

## ICELANDAIR GROUP RETURNS USD 67 MILLION PROFIT

- | Profit before taxes USD 79.9 million, up by USD 8.9 million, or 12%, between years
- | EBITDA in 2014 at USD 154.3 million, as compared to USD 143.7 million in 2013
- | Operating revenues increased by 9% between years
- | EBITDA in Q4 negative by USD 1.5 million, down by USD 8.3 million between years
- | Equity ratio at year-end 2014 was 43%, as compared to 42% at year-end 2013
- | Net interest-bearing debts reduced by USD 76.2 million over the year and were negative at year-end by USD 153.7 million
- | Board of Directors proposes a dividend payment of ISK 2,500 million to shareholders in 2015, corresponding to ISK 0.5 per share

| USD thousands                            | Q4<br>2014 | Q4<br>2013 | Change   | %<br>Change | 12M<br>2014 | 12M<br>2013 | Change   | %<br>Change |
|--|------------|------------|----------|-------------|-------------|-------------|----------|-------------|
| <b>Operating results</b>                 |            |            |          |             |             |             |          |             |
| Total income                             | 205,481    | 212,650    | -7,171   | -3%         | 1,113,297   | 1,022,957   | 90,340   | 9%          |
| EBITDAR                                  | 7,088      | 16,821     | -9,733   | -58%        | 193,410     | 189,870     | 3,540    | 2%          |
| EBITDA                                   | -1,481     | 6,847      | -8,328   | -122%       | 154,338     | 143,710     | 10,628   | 7%          |
| EBIT                                     | -18,756    | -10,928    | -7,826   | 72%         | 79,009      | 73,011      | 5,998    | 8%          |
| EBT                                      | -17,695    | -11,185    | -6,510   | 58%         | 79,908      | 71,048      | 8,860    | 12%         |
| Profit/loss for the period               | -14,974    | -9,108     | -5,866   | 64%         | 66,499      | 56,418      | 10,081   | 18%         |
| <b>Balance sheet</b>                     |            |            |          |             |             |             |          |             |
| Total assets                             | -          | -          | -        | -           | 849,220     | 832,875     | 16,345   | 2%          |
| Total equity                             | -          | -          | -        | -           | 365,055     | 346,082     | 18,973   | 5%          |
| Interest bearing debt                    | -          | -          | -        | -           | 61,934      | 122,017     | -60,083  | -49%        |
| Cash and marketable securities           | -          | -          | -        | -           | 215,641     | 199,493     | 16,148   | 8%          |
| Net interest bearing debt                | -          | -          | -        | -           | -153,707    | -77,476     | -76,231  | -           |
| <b>Cash flow</b>                         |            |            |          |             |             |             |          |             |
| Working capital to/from operations       | -10,125    | 4,574      | -14,699  | -           | 162,807     | 162,385     | 422      | 0%          |
| Net cash from operating activities       | 4,552      | 15,713     | -11,161  | -71%        | 215,315     | 230,874     | -15,559  | -7%         |
| Net cash used in investing activities    | -43,818    | -32,663    | -11,155  | 34%         | -130,156    | -113,223    | -16,933  | 15%         |
| Net cash used in financing activities    | -3,008     | -7,942     | 4,934    | -62%        | -88,684     | -45,232     | -43,452  | 96%         |
| Cash and cash equivalents end of period  | 184,762    | 191,538    | -6,776   | -4%         | 184,762     | 191,538     | -6,776   | -4%         |
| <b>Key Ratios</b>                        |            |            |          |             |             |             |          |             |
| Earnings per share expressed in USD Cent | -0.30      | -0.19      | -0.11    | 58%         | 1.34        | 1.13        | 0.21     | 19%         |
| Intrinsic value                          | -          | -          | -        | -           | 8.99        | 8.52        | 0.47     | 6%          |
| Equity ratio                             | -          | -          | -        | -           | 43%         | 42%         | 1.4 ppt  | -           |
| Current ratio                            | -          | -          | -        | -           | 0.83        | 0.94        | -0.11    | -11%        |
| CAPEX USD thousand                       | 39,417     | 20,533     | 18,884   | 92%         | 109,293     | 114,240     | -4,947   | -4%         |
| Transport revenue as % of total revenues | 72%        | 66%        | 6.4 ppt  | -           | 73%         | 69%         | 4.1 ppt  | -           |
| EBITDAR ratio                            | 3.4%       | 7.9%       | -4.5 ppt | -           | 17.4%       | 18.6%       | -1.2 ppt | -           |
| EBITDA ratio                             | -0.7%      | 3.2%       | -3.9 ppt | -           | 13.9%       | 14.0%       | -0.2 ppt | -           |
| <b>Share information ISK</b>             |            |            |          |             |             |             |          |             |
| Highest price in period                  | 21.40      | 18.20      | 3.20     | 18%         | 21.40       | 18.20       | 3.20     | 18%         |
| Lowest price in period                   | 17.40      | 15.25      | 2.15     | 14%         | 16.45       | 8.22        | 8.23     | 100%        |
| Price at period end                      | -          | -          | -        | -           | 21.40       | 18.20       | 3.20     | 18%         |
| Market Cap at period end (millions)      | -          | -          | -        | -           | 107,000     | 91,000      | 16,000   | 18%         |

## **BJÖRGÓLFUR JÓHANSSON, PRESIDENT AND CEO**

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“The Group's performance in 2014 exceeded management projections from the beginning of the year, with EBITDA at the upper limits of the Company's most recent earnings estimate. Net profit amounted to USD 66.5 million, up by 18% from last year. EBITDA amounted to USD 154.3 million, up by 7% between years. Results for the fourth quarter were in line with the earnings estimate published at the end of last October. The strong performance was the result of a number of interacting positive factors, including falling fuel prices, increased demand in the North Atlantic market – which was met by increased supply – and good results from charter operations. The depreciation of the euro against the US dollar had a negative impact on the Group's operations, and in addition the maintenance cost of cargo aircraft was significantly higher than anticipated.

As of 2010 Icelandair Group's operations have shown growing momentum. Income has grown by USD 395 million, amounting to USD 1.1 billion in 2014. In recent years we have continued to close the ranks of our staff and secured a steady growth of our infrastructure in preparation for the future. Prudence is and will continue to be the key to long-term profitable growth for the Company. A strong equity position and underlying cash flow will underpin our ability to undertake profitable investments to improve our competitiveness for the long term. We have a clear future vision and an outstanding staff, to whom I attribute first and foremost the good results we achieved last year.

We are assuming continued profitable organic growth in Icelandair Group's operations in 2015. The Group's international flight schedule will be 14% larger than in 2014, and a significant development in the Company's hotel operations in Central Reykjavik is foreseeable. On the whole, prospects in the Icelandic tourist industry are positive, and we also believe that the outlook for cargo and charter operations in 2015 is encouraging.

The EBITDA forecast for 2015 has been raised in comparison with 2014, with EBITDA now projected in the range of USD 160-165 million. The fall in fuel prices is the single cost item most responsible for the rise in EBITDA. It should be noted, however, that external factors, like fluctuations in fuel price and on FX markets along with the outcome of collective-bargaining agreements in the labour market can affect the Company's performance significantly.”

## TRANSPORT FIGURES

- | **Record number: 2.6 million passengers on international flights in 2014**
- | **Passengers on international flights in the fourth quarter were 533 thousand, increasing in number by 14%**
- | **Passenger load factor was 79.1% over the quarter, up by 2.9 percentage points between years**
- | **Utilisation of the Company's hotel rooms was good, increasing by 4.9 percentage points in comparison with 2013**

|   | Q4 2014 | Q4 2013 | Change  | 12M 2014 | 12M 2013 | Change  |
|---|---------|---------|---------|----------|----------|---------|
| <b>INTERNATIONAL FLIGHTS</b>            |         |         |         |          |          |         |
| Number of passengers ('000)             | 533.1   | 468.8   | 14%     | 2,605.5  | 2,257.3  | 15%     |
| Load factor (%)                         | 79.1    | 76.2    | 2.9 ppt | 80.4     | 79.3     | 1.1 ppt |
| Available seat kilometres (ASK'000,000) | 2,023.4 | 1,820.2 | 11%     | 9,673.3  | 8,320.3  | 16%     |
| <b>REGIONAL- AND GREENLAND FLIGHTS</b>  |         |         |         |          |          |         |
| Number of passengers ('000)             | 63.4    | 67.7    | -6%     | 292.7    | 307.3    | -5%     |
| Load factor (%)                         | 70.7    | 69.4    | 1.3 ppt | 71.5     | 71.1     | 0.4 ppt |
| Available seat kilometres (ASK'000,000) | 28.2    | 30.7    | -8%     | 147.6    | 154.5    | -5%     |
| <b>CHARTER FLIGHTS</b>                  |         |         |         |          |          |         |
| Fleet Utilization (%)                   | 90.9    | 90.6    | 0.3 ppt | 94.2     | 91.0     | 3.2 ppt |
| Sold Block Hours                        | 5,081   | 6,598   | -23%    | 21,044   | 28,089   | -25%    |
| <b>CARGO</b>                            |         |         |         |          |          |         |
| Available Tonne Kilometres (ATK'000)    | 47,810  | 47,307  | 1%      | 216,617  | 201,796  | 7%      |
| Freight Tonne Kilometres (FTK'000)      | 24,940  | 24,648  | 1%      | 97,660   | 94,787   | 3%      |
| <b>HOTELS</b>                           |         |         |         |          |          |         |
| Available Hotel Room Nights             | 67,988  | 68,080  | 0%      | 316,773  | 314,603  | 1%      |
| Sold Hotel Room Nights                  | 45,046  | 39,236  | 15%     | 239,522  | 222,320  | 8%      |
| Utilization of Hotel Rooms (%)          | 66.3    | 57.6    | 8.6 ppt | 75.6     | 70.7     | 4.9 ppt |

Passengers on international flights were 533 thousand in the fourth quarter, up by 14% from the fourth quarter of 2013. Supply over the same period increased by 11%, and the passenger load factor was 79.1%, as compared to 76.2% in the preceding year. The total number of passengers over the year was 2.6 million; the Company has never before transported so many international passengers in a single year. The passenger load factor over the year was excellent, amounting to 80.4%, up by 1.1 percentage points between years. The passenger load factor has only once been higher, in 2012, when the factor was 80.6%.

The increase in passenger numbers was greatest in the market between Europe and North America via Iceland, at 23%. This is also the Company's largest market, accounting for 48% of the total number of passengers in 2014.

Passengers on domestic flights and flights to Greenland were approximately 63 thousand in the fourth quarter of 2014, 6% fewer than in the same period last year. The total number of passengers over the year was approximately 293 thousand, as compared to 307 thousand in 2013, which corresponds to a reduction of 5%. The supply was downscaled between years to respond to the falling demand, bringing the passenger load factor for the year to 71.5%, up by 0.4 from the preceding year. Fleet utilisation in charter projects improved by 3.2 percentage points in 2014, to 94.2%. The number of sold block hours on charter flights fell by a quarter between 2013 and 2014; the reason was the fall in demand in the charter markets, and in addition the Company discontinued its cargo operations on

charter flights around mid-year and now concentrates exclusively on cargo operations on scheduled flights. The number of sold hotel nights increased significantly in the fourth quarter, by 15%. The number of offered hotel nights remained unchanged over the same period. The number of sold hotel nights also increased considerably over 2014, by 8%, and amounted to 75.6%, as compared to 70.7% in 2013.

#### FOURTH-QUARTER OPERATIONS

| USD thousand        | Q4 2014 | Q4 2013 | Change   | % Change |
|---------------------|---------|---------|----------|----------|
| EBITDAR             | 5,011   | 16,821  | -11,810  | -70%     |
| EBITDA              | -1,481  | 6,847   | -8,328   | -        |
| EBIT                | -18,756 | -10,928 | -7,826   | 72%      |
| EBT                 | -17,695 | -11,185 | -6,510   | 58%      |
| Loss for the period | -14,974 | -9,108  | -5,866   | 64%      |
| EBITDAR %           | 2.4%    | 7.9%    | -5.5 ppt | -        |
| EBITDA %            | -0.7%   | 3.2%    | -3.9 ppt | -        |

EBIT was negative by USD 18.8 million, as compared to a negative result of USD 10.9 million over the same period of the preceding year. Loss after taxes came to USD 15.0 million, as compared to a loss of USD 9.1 million in the corresponding quarter of 2013. EBITDA was negative by 1.5 million USD in the fourth quarter, down by 8.3 million USD from the corresponding quarter of 2013. The principal explanation for the fall in EBITDA between years was that results from cargo operations deteriorated significantly as a result of the high cost of a maintenance check. The check took much longer than originally anticipated, with the result that aircraft needed to be chartered, with resulting expenses. The positive impact of the fall in fuel prices on EBITDA (taking hedges into account) was approximately USD 4.5 million. Other factors that cut into the EBITDA in the Company's flight operations amounted to a total of USD 7.4 million. These include the negative impact of the price of the euro against the USD, increased marketing and sales costs between years and the increase in payroll expenses resulting from the new wage contracts with airline staff.

#### Thousand USD

|   |               |
|---|---------------|
| EBITDA Q4 2013                                  | 6.847         |
| Route Network – cargo operations                | -4.548        |
| Route Network – impact of fuel price reduction* | 4.273         |
| Route Network – other                           | -7.389        |
| EBITDA change – Tourism Services                | -32           |
| Other   | -632          |
| <b>EBITDA Q4 2014</b>                           | <b>-1.482</b> |

\*with hedging cost

#### FOURTH QUARTER INCOME

| Total revenue was 3% below the fourth quarter of 2013

| Passenger revenue increased by 7% between years

| USD thousand               | Q4 2014        | Q4 2013        | Change        | % Change   | % of rev. '14 |
|----------------------------|----------------|----------------|---------------|------------|---------------|
| Transport revenue:         | 148,729        | 140,215        | 8,514         | 6%         | 72%           |
| Passengers                 | 137,860        | 128,654        | 9,206         | 7%         | 67%           |
| Cargo and mail             | 10,869         | 11,561         | -692          | -6%        | 5%            |
| Aircraft and aircrew lease | 19,194         | 31,225         | -12,031       | -39%       | 9%            |
| Other operating revenue    | 37,558         | 41,210         | -3,652        | -9%        | 18%           |
| <b>Total</b>               | <b>205,481</b> | <b>212,651</b> | <b>-7,170</b> | <b>-3%</b> | <b>100%</b>   |

Transport revenue increased by USD 8.5 million, or 6%, between years. Income from charter flights amounted to USD 19.2 million, down by 39% between years as a result of fewer charter flight projects; in addition, the Company discontinued its charter cargo operations entirely at mid-year 2014. Other operating revenue fell by USD 3.7 million, or 9%, as compared to the fourth quarter of 2013 – see further the itemisation in the table below.

| USD thousand                         | Q4 2014       | Q4 2013       | Change        | % Change   |
|--------------------------------------|---------------|---------------|---------------|------------|
| Sale at airports and hotels          | 15,937        | 14,589        | 1,348         | 9%         |
| Revenue from tourism                 | 10,134        | 11,659        | -1,525        | -13%       |
| Aircraft and cargo handling services | 7,553         | 8,662         | -1,109        | -13%       |
| Maintenance revenue                  | 1,313         | 1,970         | -657          | -33%       |
| Gain on sale of operating assets     | -10           | 817           | -827          | -101%      |
| Other operating revenue              | 2,631         | 3,513         | -882          | -25%       |
| <b>Total</b>                         | <b>37,558</b> | <b>41,210</b> | <b>-3,652</b> | <b>-9%</b> |

#### FOURTH QUARTER EXPENSES

- | Total expenses amounted to USD 207.0 million in the fourth quarter
- | Total expenses increased by 1% compared to Q4 2013

| USD thousand                                 | Q4 2014        | Q4 2013        | Change       | % Change  | % of exp. '14 |
|--|----------------|----------------|--------------|-----------|---------------|
| Salaries and other personnel expenses        | 65,114         | 62,133         | 2,981        | 5%        | 31%           |
| Aircraft fuel                                | 53,486         | 53,995         | -509         | -1%       | 26%           |
| Aircraft lease                               | 7,882          | 7,501          | 381          | 5%        | 4%            |
| Aircraft maintenance expenses                | 16,428         | 17,055         | -627         | -4%       | 8%            |
| Aircraft handling, landing and communication | 16,928         | 16,591         | 337          | 2%        | 8%            |
| Other operating expenses                     | 47,124         | 48,530         | -1,406       | -3%       | 23%           |
| <b>Total</b>                                 | <b>206,962</b> | <b>205,804</b> | <b>1,158</b> | <b>1%</b> | <b>100%</b>   |

Salaries and personnel expenses increased by USD 3.0 million, or 5%, in comparison with the fourth quarter of 2013. The deviation is a result of the increased scope of the Company's operation and the impact of contractual wage rises.

Fuel expenses fell by 1% between years over the quarter, amounting to a total of USD 53.5 million. The deviation was the result of the fall in world market price of fuel. The average world price of fuel in the fourth quarter of 2014 was USD 751 per ton, as compared to USD 998 per ton over the corresponding period of 2013.

Aircraft lease amounted to a total of USD 7.9 million over the quarter, increasing slightly, by USD 0.4 million, in comparison with the 4th quarter of 2013. Maintenance expenses amounted to USD 16.4 million, down by USD 0.6 million between years. Aircraft handling, landing and navigation expenses amounted to USD 16.9 million, increasing by 2% between years as a result of increased production and general price hikes.

Other operating expenses amounted to USD 47.1 million in the fourth quarter of 2014, down by USD 1.4 million from the corresponding quarter of 2013. Purchased tourist services fell considerably between years, mostly as a result of translation difference which distorts the comparison of quarters between years. The following is an overview of the principal other expenses:

| USD thousand                               | Q4 2014       | Q4 2013       | Change        | % Change   |
|--|---------------|---------------|---------------|------------|
| Operating cost of real estate and fixtures | 5,351         | 5,585         | -234          | -4%        |
| Communication                              | 3,737         | 3,400         | 337           | 10%        |
| Advertising                                | 7,803         | 6,170         | 1,633         | 26%        |
| Booking fees and commission expenses       | 9,737         | 8,136         | 1,601         | 20%        |
| Cost of goods sold                         | 5,480         | 5,448         | 32            | 1%         |
| Customer services                          | 3,892         | 3,738         | 154           | 4%         |
| Tourism expenses                           | 3,221         | 6,851         | -3,630        | -53%       |
| Other operating expenses                   | 7,903         | 9,202         | -1,299        | -14%       |
| <b>Total other operating expenses</b>      | <b>47,124</b> | <b>48,530</b> | <b>-1,406</b> | <b>-3%</b> |

## FINANCIALS

- | Financial items were positive by USD 1.2 million
- | Currency effect was positive by USD 1.3 million

| USD thousand              | Q4 2014      | Q4 2013     | Change       | % Change |
|---------------------------|--------------|-------------|--------------|----------|
| Interest income           | 932          | 1,176       | -244         | -21%     |
| Interest expenses         | -1,041       | -2,252      | 1,211        | -54%     |
| Currency effect           | 1,341        | 837         | 504          | 60%      |
| <b>Net finance income</b> | <b>1,232</b> | <b>-239</b> | <b>1,471</b> | <b>-</b> |

Financial income amounted to USD 0.9 million, USD 0.2 million below the level of the fourth quarter of 2013. Financial expenses in the fourth quarter amounted USD 1.0 million, down by USD 1.2 million between years. The currency effect in the quarter was positive, amounting to USD 1.3 million.

## BALANCE SHEET AND FINANCIAL POSITION

- | Total assets amounted to USD 849.2 million at the end of 2014
- | Equity ratio was 43%

| USD thousand                   | 31.12.2014 | 31.12.2013 | Change  |
|--------------------------------|------------|------------|---------|
| Total assets                   | 849,220    | 832,875    | 16,345  |
| Total equity                   | 365,055    | 346,082    | 18,973  |
| Interest bearing debt          | 61,934     | 122,017    | -60,083 |
| Net interest bearing debt      | -153,707   | -77,476    | -76,231 |
| Cash and marketable securities | 215,641    | 199,493    | 16,148  |
| Equity ratio                   | 43%        | 42%        | 1 ppt   |
| Current ratio                  | 0.83       | 0.94       | -11%    |

Operating assets amounted to USD 319.3 million, increasing by USD 20.1 million from the beginning of the year. The Company's largest asset is its fleet of aircraft, which is discussed further below under the heading "Fleet of Aircraft".

Equity amounted to USD 365.1 at the end of 2014, and the equity ratio was 43%, up from year-end 2013, when the ratio was 42%. The table below shows the changes in equity over the year.

| USD thousand                       |                |
|------------------------------------|----------------|
| Balance at 1.1.2014                | 346,082        |
| Total comprehensive income         | 37,967         |
| Dividend (0.38 USD cent per share) | -18,994        |
| <b>Balance at 31.12. 2014</b>      | <b>365,055</b> |

Interest-bearing debt amounted to USD 61.9 million, as compared to USD 122.0 million at year-end 2013. Payments on long-term debts in the fourth quarter amounted to USD 3.8 million. Payments on long-term debts in all of 2014 amounted to a total of USD 70.5 million.

Cash and marketable securities amounted to a total of USD 215.6 million at the end of 2014, as compared to USD 199.5 at the end of 2013. Net interest-bearing debt was therefore negative at year-end 2014 in the amount of USD 153.7 million, which represents a reduction by USD 76.2 million from year-end 2013.

| USD thousand                     | 31.12.2014      | 31.12.2013     | Change         |
|----------------------------------|-----------------|----------------|----------------|
| Loans and borrowings non-current | 49,671          | 78,489         | -28,818        |
| Loans and borrowings current     | 12,263          | 43,528         | -31,265        |
| Marketable securities            | 30,879          | 7,955          | 22,924         |
| Cash and cash equivalents        | 184,762         | 191,538        | -6,776         |
| <b>Net interest bearing debt</b> | <b>-153,707</b> | <b>-77,476</b> | <b>-76,231</b> |

## CASH FLOW AND INVESTMENTS

- | **Net cash from operations in 2014 was USD 215.3 million**
- | **The Company's cash position is strong**
- | **Cash and cash equivalents at year-end 2014 amounted to USD 184.8 million**

| USD thousand                                    | Q4 2014        | Chg. vs. 2013 | 12M 2014       | Chg. vs. 2013 |
|---|----------------|---------------|----------------|---------------|
| Working capital to/from operations              | -10,125        | -14,699       | 162,807        | 422           |
| Net cash from operating activities              | 4,552          | -11,161       | 215,315        | -15,559       |
| Net cash used in investing activities           | -43,818        | -11,155       | -130,156       | -16,933       |
| Net cash used in financing activities           | -3,008         | 4,934         | -88,684        | -43,452       |
| Change in cash and cash equivalents             | -42,274        | -17,382       | -3,525         | -75,944       |
| <b>Cash and cash equivalents, end of period</b> | <b>184,762</b> | <b>-6,776</b> | <b>184,762</b> | <b>-6,776</b> |

Net cash from operating activities in the fourth quarter amounted to USD 4.6 million. Net cash provided by operating activities in 2014 amounted to USD 215.3 million, as compared to USD 230.9 million in 2013. The cash position for the year decreased by USD 3.5 million, and net cash at year-end stood at USD 184.8 million.

Investments in the fourth quarter of 2014 amounted to USD 39.4 million, and total investments over the year amounted to USD 109.3 million. The table below shows the Company's principal investments in the fourth quarter and over the year as a whole.

| USD thousand                     | Q4 2014       | Total 2014     |
|----------------------------------|---------------|----------------|
| Operating assets:                |               |                |
| Aircraft and aircraft components | 10,611        | 40,511         |
| Overhaul own aircraft            | 14,874        | 29,574         |
| Other                            | 6,179         | 17,808         |
| Total operating assets           | 31,664        | 87,893         |
| Long term cost                   |               |                |
| Overhaul leased aircraft         | 7,002         | 19,160         |
| Intangible assets                | 752           | 2,240          |
| <b>Total Capex</b>               | <b>39,418</b> | <b>109,293</b> |

## FLEET OF AIRCRAFT

- | **The Company's fleet at year-end 2014 comprised 37 aircraft**
- | **Order confirmed with Boeing for the purchase of sixteen 737 MAX8 and MAX9 aircraft, with an option for eight additional aircraft**
- | **Boeing 757-200s will remain in use on international flights concurrently the new fleet**

At year-end 2014 Icelandair Group's fleet comprised 37 aircraft. Of these aircraft 28 were owned by the Company and 9 were leased.

| Type         | Icelandair | Cargo    | Lofhleioðir | Air<br>Iceland | Group<br>fleet<br>31.12.14 | Group<br>fleet<br>31.12.13 | Of which<br>own | Of which<br>leased | Ch. as of<br>31.12.13 |
|--------------|------------|----------|-------------|----------------|----------------------------|----------------------------|-----------------|--------------------|-----------------------|
| B757 200     | 20         | 2        | 2           |                | 24                         | 23                         | 20              | 4                  | 1                     |
| B757 300     | 1          |          |             |                | 1                          | 1                          | 1               |                    | 0                     |
| B767 300     |            |          | 2           |                | 2                          | 3                          |                 | 2                  | -1                    |
| B737 700     |            |          | 1           |                | 1                          | 1                          |                 | 1                  | 0                     |
| B737 800     |            |          | 2           |                | 2                          | 2                          |                 | 2                  | 0                     |
| Fokker F-50  |            |          |             | 5              | 5                          | 5                          | 5               |                    | 0                     |
| Dash 8-200   |            |          |             | 2              | 2                          | 2                          | 2               |                    | 0                     |
| <b>Total</b> | <b>21</b>  | <b>2</b> | <b>7</b>    | <b>7</b>       | <b>37</b>                  | <b>37</b>                  | <b>28</b>       | <b>9</b>           | <b>0</b>              |

In February 2013 the Company signed a contract with Boeing confirming an order of sixteen 737 MAX8 and 737 MAX9 aircraft, with an option to buy an additional eight aircraft. The delivery of the first aircraft is scheduled for early 2018. The commitment resulting from the acquisition, according to Boeing's list prices, amounts to USD 1.8 billion. For reasons of confidentiality provisions in the contracts the actual purchase price is not disclosed.

## OUTLOOK FOR ICELANDAIR GROUP HF.

- | **Continued focus on profitable organic growth**
- | **Favourable prospects for tourist services in Iceland**
- | **Good outlook for cargo and charter operations**

The prospects for Icelandair's operations in 2015 are favourable. Management projections provide for continued profitable growth over the year. The international Route Network for 2015 was presented in September 2014, with plans for a 12% increase in scope between years. Two new destinations were introduced in the Network: Portland on the U.S. West Coast and Birmingham in the United Kingdom, together with an increased frequency of flights to current destinations. After the Route Network had been presented the decision was made to expand it still further with the addition of one Boeing 757 to the previously announced fleet. In addition to providing extra flights over the peak season, the aircraft will be used provisionally. The increase in supply in 2015 will therefore be 14% in excess of the 2014 level. The number of international passengers is projected at about 3 million in the year, with 24 Boeing 757 aircraft serving the Route Network. Bookings in the first months of the year are off to a good start and in line with the projection of increased growth.

As in the case of the international flight operations, growth is also anticipated in the Group's other operations in 2015. The outlook for tourist services in Iceland is favourable. A considerable increase is projected in passenger capacity to Iceland in 2015, which will translate into opportunities for the companies within the Group that provide tourist services. The prospects for cargo operations are also favourable. In 2015 the Company will focus on cargo operations on scheduled air services to and from Iceland, as the Company withdrew entirely from cargo charter operations in mid-2014. Two cargo

aircraft will be used in the operations, together with cargo space in the holds of passenger aircraft on scheduled international routes. Continued success is foreseen for the Company's charter operations, where the focus will be maintained on the Group's AM product while maintaining its marketing efforts in the ACMI & Full Charter markets.

The Company's fuel hedging position at the end of January 2015 is highlighted in the table below. The table shows that 47% of the projected use over the next twelve months has been hedged through contracts.

| Month        | Estimated usage (tons) | Option volume | Swap volume   | Total swap and option contracts | % hedged   | Av. Swap price USD | Bought call strike | Sold put strike |
|--------------|------------------------|---------------|---------------|---------------------------------|------------|--------------------|--------------------|-----------------|
| Feb '15      | 14,095                 | 4,000         | 3,200         | 7,200                           | 51%        | 905                | 1,000              | 936             |
| Mar '15      | 17,363                 | 3,000         | 7,200         | 10,200                          | 59%        | 851                | 990                | 933             |
| Apr '15      | 18,305                 | 3,000         | 7,200         | 10,200                          | 56%        | 841                | 1,000              | 892             |
| May '15      | 28,119                 | 4,000         | 12,200        | 16,200                          | 58%        | 834                | 1,000              | 932             |
| Jun '15      | 34,056                 | 6,000         | 11,200        | 17,200                          | 51%        | 895                | 987                | 883             |
| Jul '15      | 34,918                 | 6,000         | 11,300        | 17,300                          | 50%        | 864                | 987                | 871             |
| Aug '15      | 34,861                 | 8,000         | 9,300         | 17,300                          | 50%        | 848                | 965                | 854             |
| Sep '15      | 29,630                 | 6,000         | 8,200         | 14,200                          | 48%        | 850                | 929                | 859             |
| Oct '15      | 22,616                 | 4,000         | 6,200         | 10,200                          | 45%        | 683                | 900                | 831             |
| Nov '15      | 18,789                 | 0             | 6,200         | 6,200                           | 33%        | 686                | 0                  | 0               |
| Dec '15      | 17,269                 | 0             | 5,200         | 5,200                           | 30%        | 570                | 0                  | 0               |
| Jan '16      | 16,149                 | 0             | 4,000         | 4,000                           | 25%        | 574                | 0                  | 0               |
| <b>Total</b> | <b>286,170</b>         | <b>44,000</b> | <b>91,400</b> | <b>135,400</b>                  | <b>47%</b> |                    |                    |                 |

## EBITDA FORECAST FOR 2015

The EBITDA forecast for 2015 assumes an increase from 2014 to the range of approximately 160-165 million USD. This forecast assumes a 1.15 average exchange rate of the EUR against the USD in 2014. The nature of the Company's fuel purchase contracts is that the purchase price of each month, not counting fuel hedges, is determined mostly by the average world market price of fuel in the preceding month. The average world market price of fuel in December was approximately USD 640/ton, which becomes the Company's purchase price for January, and approximately USD 530/ton in January, which becomes the purchase price for February. The Company is projecting an average price of fuel of USD 575/ton in March – June and USD 625/ton in the last six months of the year.

The forecast assumes that the EBITDA ratio will increase between years and be 15.0%-15.5% compared to 13.9% in 2014. The reduced fuel price is the single cost item that is chiefly responsible for the increased EBITDA between years. On the other hand, the strengthening of the USD against the European currencies has a negative effect on the Company's income and earnings.

As in previous years, it is assumed that EBITDA in the first quarter will be negative and short of the level of the first quarter of 2014, which is explained by the Company's growth. Cost relating to the increased scope of operation during the peak season is to a large extent expensed in the first quarter. This includes advertising and marketing expenses, implementation of aircraft and the cost of bookings relating to the peak season. As before, the majority of the Company's profit will be generated in the third quarter.

## SHAREHOLDERS

- | The Company's market value at the end of 2014 was ISK 107.0 billion
- | The rise in the Company's share price was 23.3% over the quarter
- | The total rise in share price in 2014 was 17.6%

Icelandair Group's market value was ISK 107.0 billion at the end of the fourth quarter of 2014. The closing price of the quarter was ISK 21.4 per share, which was also the highest close-of-day price per share of the quarter. The lowest close-of-day price per share in the quarter was ISK 17.4, and the average close-of-trading price over the period was ISK 19.2 per share. The number of issued shares on 31 December 2014 was 5,000,000,000, and the number of outstanding shares at the same time was 4,974,540,000. The Company's share price rose by 17.6% in 2014, and the number of shareholders was 2,099 at the end of December.

The Board of Directors of Icelandair Group proposes a payment of 2,500 million ISK in dividends to shareholders in 2015. This corresponds to ISK 0.5 per share.

### Share prices and volume – trend in 2014:



## KEY FIGURES BY QUARTER

| USD thousand  | Q1 14    | Q2 14    | Q3 14    | Q4 14   | 2014      |
|---|----------|----------|----------|---------|-----------|
| <b>Operating Results</b>                            |          |          |          |         |           |
| Total income  | 191,277  | 297,793  | 418,746  | 205,481 | 1,113,297 |
| EBITDAR   | -3,137   | 54,918   | 134,541  | 7,088   | 193,410   |
| EBITDA  | -13,304  | 45,240   | 123,883  | -1,481  | 154,338   |
| EBIT  | -30,600  | 25,850   | 102,515  | -18,756 | 79,009    |
| EBT   | -33,362  | 24,776   | 106,189  | -17,695 | 79,908    |
| Profit / loss for the period                        | -26,721  | 22,393   | 85,801   | -14,974 | 66,499    |
| EBITDAR %   | -1.6%    | 18.4%    | 32.1%    | 3.4%    | 17.4%     |
| EBITDA %  | -7.0%    | 15.2%    | 29.6%    | -0.7%   | 13.9%     |
| <b>Balance Sheet</b>                                |          |          |          |         |           |
| Total assets  | 927,291  | 947,590  | 877,233  | -       | 849,220   |
| Total equity  | 298,722  | 323,543  | 403,607  | -       | 365,055   |
| Interest bearing debt                               | 93,727   | 60,205   | 55,469   | -       | 61,934    |
| Net interest bearing debt                           | -166,027 | -223,082 | -199,226 | -       | -153,707  |
| Cash and marketable securities end of period        | 259,754  | 283,287  | 254,695  | -       | 215,641   |
| <b>Cash flow</b>                                    |          |          |          |         |           |
| Working capital used in / from operating activities | -12,549  | 50,270   | 135,211  | -10,125 | 162,807   |
| Net cash from operating activities                  | 121,371  | 83,625   | 5,767    | 4,552   | 215,315   |
| Net cash used in investing activities               | -33,946  | -14,009  | -38,383  | -43,818 | -130,156  |
| Net cash used in financing activities               | -29,138  | -52,916  | -3,622   | -3,008  | -88,684   |
| Cash and cash equivalents end of period             | 250,213  | 256,993  | 227,576  | 184,762 | 184,762   |

## **PRESENTATION MEETING ON FRIDAY 6 FEBRUARY 2014**

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An open presentation for stakeholders will be held on Friday 6 February 2015 at the Icelandair Hotel Reykjavik Natura. Björgólfur Jóhannsson, President and CEO of Icelandair Group, and Bogi Nils Bogason, CFO, will present the Company's results and respond to questions, together with other senior management. The presentation will be held in Room 2, starting at 8:30 a.m. The presentation material will be available after the meeting on the Icelandair Group website, [www.icelandairgroup.is](http://www.icelandairgroup.is), and on the Nasdaq OMX Iceland hf. news system.

## **APPROVAL OF ANNUAL FINANCIAL STATEMENT**

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The consolidated accounts of Icelandair Group for the fourth quarter of 2014 were approved at a meeting of the Board of Directors on 5 February 2015. The annual accounts were audited by KPMG Endurskodun hf.

## **FINANCIAL CALENDAR**

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- | Annual General Meeting, 11 March 2015
- | Financial statement for the first quarter – week 18, 2015
- | Financial statement for the second quarter – week 31, 2015
- | Financial statement for the third quarter – week 44, 2015
- | Financial statement for the fourth quarter – week 06, 2016

## **FOR FURTHER INFORMATION PLEASE CONTACT:**

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