



ICELANDAIR GROUP

PRESENTATION OF Q1 2015 RESULTS | 30 APRIL 2015



Highlights Q1 2015

1

EBITDA
USD - 2.3 million
improving by
USD 11.3 million
Year-on-Year

2

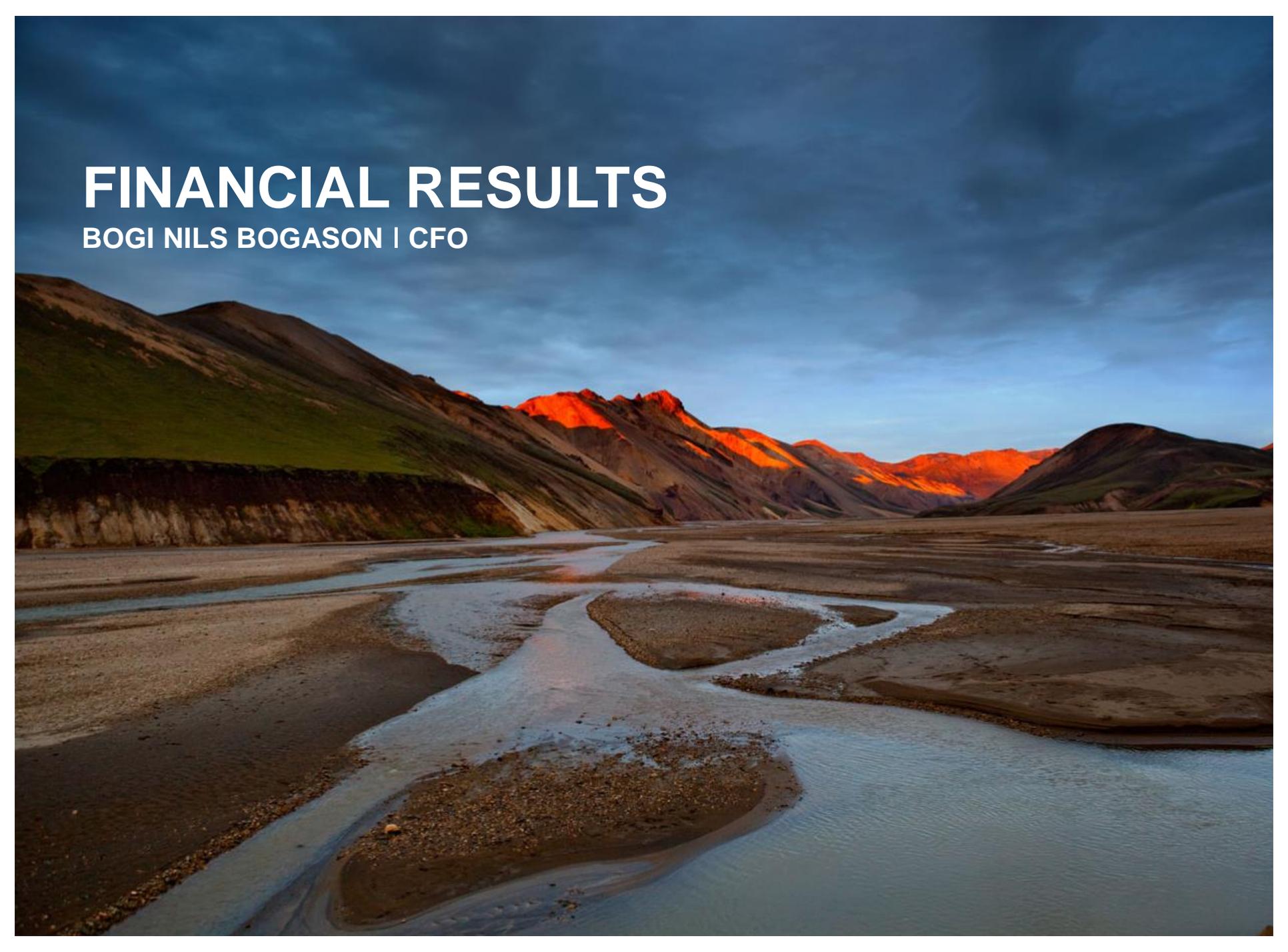
Record
load factor of
79.2% with
12% capacity
increase

3

Record room
utilisation
of 75.2%
at our hotels

FINANCIAL RESULTS

BOGI NILS BOGASON | CFO



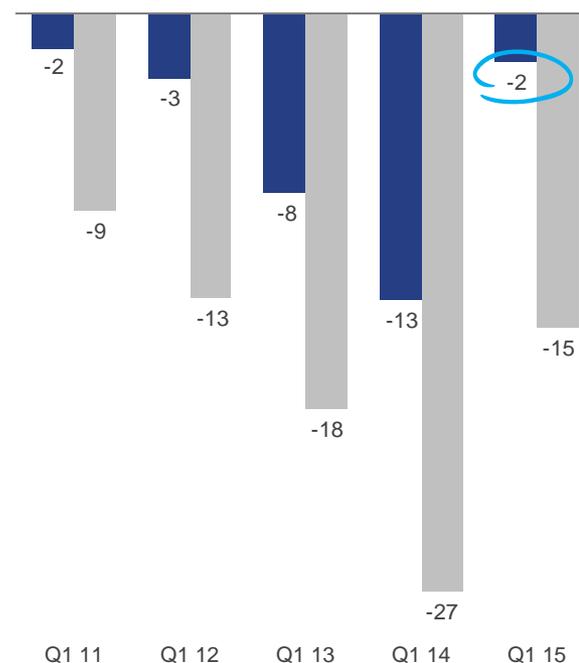
Q1 improves between years due to increase in passenger numbers, good utilisation and lower fuel price

USD million	Q1 2015	Q1 2014	% Chg.
Operating Income	186.1	191.3	-3%
Salaries and related expenses	57.1	60.9	-6%
Aircraft fuel	43.6	48.0	-9%
Aircraft lease	5.7	6.0	-5%
Aircraft handling, landing and comm.	14.9	14.4	4%
Aircraft maintenance	17.7	21.1	-16%
Other expenses	49.4	54.3	-9%
EBITDA	-2.3	-13.3	-
EBIT	-19.3	-30.6	-
EBT	-18.3	-33.4	-
Loss for the period	-14.6	-26.7	-
EBITDA ratio	-1.2%	-7.0%	5.7 ppt
EBITDAR	6.2	-3.1	-
EBITDAR ratio	3.3%	-1.6%	5.0 ppt

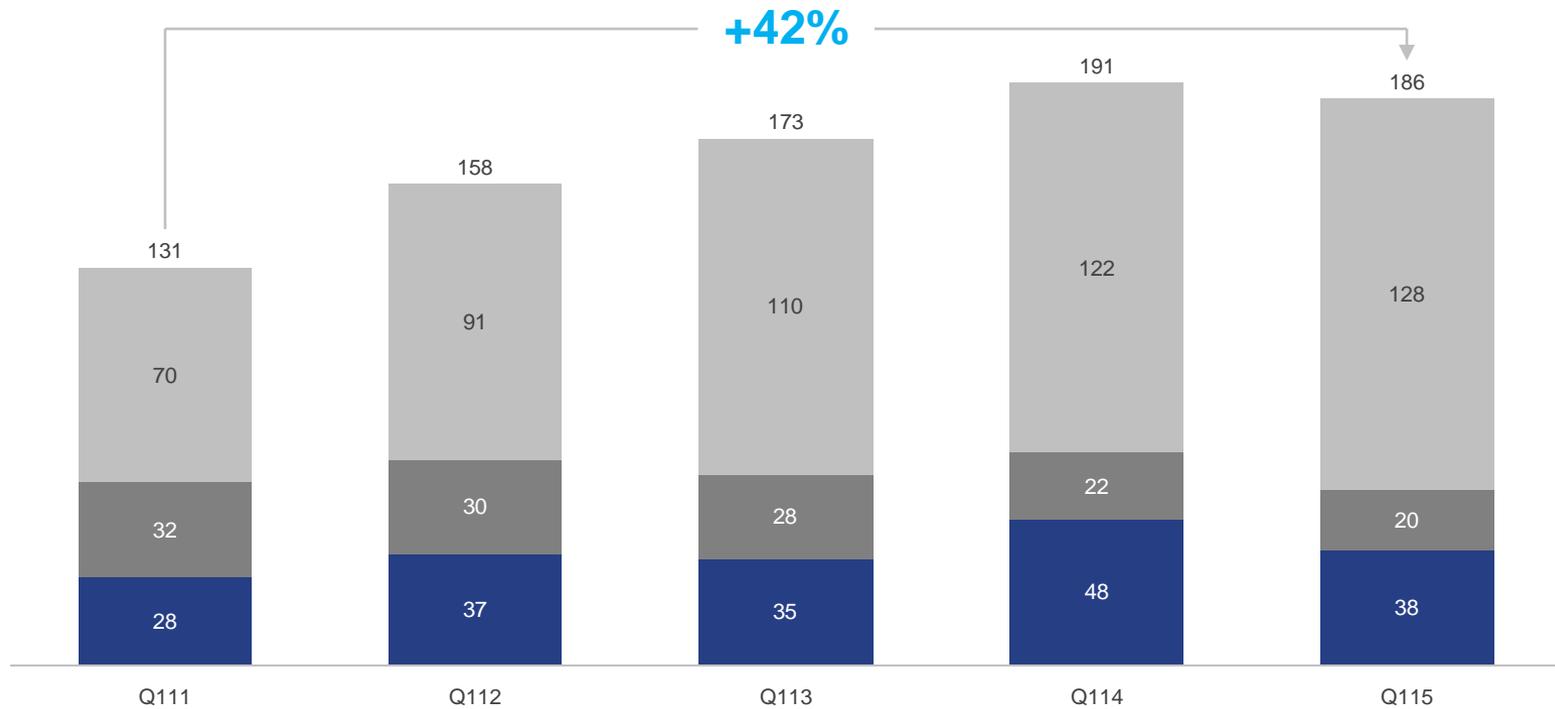
EBITDA and net profit

USD million

■ EBITDA ■ Net Profit



The revenue growth on fixed exchange rates is 6.5%



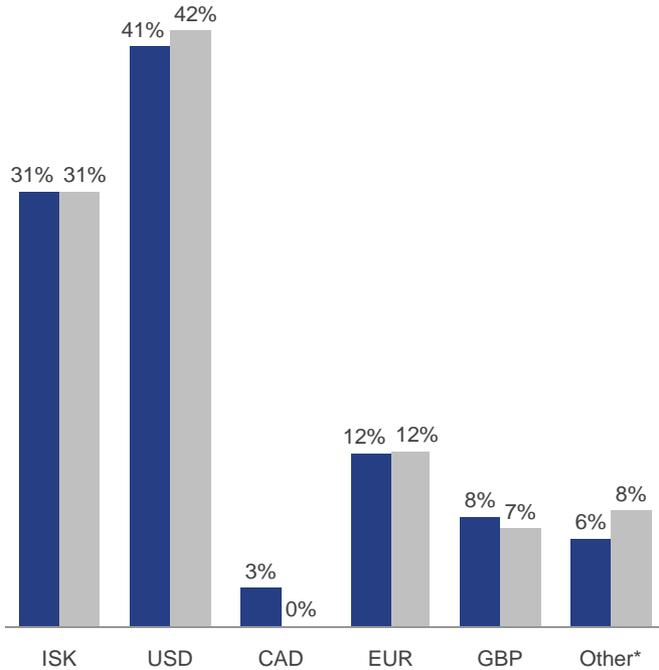
■ Transport revenue ■ Aircraft and aircrew lease ■ Other revenues

All figures in USD million.

The majority of revenue is in European currencies while half of expenses is in US dollars

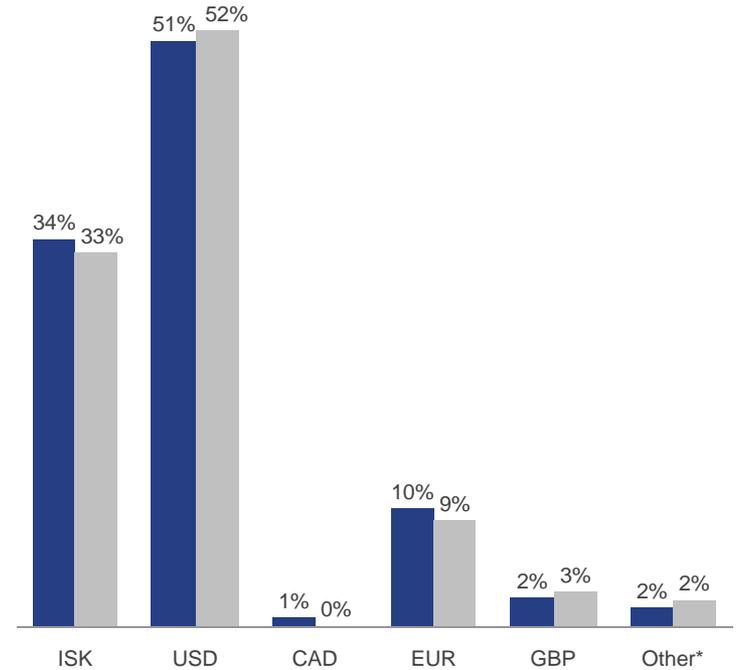
Operating income

■ Q1 2015 ■ Q1 2014



Operating expenses

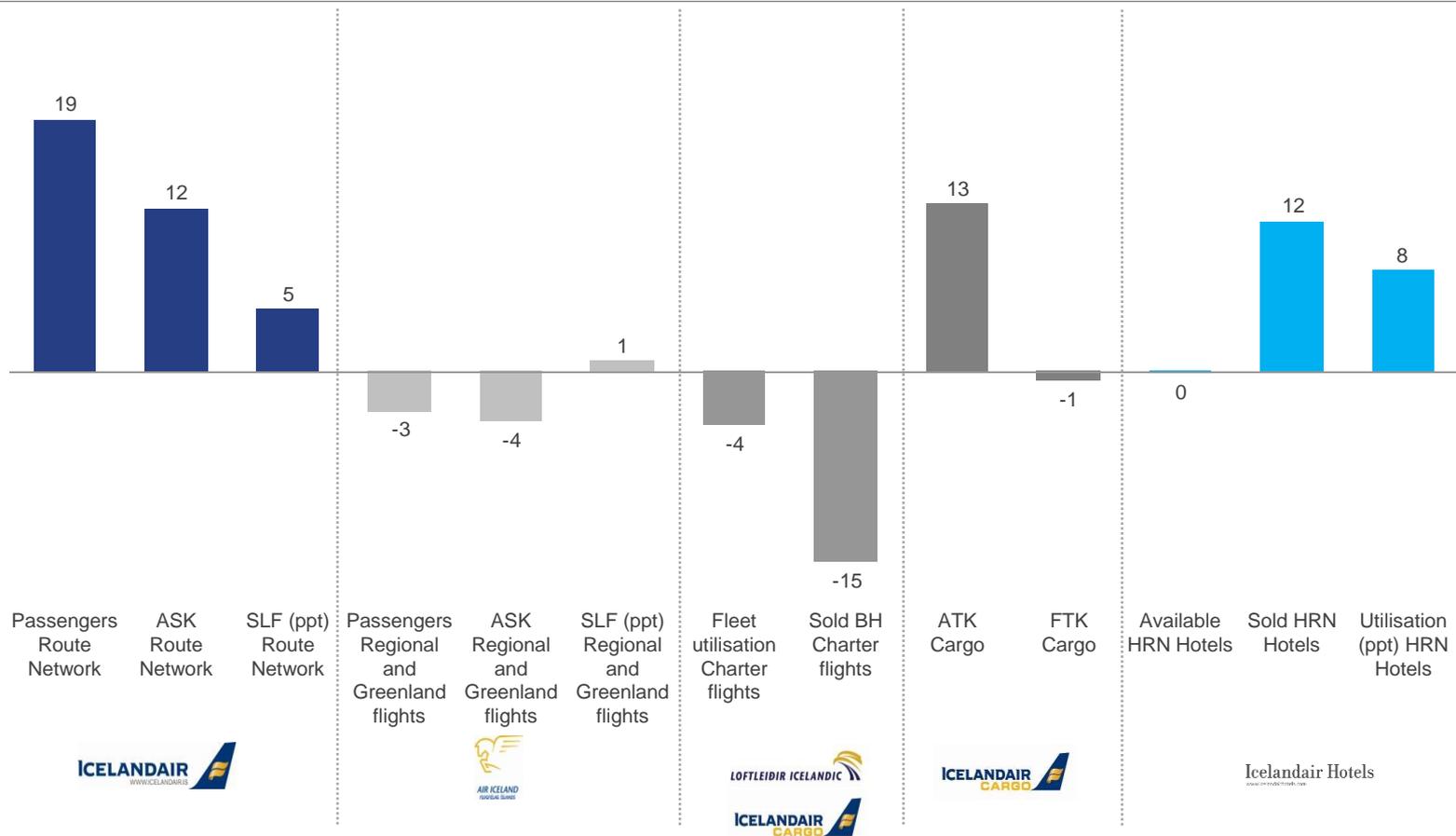
■ Q1 2015 ■ Q1 2014



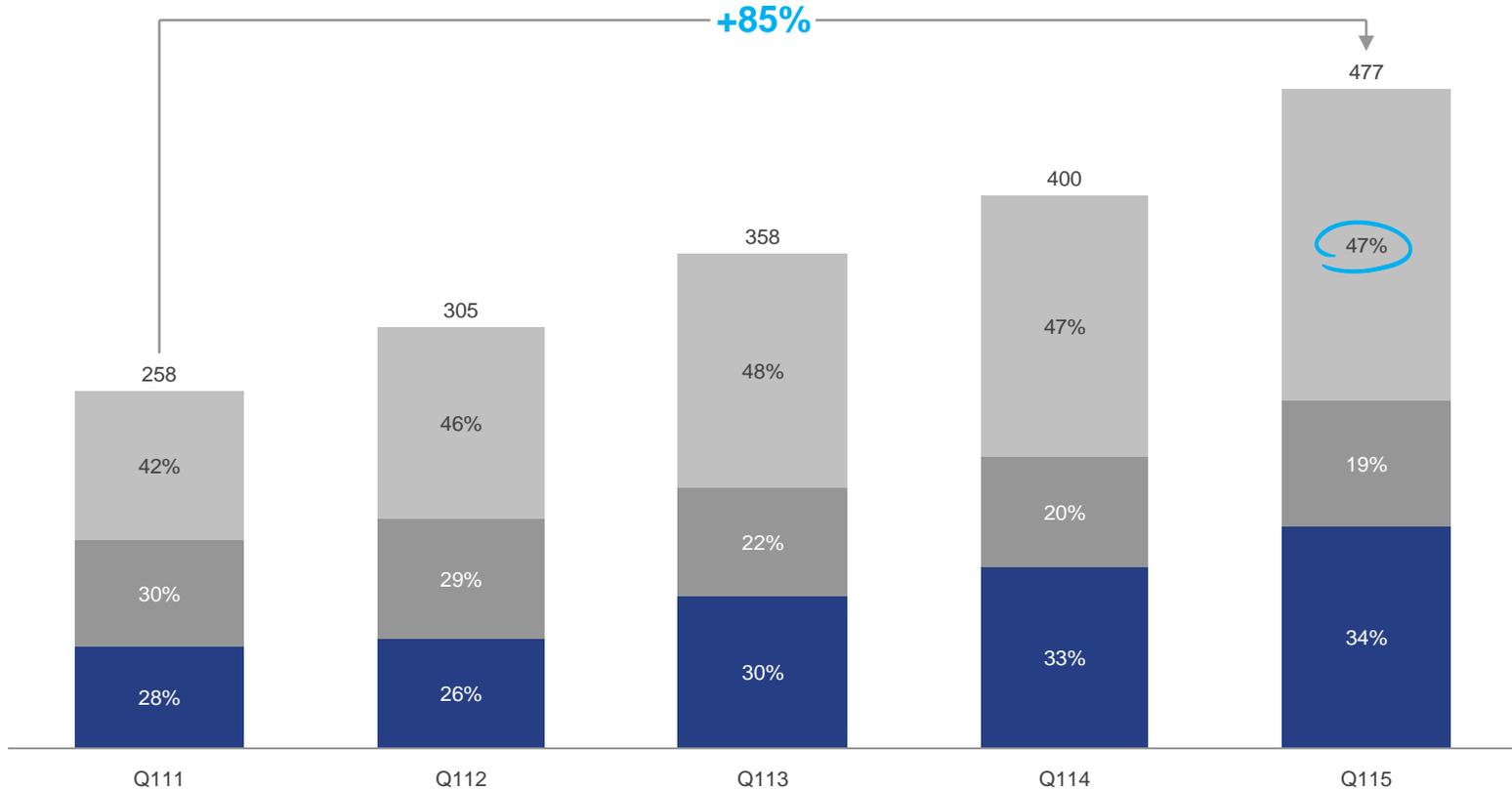
Other* mainly the Scandinavian currencies

The year is off to a good start with 19% increase in number of passengers and a record utilisation of hotel rooms in Q1

Year-on-year change in %



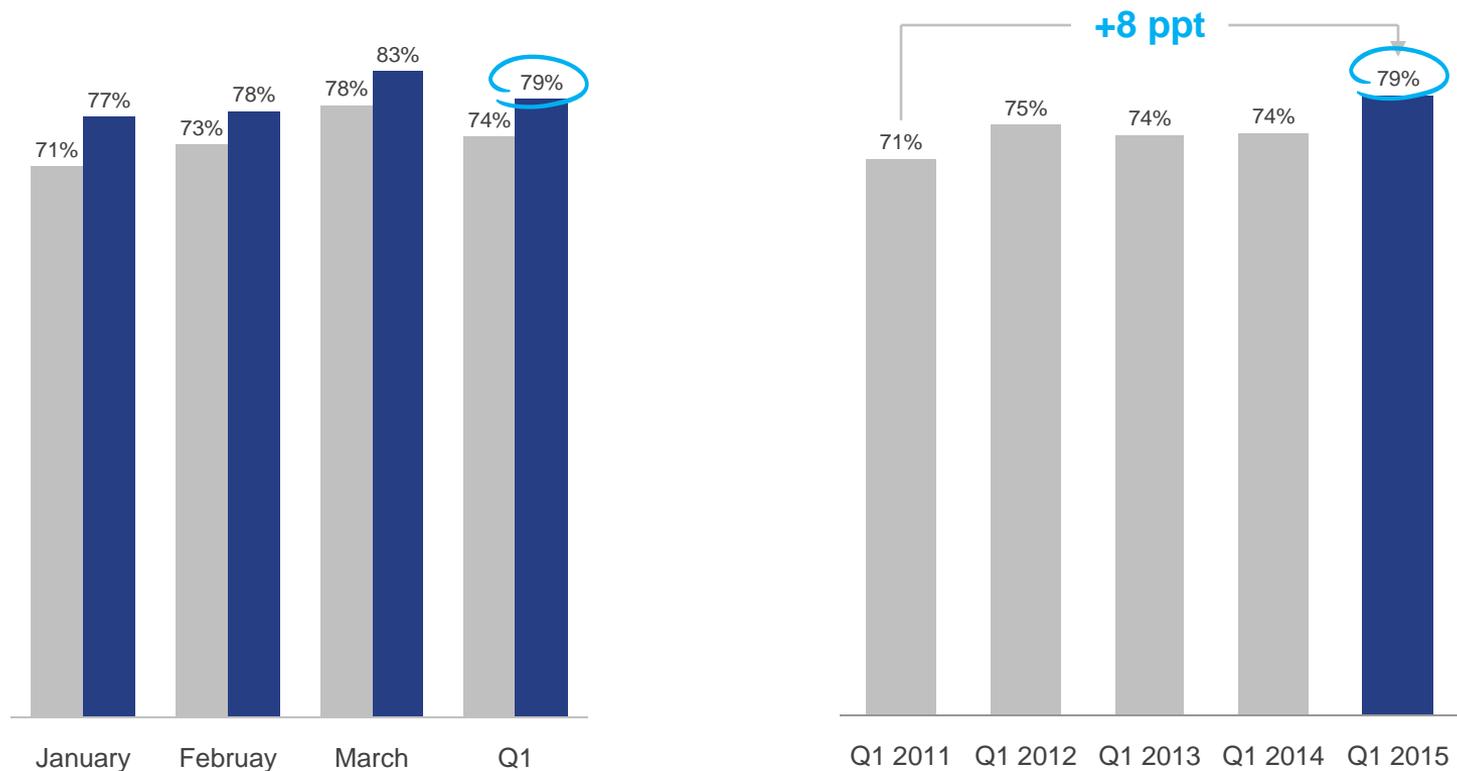
The tourist market To Iceland is our largest market in the first quarter with 225 thousand passengers



■ To ■ From ■ Via

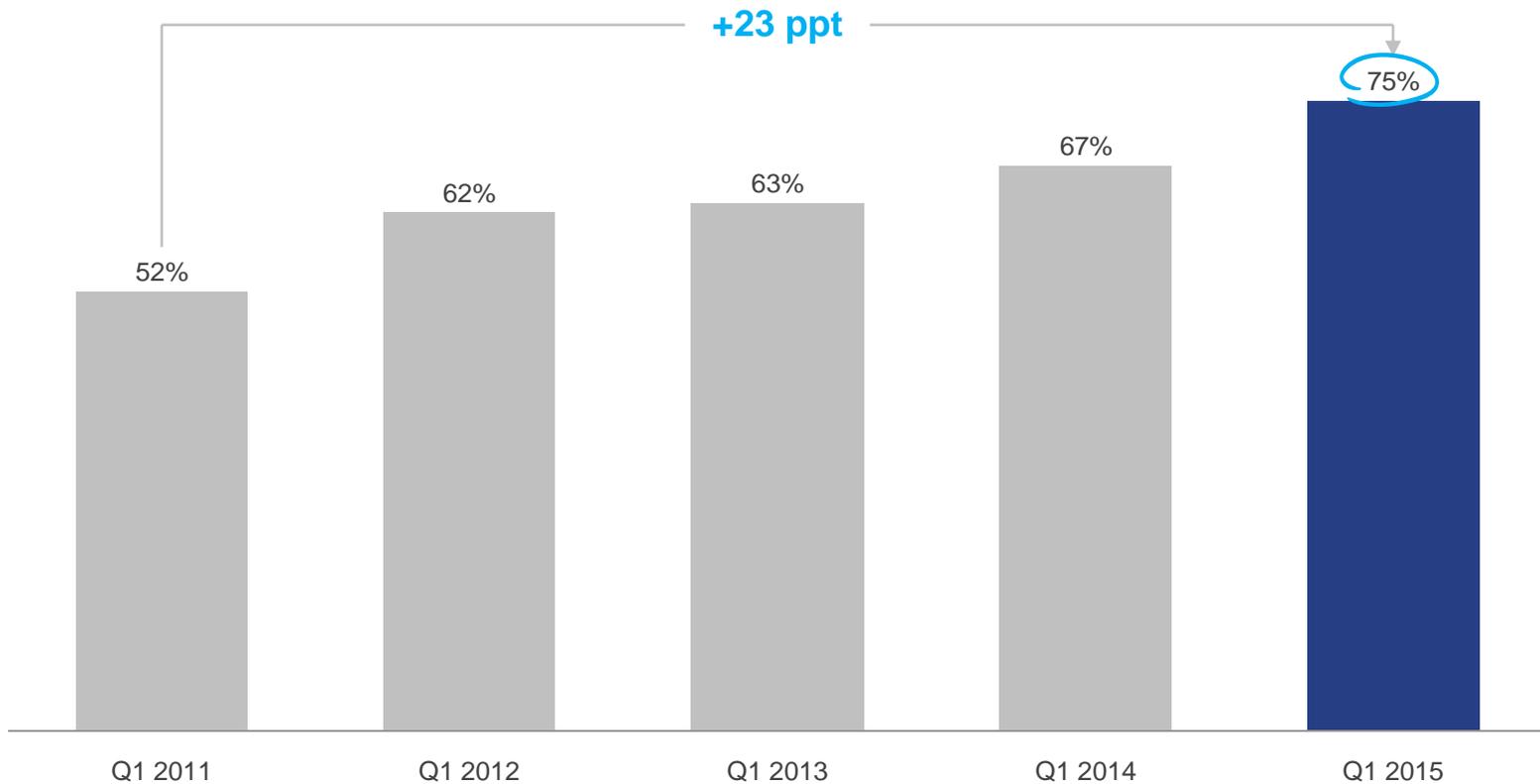
Absolute figures in thousands.

Record passenger load factor in every month in the first quarter of 2015

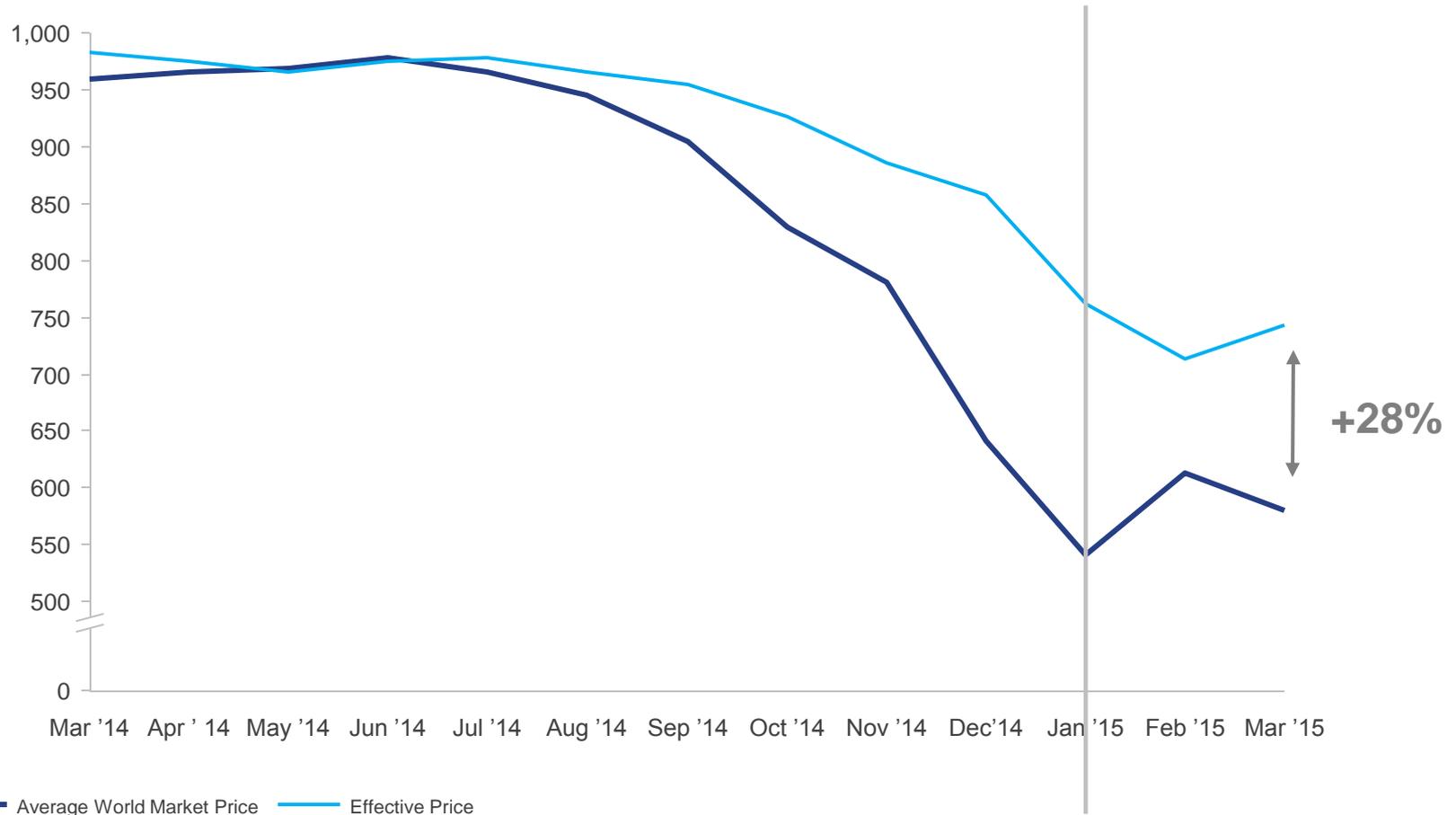


■ 2014 ■ 2015

The room utilisation at our hotels is a visual result of our actions to develop Iceland as a whole-year destination



Effective fuel price paid in Q1 2015 28% higher than the average world fuel price



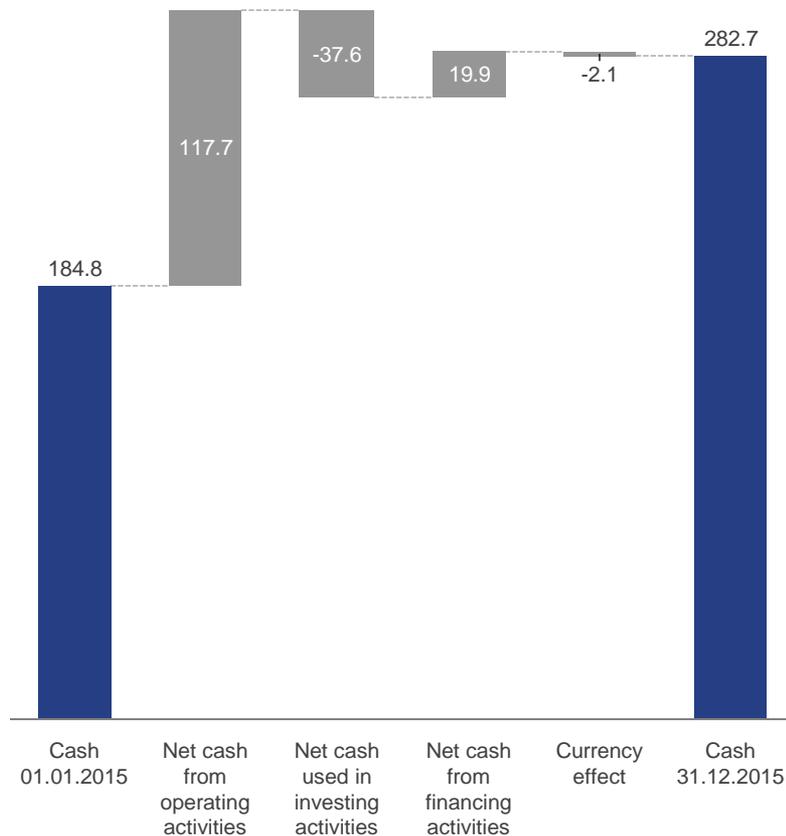
Figures: USD/ton.

55% of estimated fuel usage has been hedged in the next 12 months

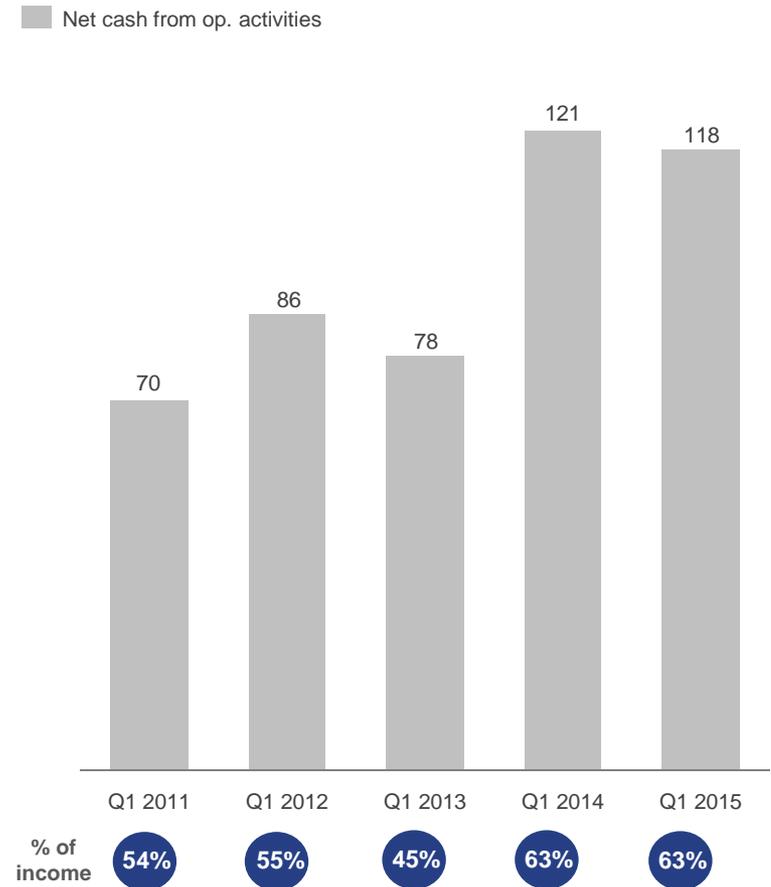
Period	Estimated usage (tons)	Option volume	Swap volume	Total swap and option contracts	%hedged	Av. Swap price USD	Bought call strike	Sold put strike
Apr 15	18.480	3.000	7.200	10.200	55%	841	1.000	892
May 15	26.891	4.000	12.200	16.200	60%	834	1.000	932
Jun 15	34.695	6.000	14.200	20.200	58%	828	987	883
Jul 15	36.777	6.000	14.300	20.300	55%	804	987	871
Aug 15	36.679	8.000	12.300	20.300	55%	781	965	854
Sep 15	30.956	6.000	10.200	16.200	52%	793	929	859
Oct 15	24.181	4.000	9.200	13.200	55%	662	900	831
Nov 15	20.109	0	10.200	10.200	51%	660	0	0
Dec 15	19.092	0	11.200	11.200	59%	595	0	0
Jan 16	19.188	0	10.000	10.000	52%	607	0	0
Feb 16	17.446	0	10.000	10.000	57%	642	0	0
Mar 15	19.791	0	10.000	10.000	51%	614	0	0
Total	304.285	37.000	131.000	168.000	55%	-	-	-

Net cash from operation corresponds to 63% of total income in the first quarter

Changes in Cash in Q1 2015
USD million



Net cash from operations and as % of income
USD million



Strong balance sheet with 34% equity ratio and low interest bearing debt

USD million	31.03 15	31.12 14
Assets		
Operating Assets	325.8	319.3
Intangible assets	173.6	176.0
Other non-current assets	21.7	18.9
Total non-current assets	521.2	514.2
Other current-assets	149.8	119.4
Markatable securities	39.3	30.9
Cash and cash equivalents	282.7	184.8
Total current assets	471.7	335.0
Total assets	993.0	849.2

USD million	31.03 15	31.12 14
Equity and liabilities		
Stockholders equity	335.6	365.1
Loans and borrowings non-current	68.6	49.7
Other non-current liabilities	29.8	33.0
Total non-current liabilities	98.4	82.6
Loans and borrowings current	12.2	12.3
Trade and other payables	249.0	214.3
Deferred income	297.8	174.9
Total current liabilities	559.0	401.5
Total equity and liabilities	993.0	849.2
Equity ratio	34%	43%
Current ratio	0.84	0.83
Net interest bearing debt	-241.2	-153.7
Interest bearing debt	80.8	61.9

OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO



Two B767-300 aircraft will be added to the fleet in 2016 creating new opportunities



Two B767
replacing
two B757
in spring 2016

Available
seats
260 vs 183
on the B757

Maintenance
and crew
training similar
to B757

Experience in
operating the
aircraft type

The B767
carries more
freight tonnes
than the B757

Longer
flight range
compared
to B757

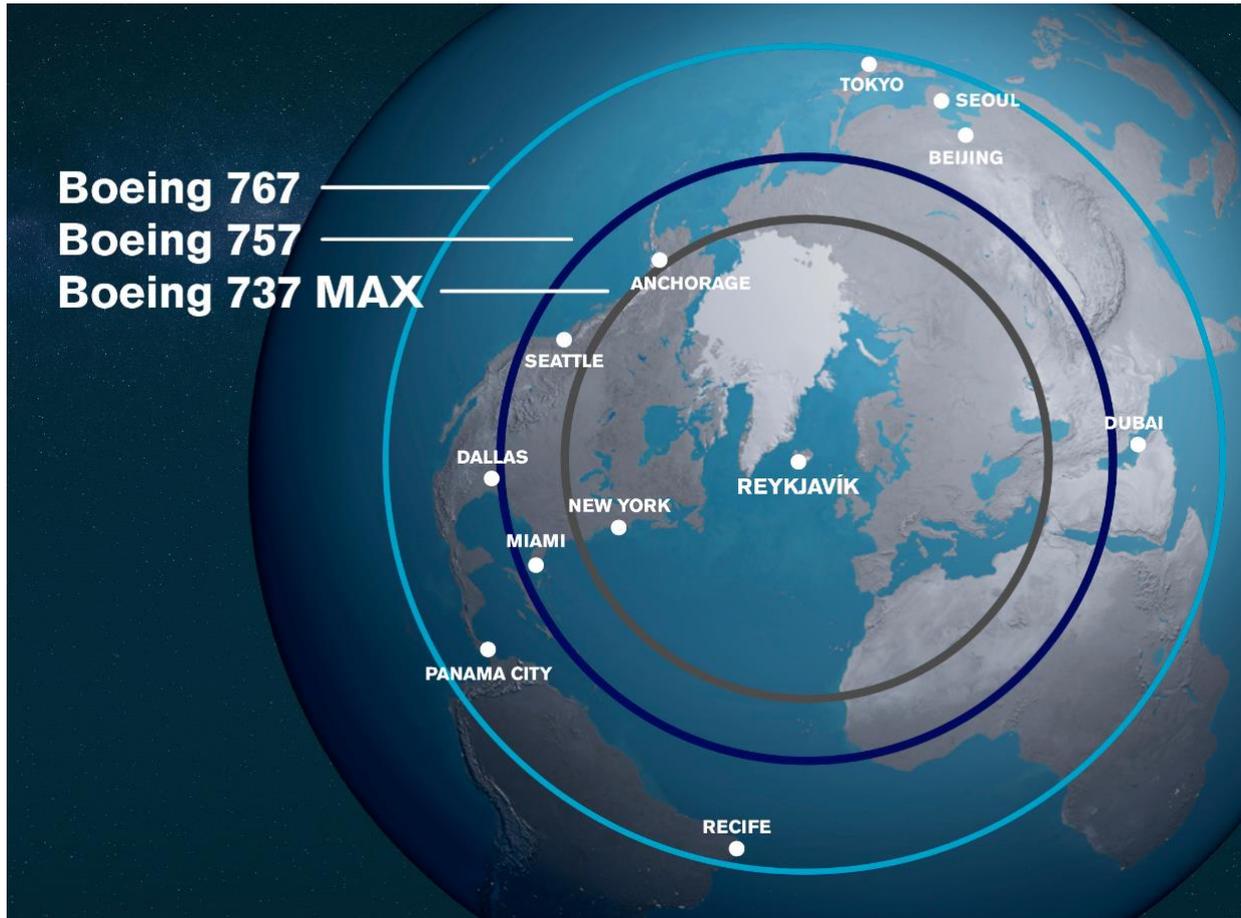
B767
feasible due to
high load factors
all year round on
some routes

Good
passenger
comfort

Opportunities
for new
destinations

Limited slot
capacity at
some airports
making B767
advantageous

Longer flight range and more diversified seat capacity per aircraft opens up new markets



Available seats 2015

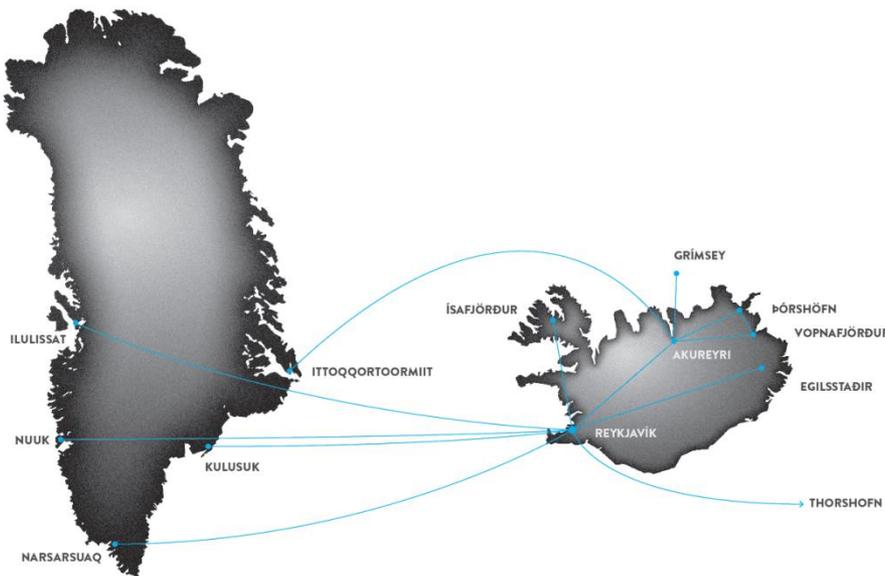
757 200	183
757 300	222
Q200	37
Fokker-50	50

Available seats 2018

757 200	183
757 300	222
767 300	260
737 MAX8	153
737 MAX9	172
Q200	37
Q400	74

New fleet in our regional airline operation will open up new and exciting markets from 2016 and onwards

Route map | Regional airline operations



Three
Q400
replacing
five Fokker 50s

Q400
faster
than the
Fokker-50

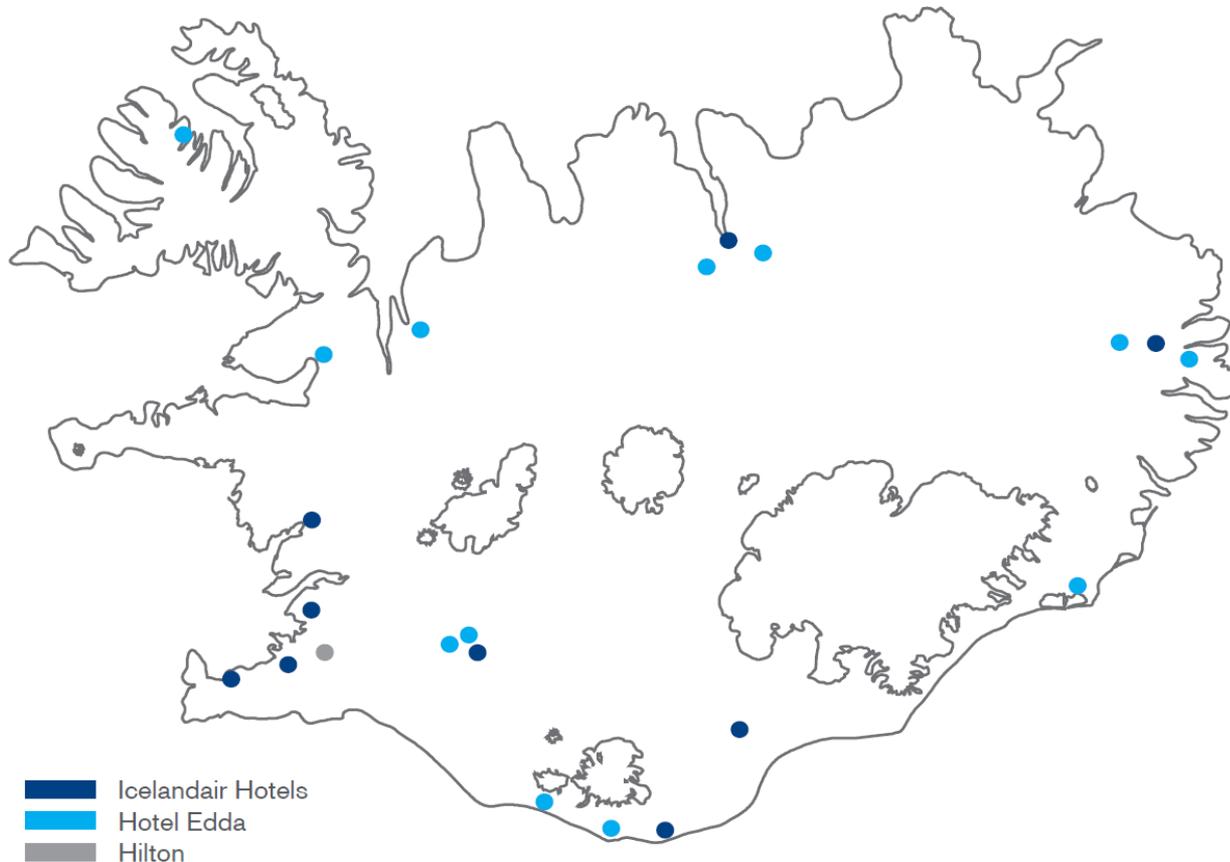
New
markets
opening up

Available seats
74 vs 50
on the
Fokker 50

The fleet will
comprise
three Q400 and
two Q200

Increased
synergies with
aircraft from same
manufacturer

In 2015 we will operate 22 hotels and offer 325,000 hotel room nights over the course of the year



The development of our hotels continues with the focus on the dual long-term goal:

.... to increase the diversity in our hotel portfolio and to better serve our guests

....to strengthening Iceland further as a whole year destination

Mývatn – building will be extended and rebuilt to cater to the growing demand for authentic nature experiences



- | Property located in Mývatn in North Iceland
- | Stunning views over the lake Mývatn
- | This property supports our vision to unlock Iceland's potential as a year-round destination by emphasizing the Icelandic country side during the winter season through the offering of interesting hotel options

Icelandair Hotel Marina – 47 room addition to open in 2015 and further strengthening the position of the harbour



Icelandair Hotel Kultura – 115 rooms to be opened in 2016 and revitalising an important part of the City



The Hafnarstræti hotel will comprise 53 rooms to be opened in 2016 with firm focus on highest quality product offering

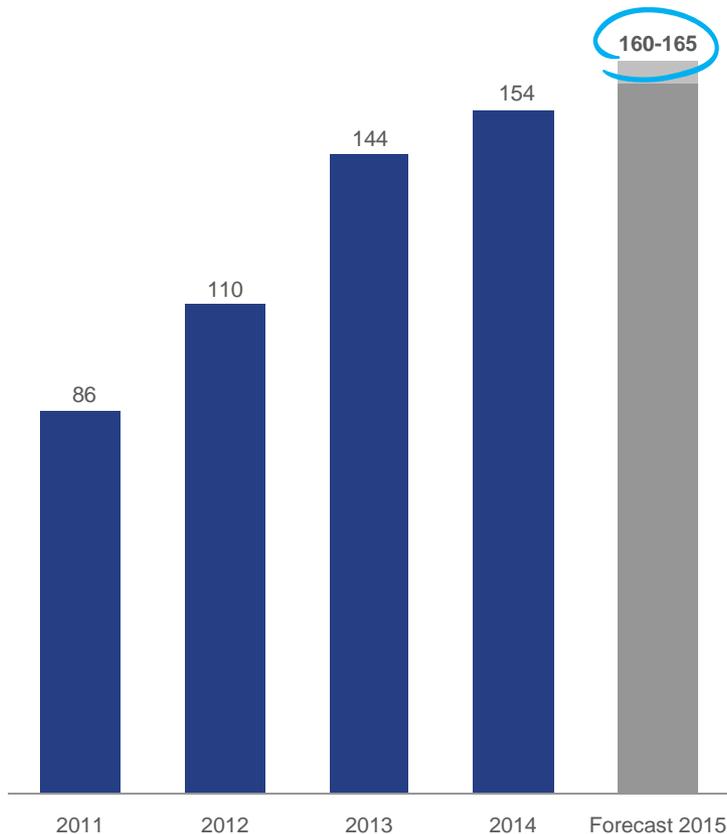


Isavia master planning process underway



EBITDA forecast for 2015 remains in the range of USD 160-165 million

EBITDA development 2011-2015 in USD million



Main forecast assumptions:

- | EBITDA dependent on external circumstances, such as changes in fuel prices and currency
- | Strengthening of US dollar against European currencies has a negative impact on EBITDA
- | EUR/USD exchange rate assumed 1.07 for the last three quarters of 2015, a decrease from beginning of the year when the assumption was 1.15
- | Average fuel price (excluding hedging) 600 USD/ton – a decrease from the original forecast
- | Based on all above the EBITDA forecast remains unchanged despite good results in the first quarter
- | The forecast does not take into account the uncertainty in the Icelandic labour market, which could significantly impact the Company's results.

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