



THE CHALLENGE OF GROWING

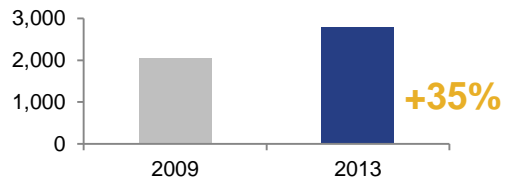
BOGI NILS BOGASON | CFO ICELANDAIR GROUP



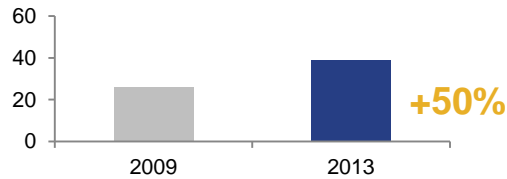
FEW NUMBERS

2009 vs. 2013

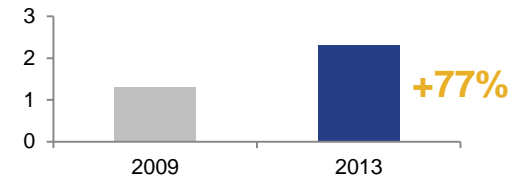
Full time employees



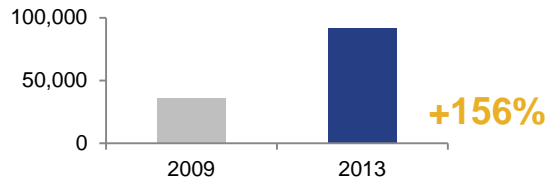
Aircraft



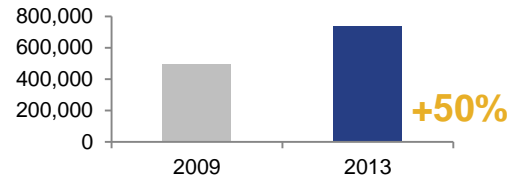
Passenger Route Network (mill.)



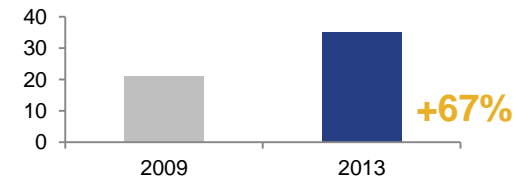
Pax TO Iceland with Iceland Travel



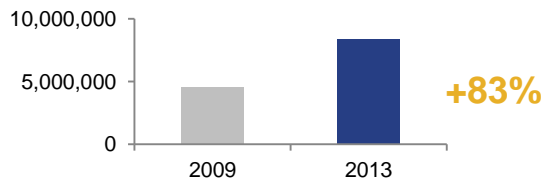
Tourists to Iceland



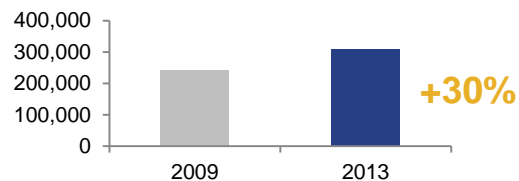
Destination in Route Network



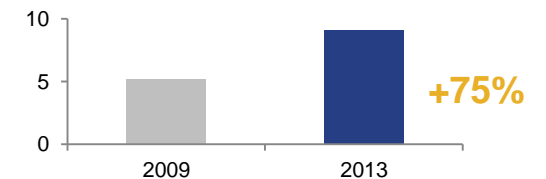
ASK Route Network



Available hotel room nights



Income tax paid by our employees and social security contrib. in ISK billion



**NO PURPOSE IN GROWING
UNLESS IT RESULTS IN
INCREASED SHAREHOLDER
VALUE**

**CHALLENGE TO HAVE DOUBLE
DIGIT GROWTH YEAR AFTER
YEAR AND IMPROVE THE
PROFITABILITY
AT THE SAME TIME**

FOCUS ON:

OPERATIONS

RISK MANAGEMENT

CORPORATE GOVERNANCE

INVESTOR RELATIONS

FOCUS ON OPERATIONS

MANAGEMENT INFORMATION SYSTEM - A POWERFUL TOOL

Timely and accurate
Management Information
enables us
to react if needed

Close follow-up on
daily booking flow and
other operational KPI'S in all
of our businesses

Monthly results and KPI's
monitored closely with
comparisons to budget, updated
forecast and previous year

Daily KPI's
used in
revenue management
- essential -

FOCUS ON OPERATIONS

MARGIN AND COSTS

Cost control

E.g. lean management, flight operations.

Consolidation of operation where appropriate

Icelandair Shared Services

Businesses restructured if needed

Icelandair Cargo, Flight Kitchen in Keflavik, Saga Club, Vita, Air Iceland

Active revenue management

Based on booking status, currency fluctuation and other things.

All new initiatives and business cases thoroughly analysed

New destinations, changes in frequency and new hotels. Number of business cases set aside

FOCUS ON RISK MANAGEMENT

FUEL HEDGING

Our policy is to hedge 40 – 60 % of estimated usage up 9 months ahead

Fuel hedging at:

- | Icelandair
- | Icelandair Cargo
- | Air Iceland

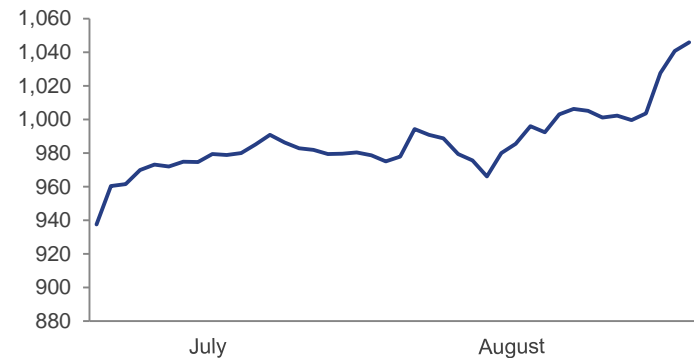
Hedging position

end of August 2013

2013	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	%hedged
August	26,191	12,400	1,021	47%
September	21,109	10,250	999	49%
October	17,776	8,250	984	46%
November	15,216	6,250	965	41%
December	13,959	6,250	976	45%
Total	94,251	43,400	994	46%

Fuel price development

in USD per Tonne July – August 2013

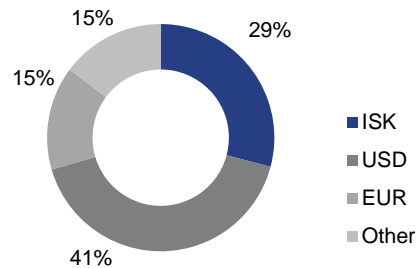


FOCUS ON RISK MANAGEMENT

FX HEDGING

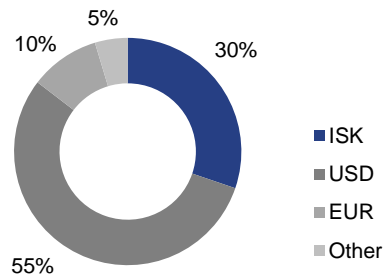
Total revenue

Currency split in 2012

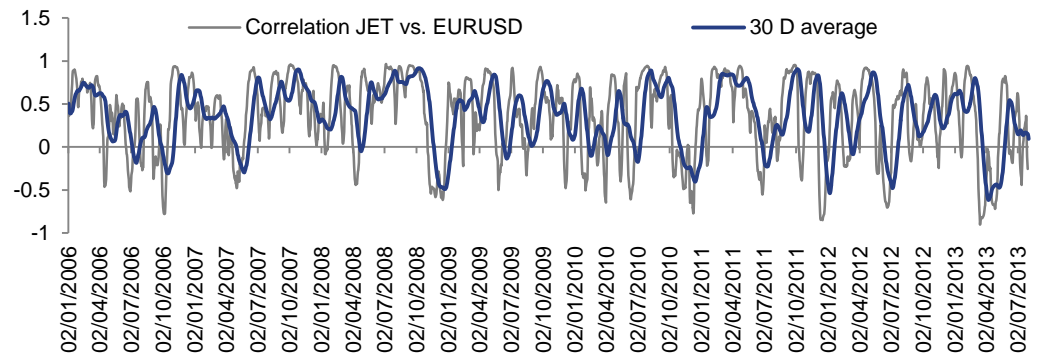


Total expenses

Currency split in 2012



Correlation between EUR/USD and Fuel Price



Comments

- | Our policy is to hedge 40 – 60 % of estimated net buy of USD
- | Our focus is on EUR / USD
- | Based on historical figures we define the correlation as a natural hedge in our business

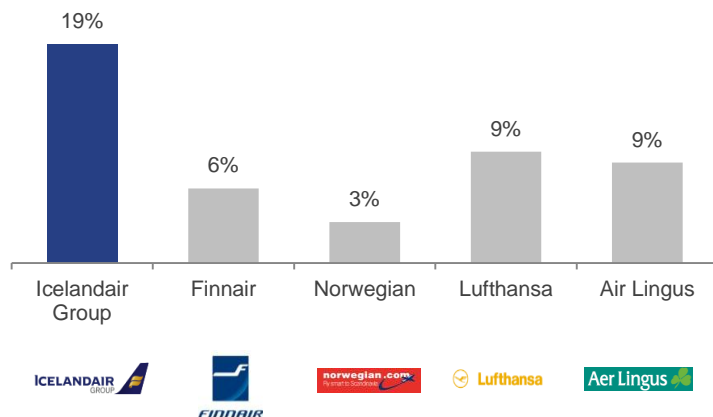
FOCUS ON RISK MANAGEMENT

LIQUIDITY RISK

- | Icelandair Group uses planning system to identify future liquidity position
- | Twelve month rolling liquidity plan which gives us
 - | Monthly liquidity plan
 - | Monthly cash flow exposure in different currencies
- | Our business is volatile – healthy liquidity is essential

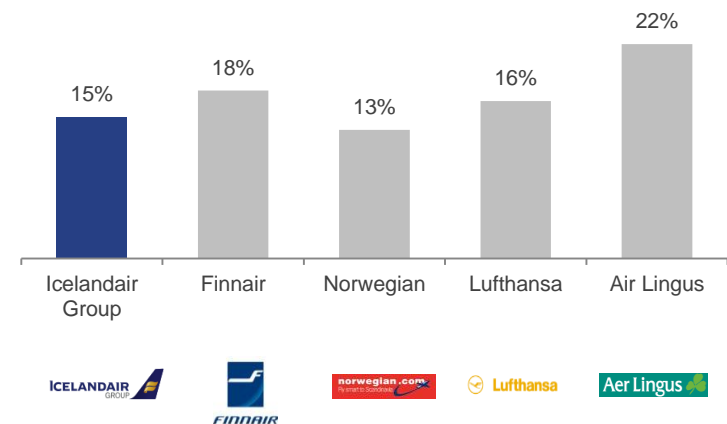
Cash from operations as % of revenues

2012 figures - Icelandair Group vs. main European peers



Liquidity ratio*

2012 figures - Icelandair Group vs. main European peers



* Cash and cash equivalents and marketable securities as % of total revenues

FOCUS ON RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

Examples

- | Market (Price) Risk
- | Supply and Demand Shocks
- | Competition
- | Counterparty Risk
- | Credit Risk
- | Taxes
- | Natural disasters
- | Political Unrest
- | Union Actions
- | Image

Group risk register – calculates VaR :



FOCUS ON CORPORATE GOVERNANCE

Constantly improving
our corporate governance

Vital to guarantee trust
and transparency
towards shareholders

Helps to keep constant
trust in our
management

„Exemplary in Corporate Governance“
Icelandair Group was the first
listed company in Iceland to
receive the recognition



FOCUS ON INVESTOR RELATIONS

Timely and
accurate forecasts

Monthly
traffic figures

Capital Markets
Day

Quarterly results
published earlier

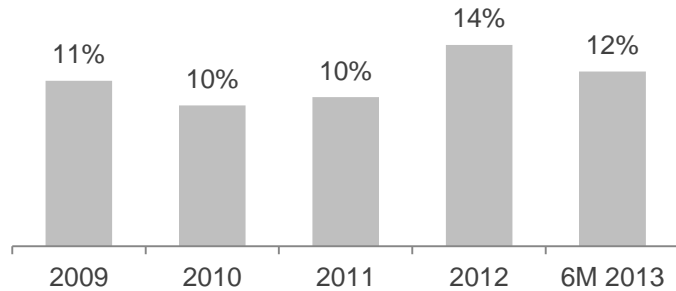
Dual listing has
been explored

Seeking to meet the ever
growing demand
for more information

RESULTS: PROFITABLE, ORGANIC GROWTH

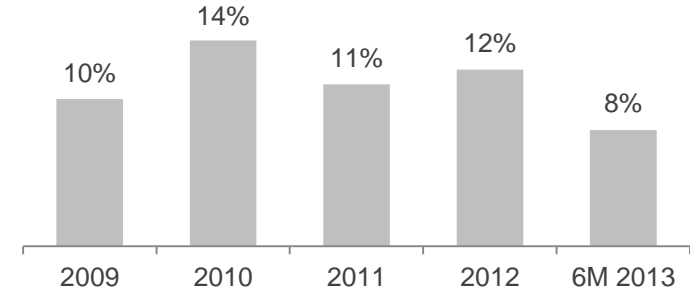
Revenue growth per year

2009 – 6M 2013



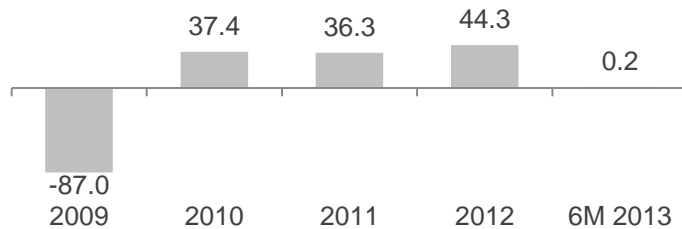
EBITDA ratio

2009 – 6M 2013



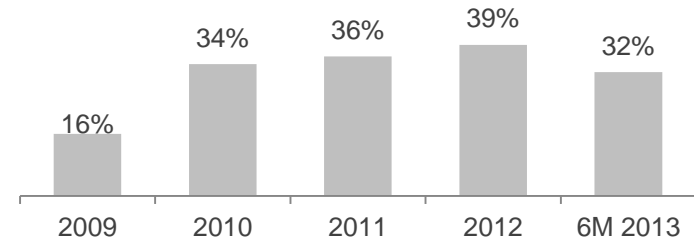
Net profit / loss

2009 – 6M2013 in USD millions



Equity ratio

2009 – 6M 2013



STRONG CASH FLOW

FIGURES BELOW ARE FOR THE PERIOD 2011 - 30 JUNE 2013

EBITDA

**USD
345
million**

Net
Profit

**USD
81
million**

Net cash from
operations

**USD
469
million**

Investment in
fixed assets

**USD
245
million**

Dividend to
shareholders

**USD
18
million**

Repayment
of borrowings

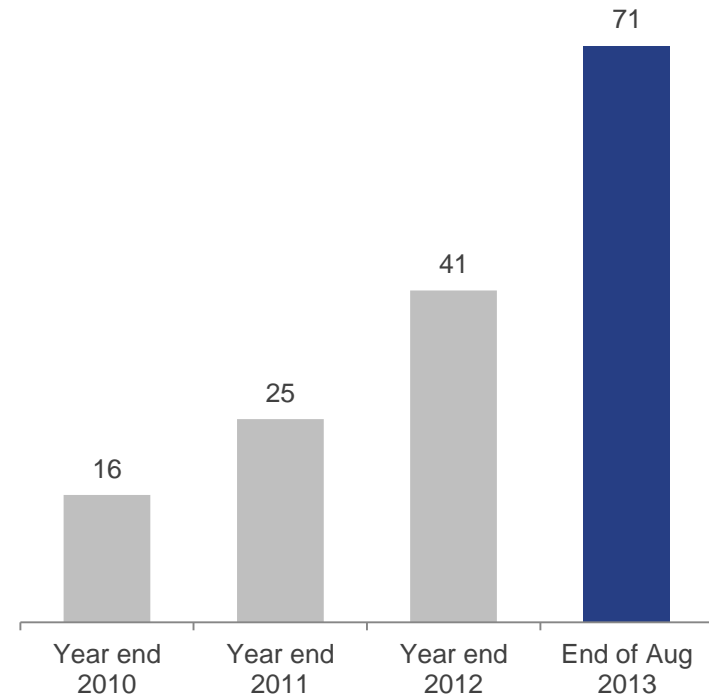
**USD
126
million**

DELIVERED INCREASED SHAREHOLDER VALUE

Share price
2010-2013 in ISK



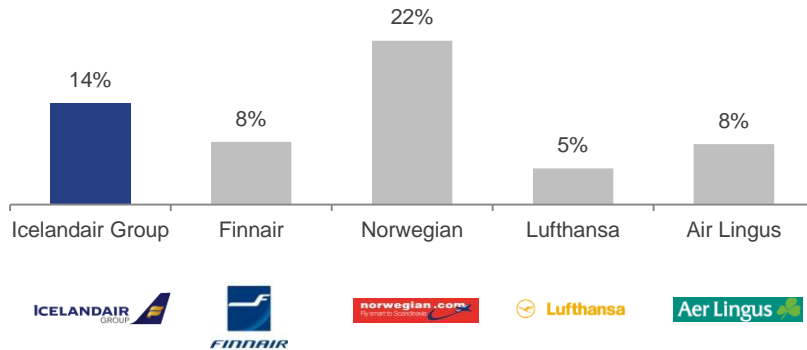
Market Cap
2010-2013 in ISK billions



FULLY COMPARABLE TO PEERS

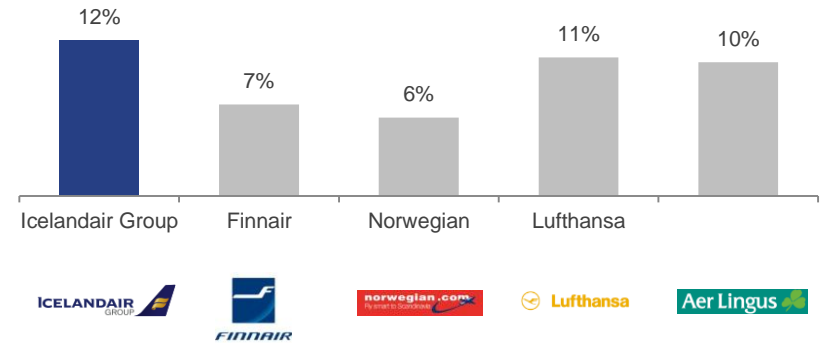
Revenue growth

2012 vs. 2011 in local currencies



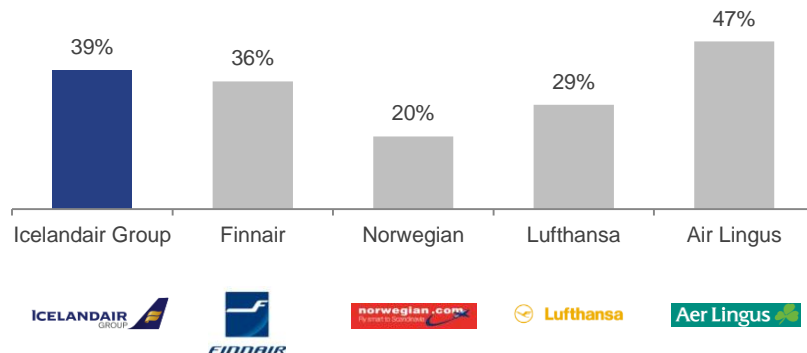
EBITDA ratio

2012



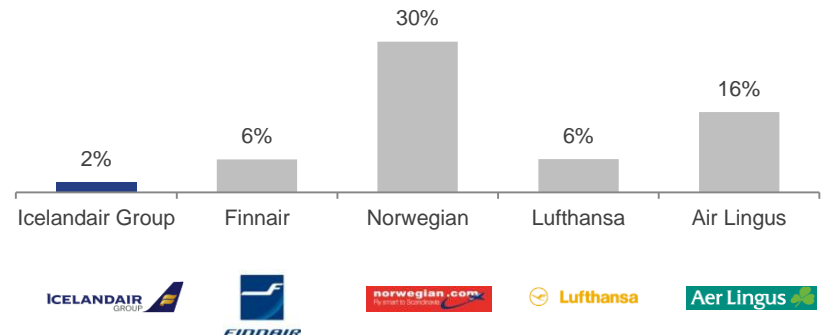
Equity ratio

31.12.2012



Net interest bearing debt as % of revenues

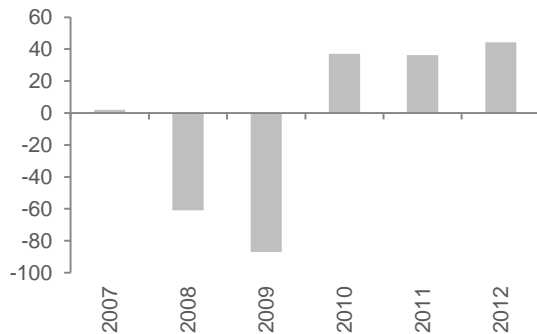
31.12.2012



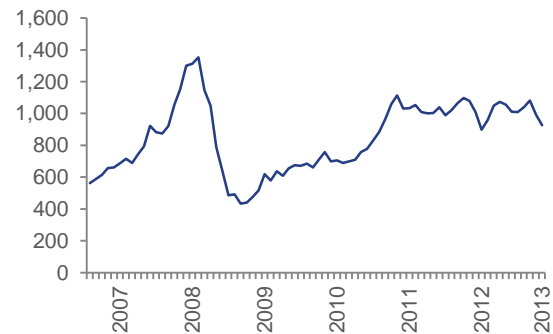
BUT INHERENTLY VOLATILE BUSINESS

- | Relatively low margins
- | Substantial long term financial commitments
- | Fluctuations in external factors: fuel price, currency development, global economic situation, natural disasters, terrorism

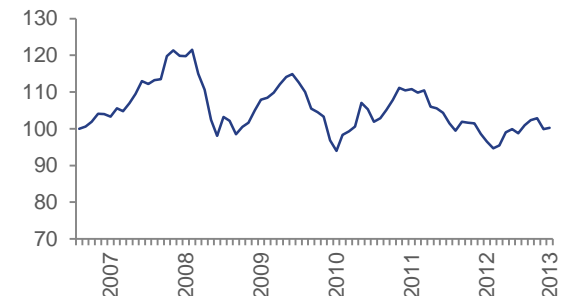
Net Profit
2007-2012 in ISK



Change EUR/USD
2007-2012



Jet Fuel Price in USD
2007-2012



**ROBUST FINANCIAL
POSITION IS ESSENTIAL**

STRONG LIQUIDITY

Liquidity ratio
31.12 2012

15%

Own aircraft 2009 11
Own aircraft 2013

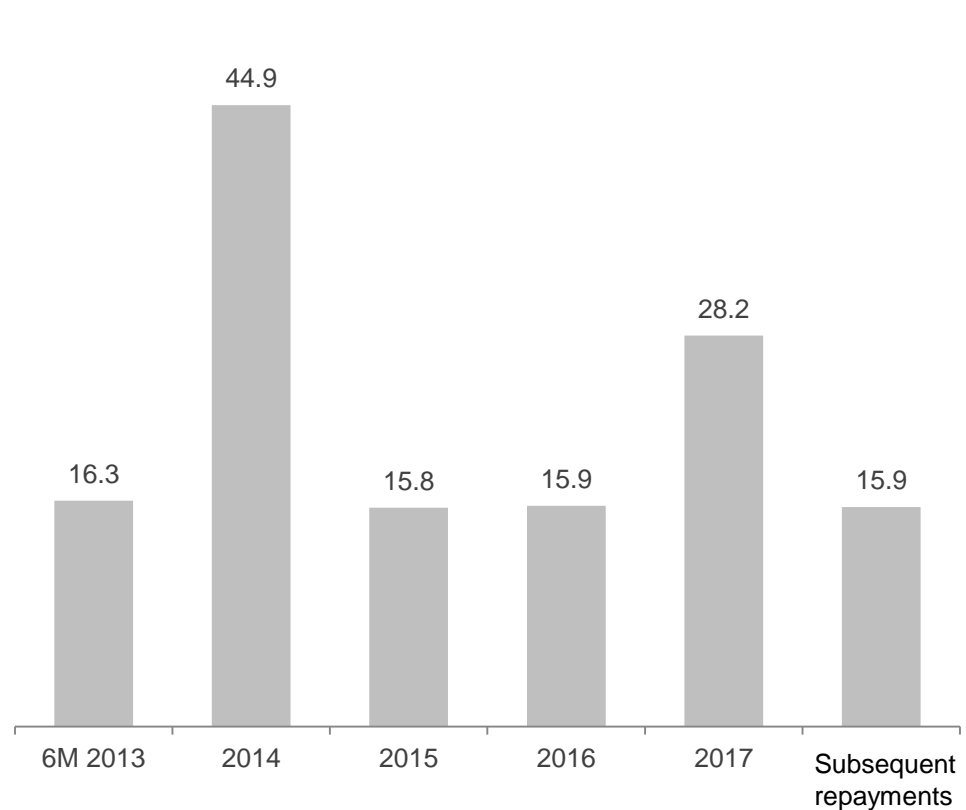
27

Number of unsecured
aircraft in 2013

16

Maturity profile

30.06 2013 in USD million

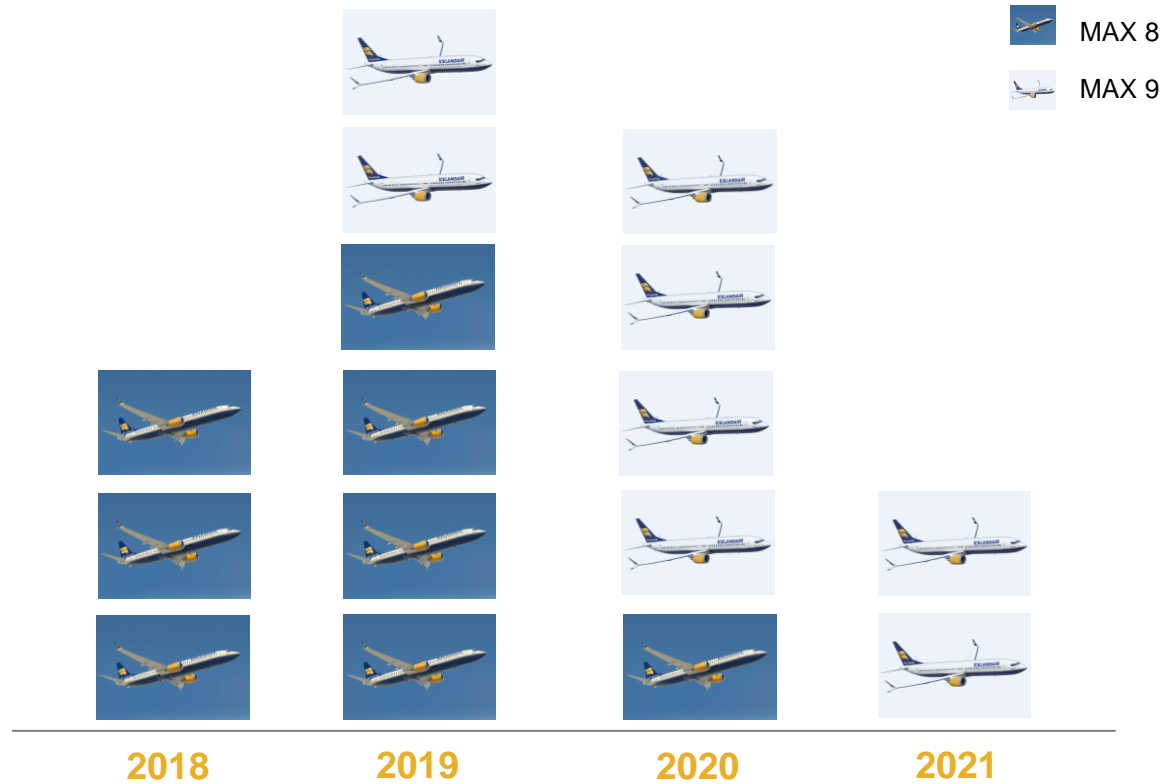


BOEING 737 MAX

16 FIRM ORDERS – TOTAL INVESTMENT 1.6 BILLION USD BASED ON LIST PRICES

Delivery schedule

2018 - 2021



FUNDING OF THE AIRCRAFT ORDER

Capital Markets



Bank Financing



Lessors



Export Credit Agencies



AIRCRAFT FINANCING ENVIRONMENT

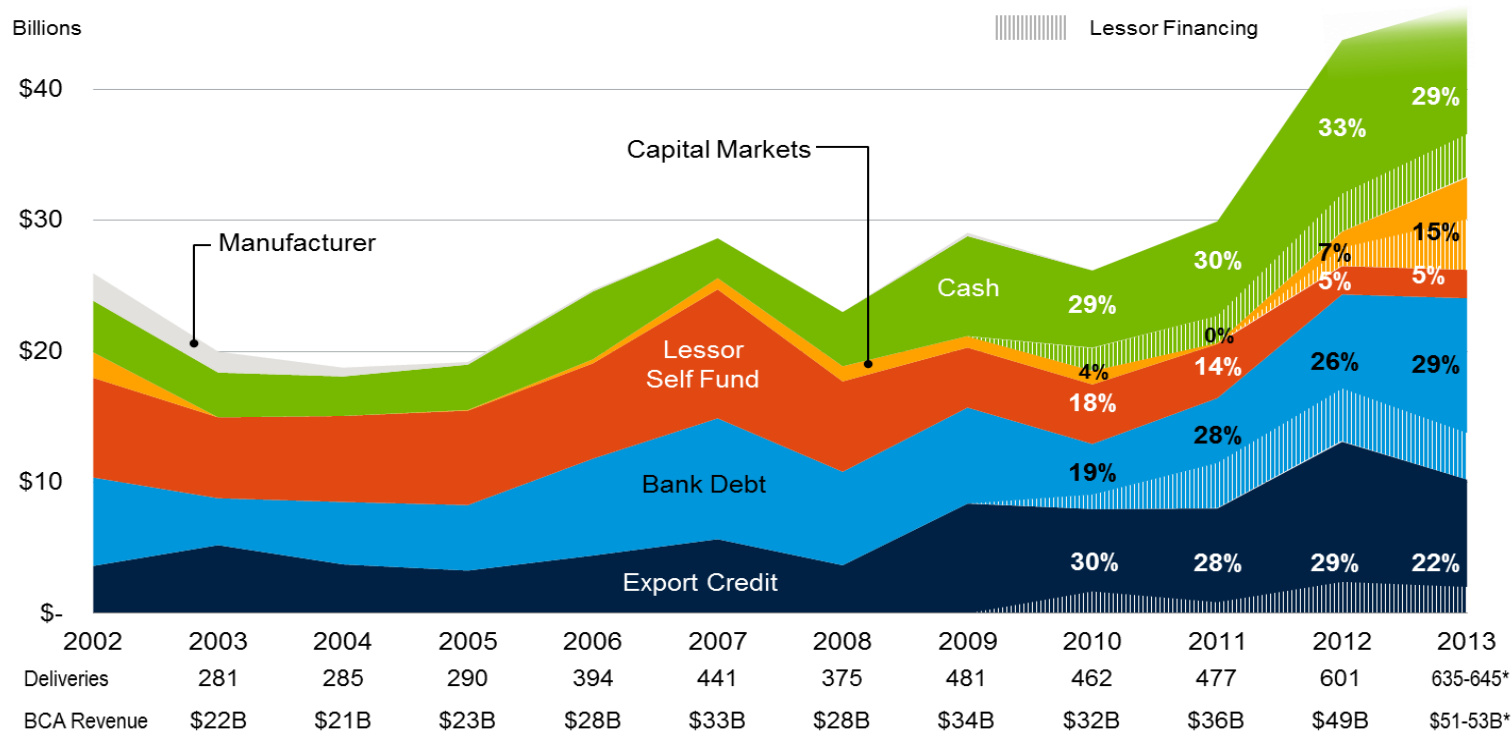
Adequate liquidity; market realignment creating uncertainty

Capital Providers	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Export Credit Agencies	G	G	G	G	G	G/Y	G/Y	Y	Y/G	Y	Y/R	Y/R
Commercial Banks	R/Y	G	G	G	G	Y/R	R/Y	Y	Y	R/Y	Y	Y
Lessors	R/Y	Y	G	G	G	Y/R	R	Y	Y/G	Y/G	Y/G	Y/G
Public Debt / Capital Markets	R	R	R/Y	Y	G/Y/G	R	R/Y	Y	Y/G	Y/G	Y/G	G
Private Equity and Hedge Funds	G	G	G	G	G	R	R	Y	Y/G	Y/G	Y/G	Y/G
Tax Equity	R	R	Y	Y	G	G/Y	G/Y	Y	Y/G	G	G	G
New Sources of Funding					G	G/Y	G/Y	Y	G	G	G	G
Airframe & Engine Manufacturers	R	R/Y	G	G	G	Y	Y/R	Y	Y	Y	Y/R	Y/R

- Satisfactory
- Cautionary
- Major concern

SOURCES OF FINANCING FOR BOEING DELIVERIES

FORECAST FOR 2013



Source: Boeing Capital. *Guidance as of Boeing's April 24, 2013 earnings release. BCA Revenue includes revenue from commercial aviation services.

SUBSIDIARIES

Percentage of total revenues in 2012

