement for those same aircraft amounting to ISK 800 million.



# Statement of Cash Flows Q1 2010

## Statement of Cash Flow (mISK)

	Q1 2010	Q1 2009
Working capital from operations	80	-1,769
Net cash from operating activities	3,967	281
Net cash used in investing activities	-690	-1,848
Net cash (used in) from financing activities	-1,161	472
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>2,116</b>	<b>-1,095</b>
Effect of exchange rate fluctuations on cash held	29	-146
Cash and cash equivalents at 1 January	1,909	4,065
<b>Cash and cash equivalents at 31 March</b>	<b>4,054</b>	<b>2,824</b>



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# Outlook

## Effects of the Volcanic Activity

- + The Group estimates that direct cost stemming from flight disruptions due to the volcanic activity ranges from ISK 1 Bn to ISK 1,5 Bn.
- + The company has not restated its 2010 budget and the EBITDA projection remains unchanged for the year.
- + If flight disruptions continue, the company might re-evaluate its 2010 budget.

## Long Term Outlook

- + On May 4 Icelandair signed an agreement with domestic parties outlining a world-wide marketing effort aimed at boosting the image of Iceland abroad.
- + The program will be focused on increasing the number of tourists coming to Iceland.

## Financial Restructuring

- + Financial restructuring is underway.
- + Expected to be concluded in Q2 2010.
- + Negotiations are taking place between the Company and its creditors and potential equity investors.

## General outlook

- + It is apparent the volcanic activity has had some negative short-term effects as number of tourists in Iceland has decreased somewhat.
- + The long-term effects have yet to reveal itself but the company deems it likely that demand will pick up again to pre-volcanic levels.
- + As before, the company benefits from a weak Krona.



## **Icelandair Group**

Reykjavík Airport

101 Reykjavík Iceland

Tel: +354 50 50 300

Fax: +354 50 50 389

[info@icelandairgroup.is](mailto:info@icelandairgroup.is)

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