



ICELANDAIR GROUP

PRESENTATION OF Q2 2015 RESULTS | 28 JULY 2015



Highlights Q2 2015

1

EBITDA
USD 50.3 million
improving by
USD 5.0 million
from 2014

2

**Higher passenger
revenue and
lower fuel price
resulting in higher
EBITDA**

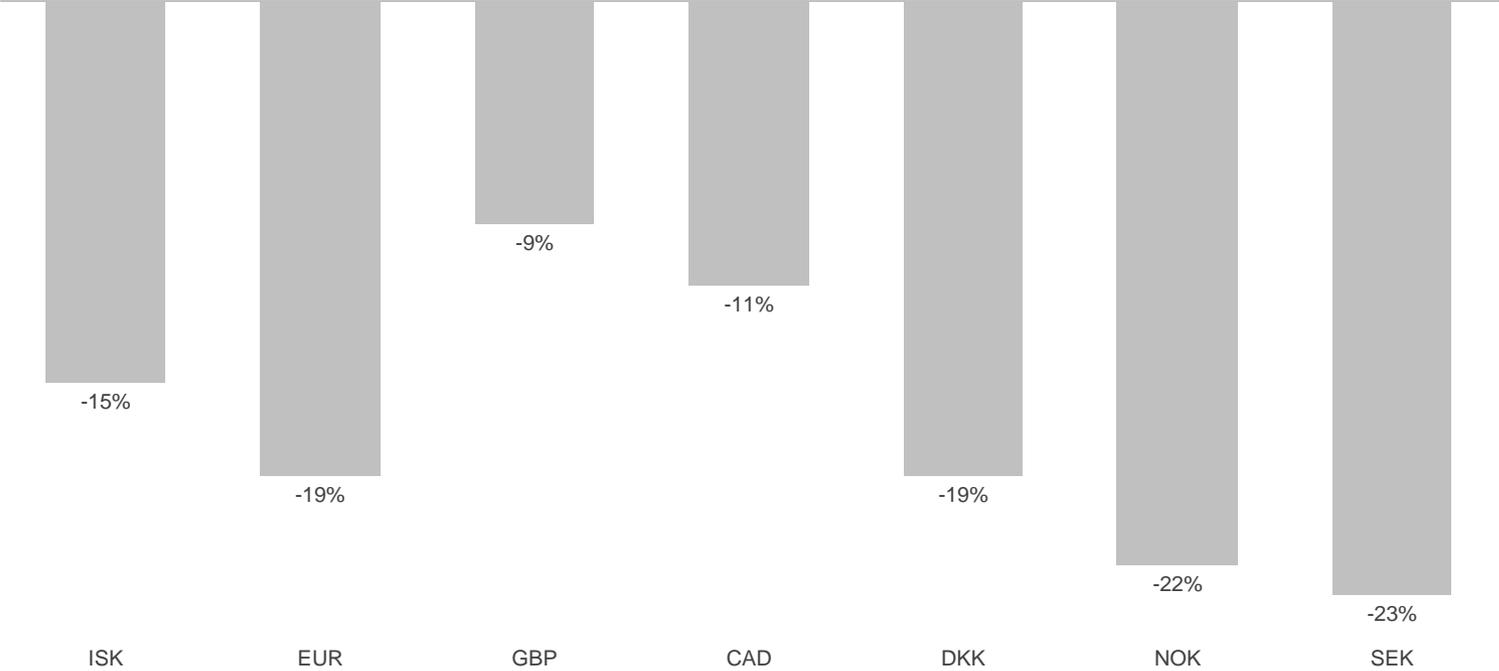
3

**EBITDA
forecast for
2015 raised to
180-185
USD million**

FINANCIAL RESULTS

BOGI NILS BOGASON | CFO

The USD has remained strong against most currencies as compared to 2014

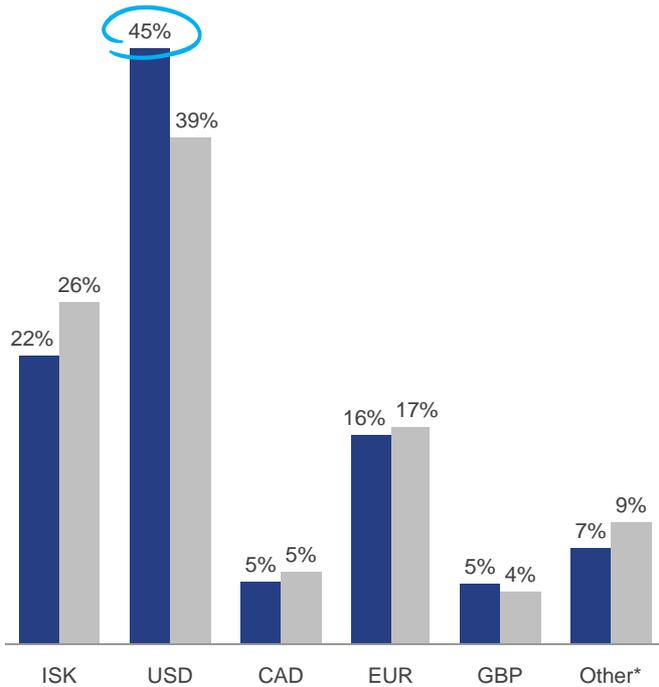


■ Change in main currencies against the USD; Q215 vs Q214

The weight of US dollars increases in revenues

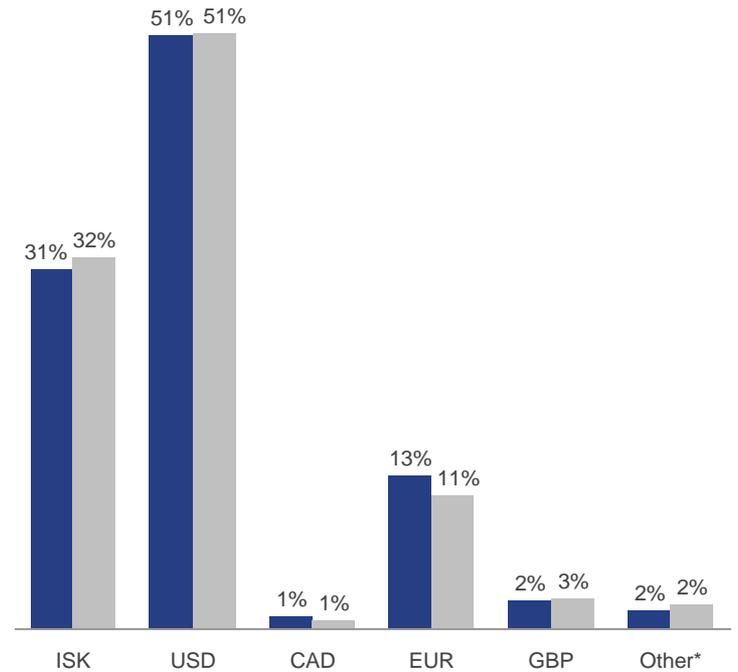
Operating income

■ Q2 2015 ■ Q2 2014



Operating expenses

■ Q2 2015 ■ Q2 2014



Other* mainly the Scandinavian currencies

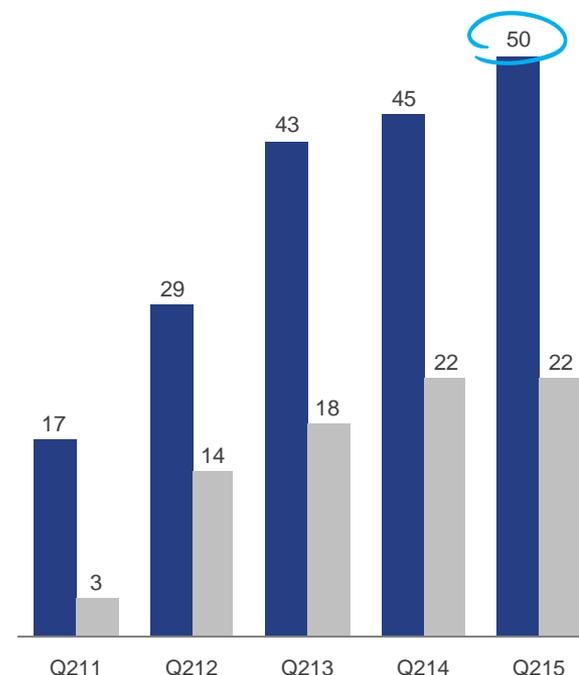
Q2 improves between years due to higher passenger revenue and lower fuel price

USD million	Q2 2015	Q2 2014	% Chg.
Operating Income	294.2	297.8	-1%
Salaries and related expenses	71.4	77.4	-8%
Aircraft fuel	67.1	74.6	-10%
Aircraft lease	6.4	7.0	-9%
Aircraft handling, landing and comm.	21.9	22.2	-2%
Aircraft maintenance	20.3	16.7	21%
Other expenses	57.0	54.5	4%
EBITDA	50.3	45.2	-
EBIT	28.4	25.9	-
EBT	27.9	24.8	-
Profit for the period	22.4	22.4	-
EBITDA ratio	17.1%	15.2%	1.9 ppt
EBITDAR	59.1	54.9	-
EBITDAR ratio	20.1%	18.4%	1.7 ppt

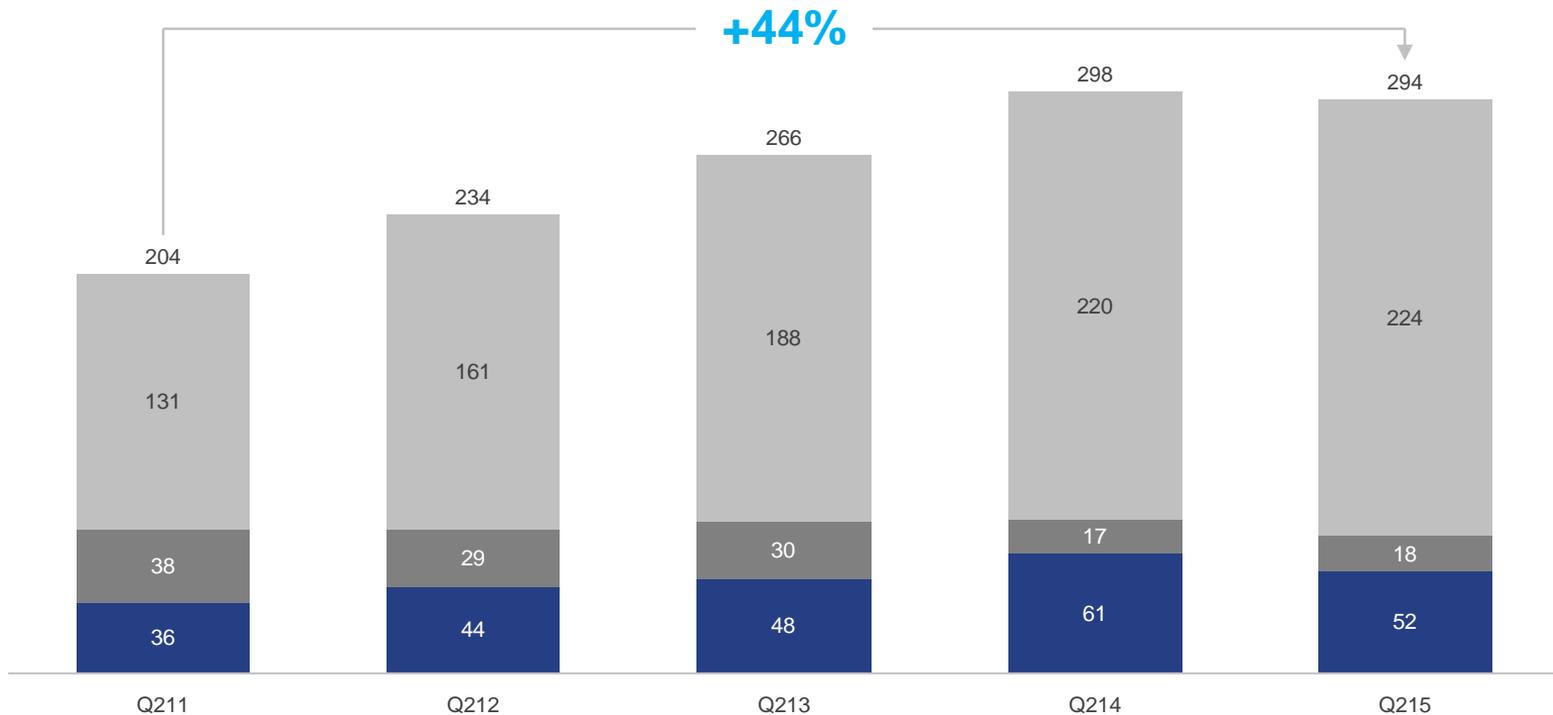
EBITDA and net profit

USD million

■ EBITDA ■ Net Profit



The revenue growth from LY on fixed exchange rates is 9.8%

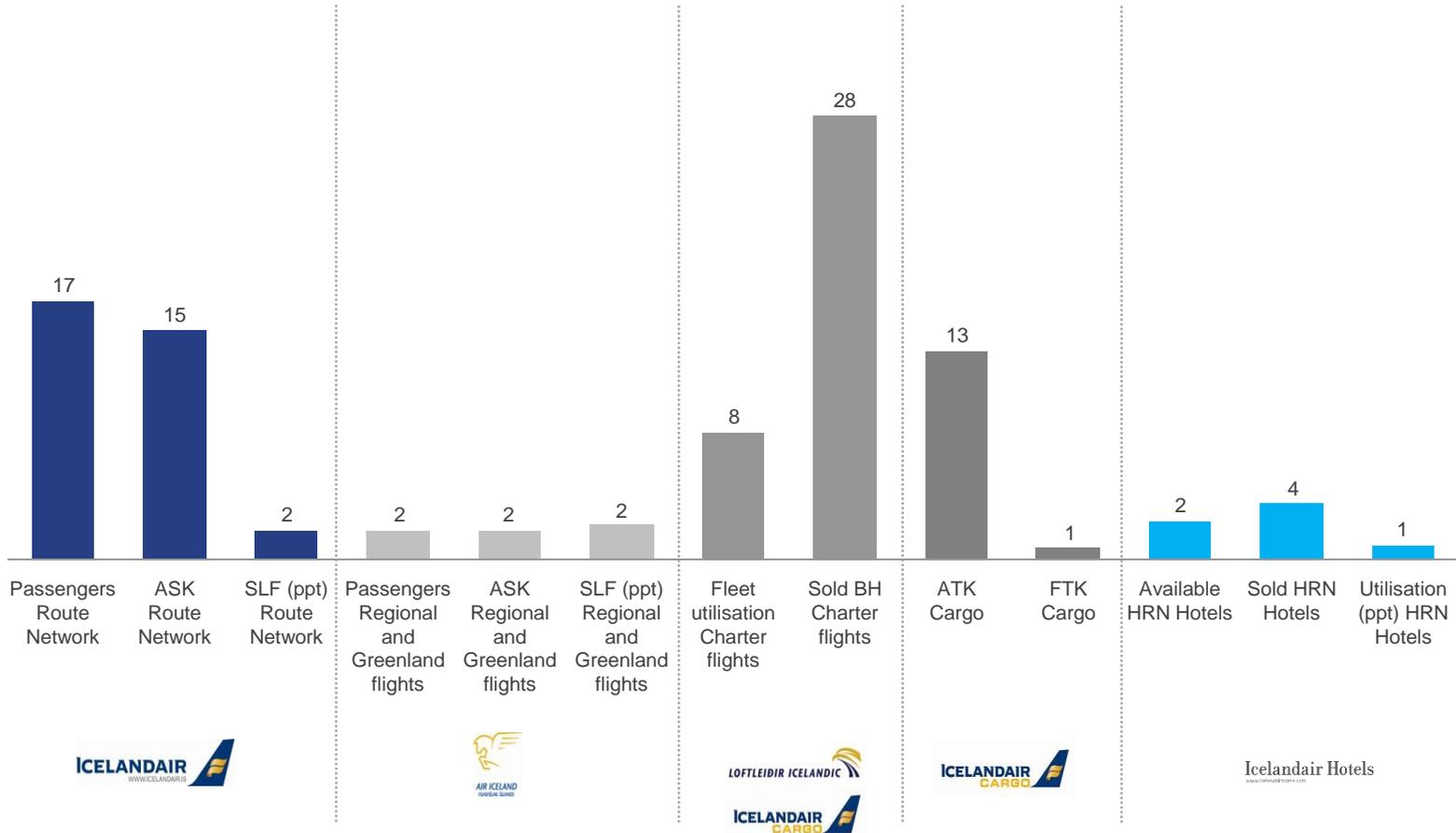


■ Transport revenue ■ Aircraft and aircrew lease ■ Other revenues

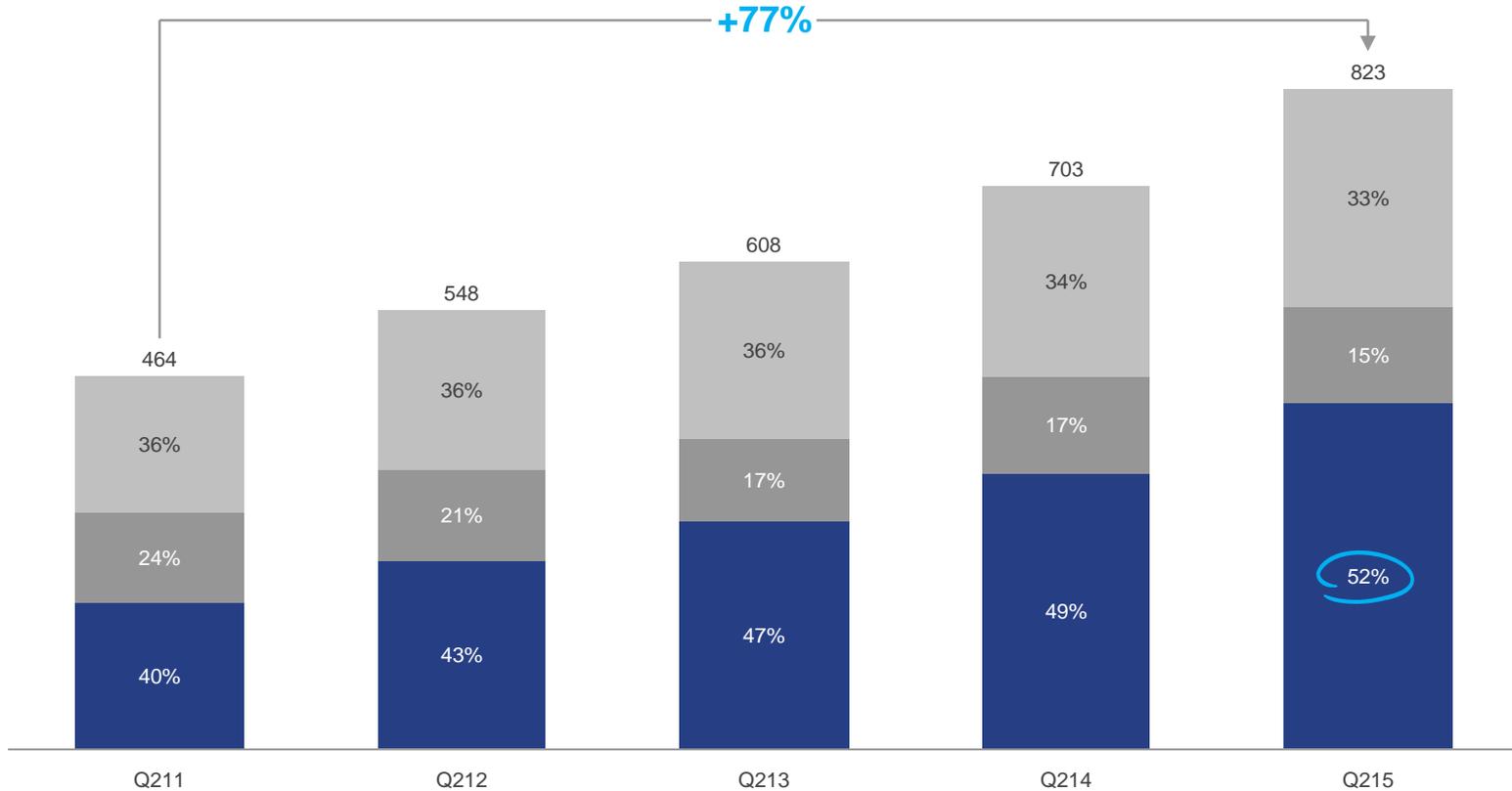
All figures in USD million.

Growth in all our businesses in Q2

Year-on-year change in %



The Via market our largest market in Q2 with 431 thousand passengers

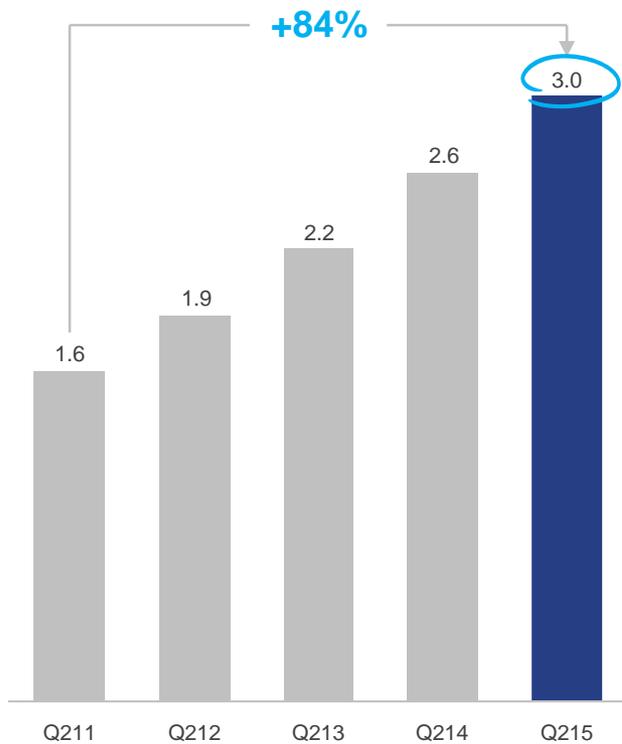


■ To ■ From ■ Via

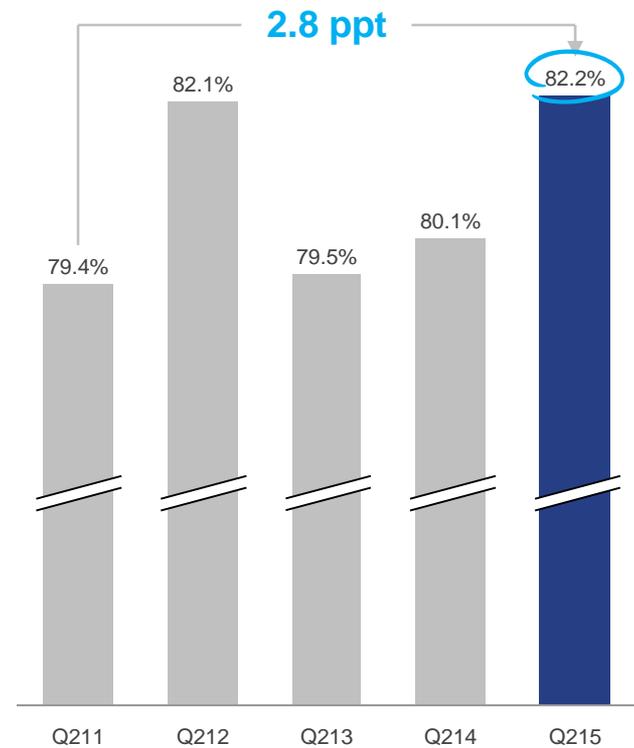
Absolute figures in thousands.

Load factor increases on top of double digit capacity increase

Available seat kilometers (ASK) in millions



Passenger load factor



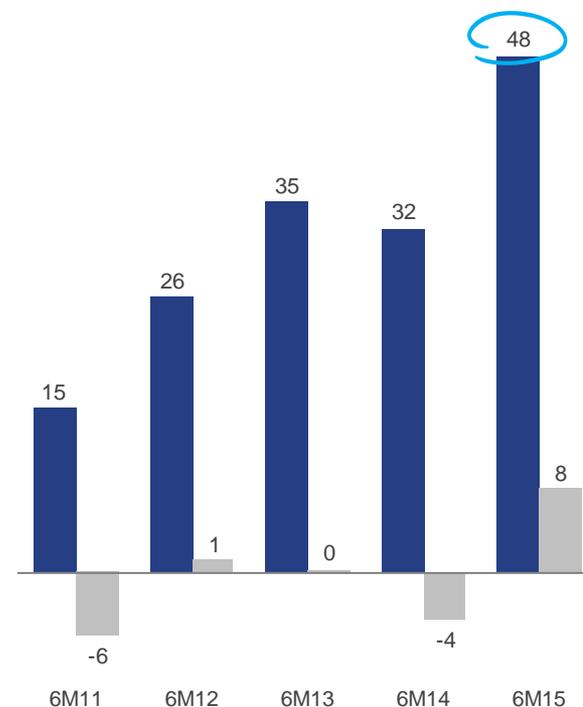
Record EBITDA of USD 48 million in the first six months

USD million	6M 2015	6M 2014	% Chg.
Operating Income	480.3	489.1	-2%
Salaries and related expenses	128.4	138.3	-7%
Aircraft fuel	110.7	122.6	-10%
Aircraft lease	12.1	13.0	-7%
Aircraft handling, landing and comm.	36.7	36.6	0%
Aircraft maintenance	38.0	37.8	1%
Other expenses	106.3	108.8	-2%
EBITDA	48.0	31.9	-
EBIT	9.1	-4.8	-
EBT	9.6	-8.6	-
Profit/loss for the period	7.8	-4.3	-
EBITDA ratio	10.0%	6.5%	3.5 ppt
EBITDAR	65.3	51.8	-
EBITDAR ratio	13.6%	10.6%	3.0 ppt

EBITDA and net profit

USD million

■ EBITDA ■ Net Profit



Effective fuel price paid in Q2 2015 22% higher than the average world fuel price



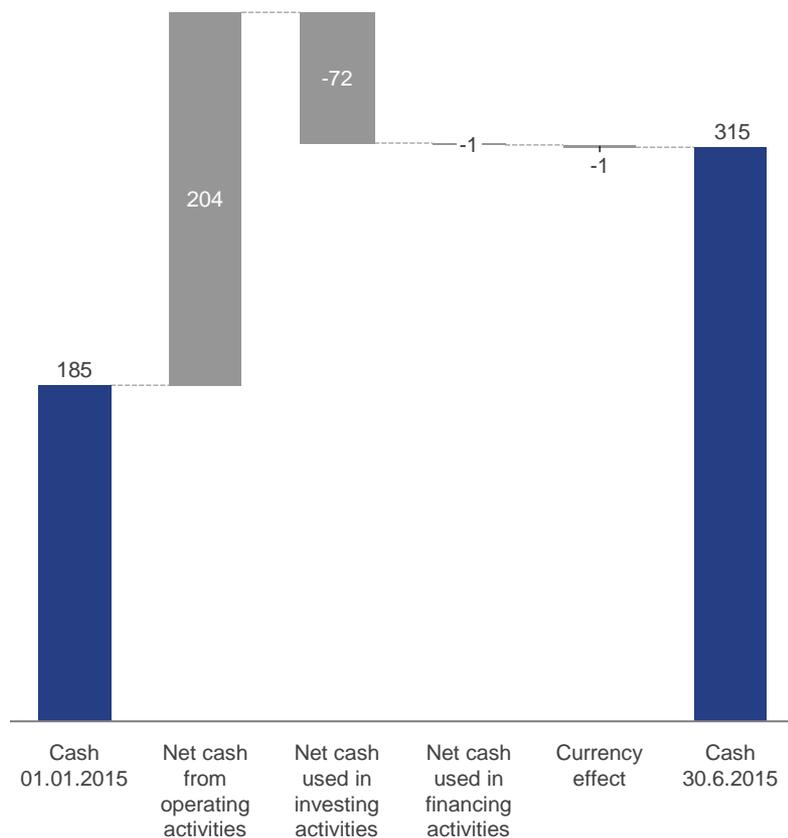
Figures: USD/ton.

56% of estimated fuel usage has been hedged in the next 12 months

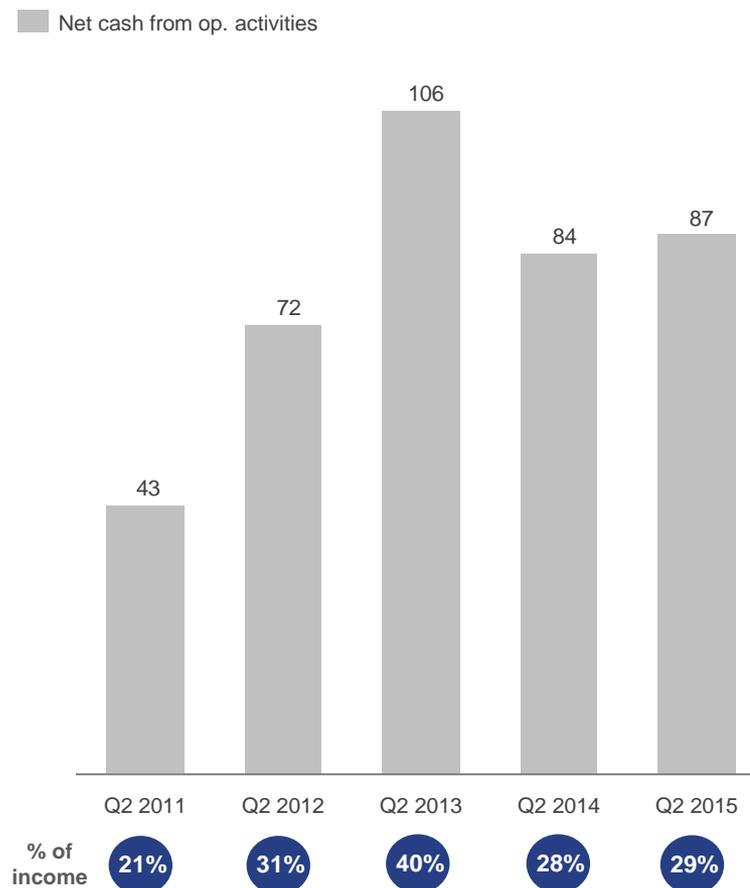
Period	Estimated usage (tons)	Option volume	Swap volume	Total swap and option contracts	%hedged	Av. Swap price USD	Bought call strike	Sold put strike
Jul 15	36,777	6,000	14,620	20,620	56%	800	987	871
Aug 15	36,679	8,000	12,610	20,610	56%	778	965	854
Sep 15	30,956	6,000	10,470	16,470	53%	789	960	859
Oct 15	24,181	4,000	9,570	13,570	56%	662	900	831
Nov 15	20,109	0	10,640	10,640	53%	658	0	0
Dec 15	19,092	0	11,620	11,620	61%	596	0	0
Jan 16	19,188	0	10,460	10,460	55%	608	0	0
Feb 16	17,446	0	10,410	10,410	60%	642	0	0
Mar 16	19,791	0	10,390	10,390	52%	615	0	0
Apr 16	18,480	0	8,430	8,430	46%	653	0	0
May 16	26,891	0	15,420	15,420	57%	677	0	0
Jun 16	34,695	0	20,400	20,400	59%	655	0	0
Total	304,285	24,000	145,040	169,040	56%	-	-	-

Increase in cash and cash equivalents amounting to USD 131.4 million in the first six months

Changes in Cash in January - June 2015
USD million



Net cash from operations and as % of income
USD million



Balance sheet remains strong with 36% equity ratio and low interest bearing debt

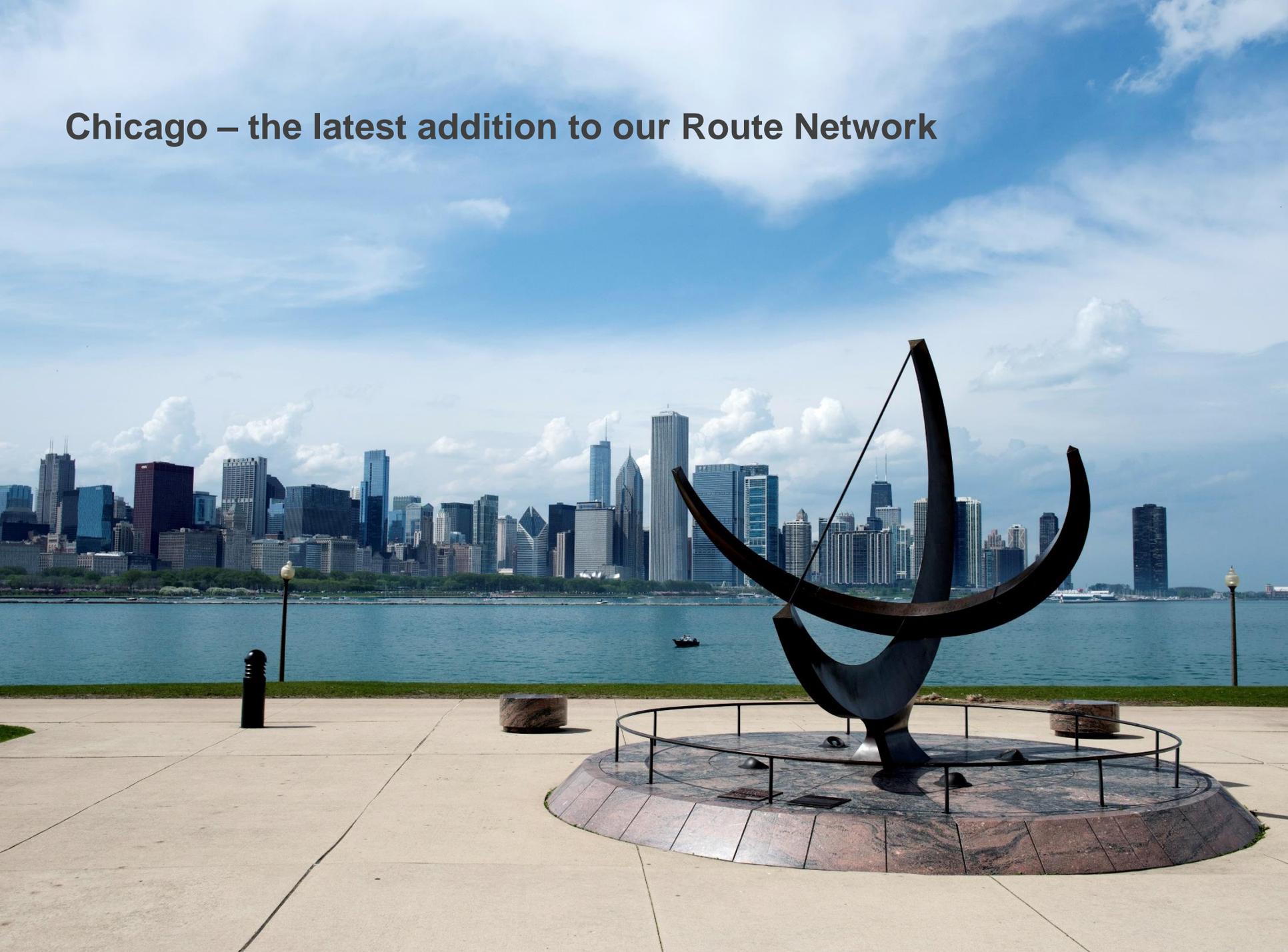
USD million	30.06 2015	30.06 2014	31.12 2014
Assets			
Operating Assets	336.8	303.7	319.3
Intangible assets	174.0	179.3	176.0
Other non-current assets	22.9	19.7	18.9
Total non-current assets	533.8	502.8	514.2
Other current-assets	153.4	161.5	119.4
Marketable securities	36.3	16.3	30.9
Cash and cash equivalents	314.9	267.0	184.8
Total current assets	504.6	444.8	335.0
Total assets	1,038.4	947.6	849.2

USD million	30.06 2015	30.06 2014	31.12 2014
Equity and liabilities			
Stockholders equity	373.2	323.5	365.1
Loans and borrowings non-current	66.1	46.6	49.7
Other non-current liabilities	38.2	52.1	33.0
Total non-current liabilities	104.3	98.7	82.6
Loans and borrowings current	12.4	13.7	12.3
Trade and other payables	237.2	216.4	214.3
Deferred income	311.3	295.3	174.9
Total current liabilities	560.9	525.4	401.5
Total equity and liabilities	1,038.4	947.6	849.2
Equity ratio	36%	34%	43%
Current ratio	0.90	0.85	0.83
Net interest bearing debt	-272.7	-223.1	-153.7
Interest bearing debt	78.5	60.2	61.9

OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

Chicago – the latest addition to our Route Network

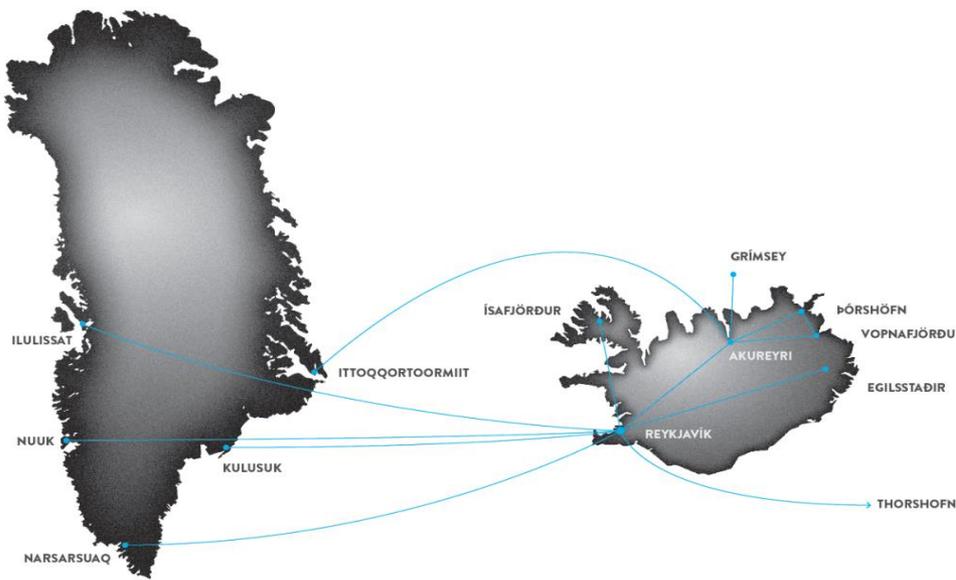


Increased co-operation with Hilton Worldwide to attract higher paying segments



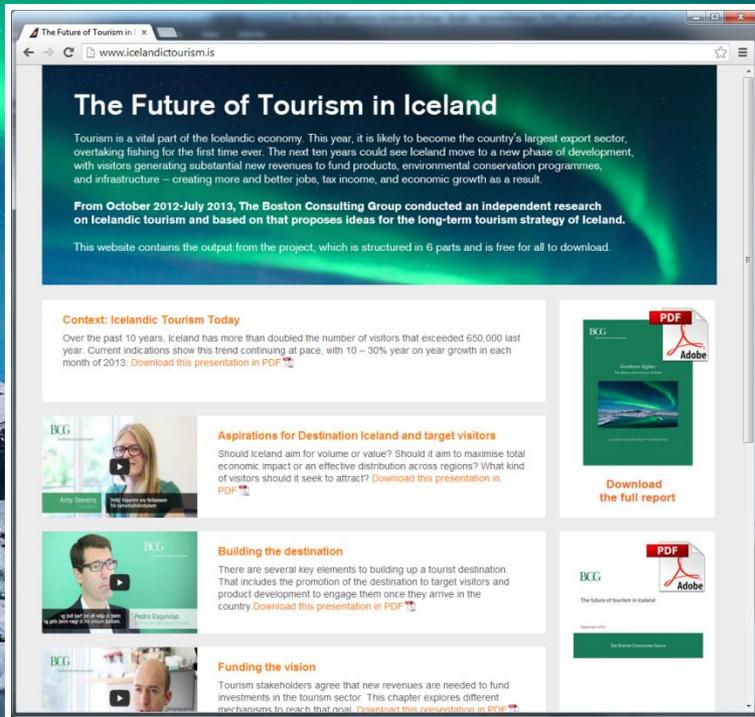
Purchase of three Q400 for the regional airline operations finalised

Route map | Regional airline operations



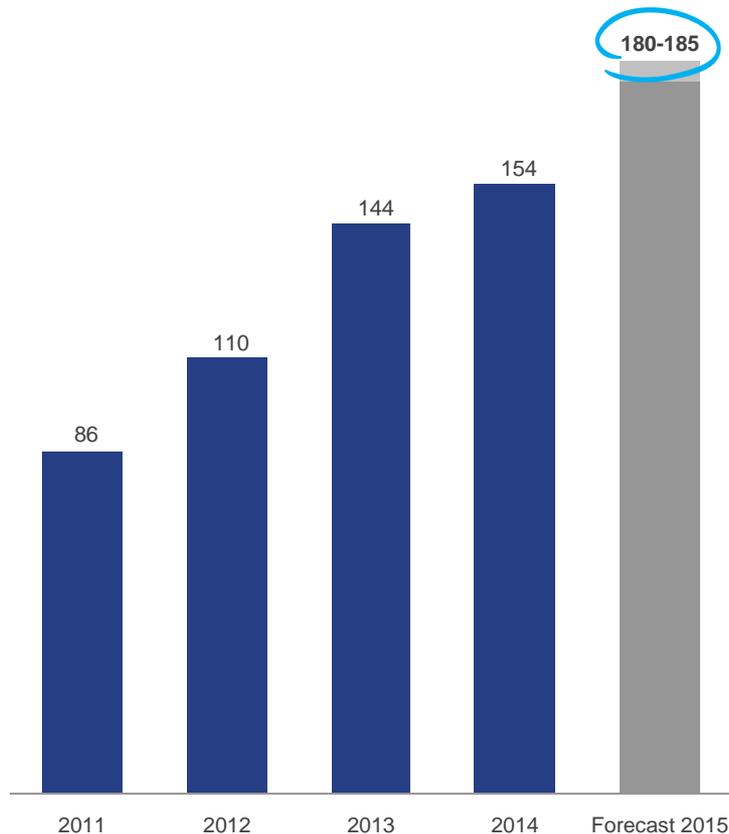
- | First aircraft expected to fly in the regional route network in December 2015
- | Five Fokker-50 aircraft will be sold
- | The new aircraft opens opportunities to:
 - | Expand into new markets
 - | Serve the Icelandic market better
- | The new aircraft will improve the efficiency in the operations
 - | Same manufacturer of all aircraft
 - | Fewer number of aircraft than today

Call to action with a strategic roadmap for Icelandic tourism in autumn 2013 with the launch of the BCG report in Harpa



EBITDA forecast for 2015 raised to USD 180-185 million

EBITDA development 2011-2015 in USD million



Main forecast assumptions:

- | Successful operations in the first six months of the year
- | Favourable external condition:
 - | EUR/USD rate assumed 1.10 for the latter half of 2015, an increase from last forecast in April which was 1.07
 - | Average fuel price (excluding hedging) 606 USD/ton in July, 555 USD/ton in August and 600 USD/ton for the last four months of the year
- | Booking status in the international Route Network strengthened beyond expectations especially in Q3
- | Outlook in other businesses of the Company is good

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