



ICELANDAIR GROUP

PRESENTATION OF Q3 2015 RESULTS | 30 OCTOBER 2015



Highlights Q3 2015

1

**Record EBITDA
USD 150.1 million
improving by
USD 27.0 million
from 2014**

2

**Higher passenger
revenue and
lower fuel price
reasons for the
good results**

3

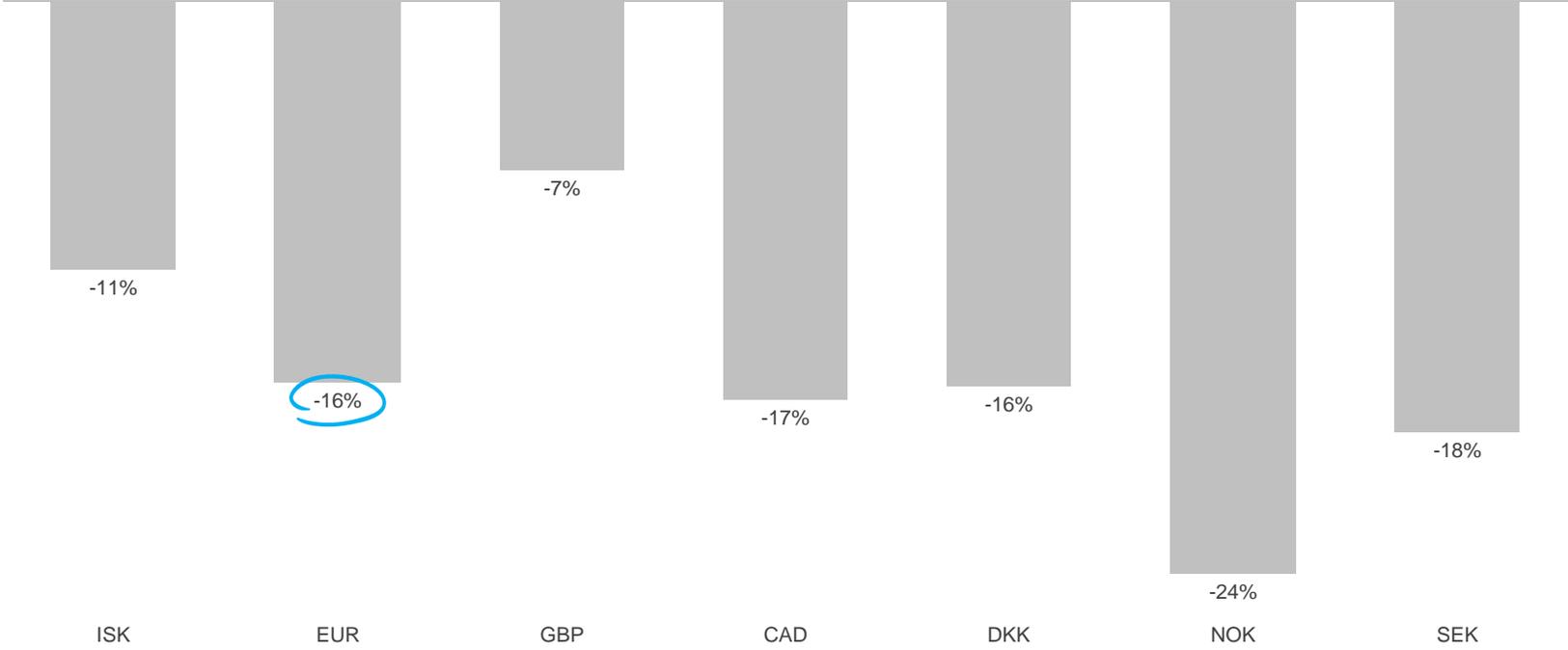
**EBITDA
guidance for
2015 raised to
210-215
USD million**

FINANCIAL RESULTS

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USD stronger against other currencies in Q3 2015 compared to Q3 2014

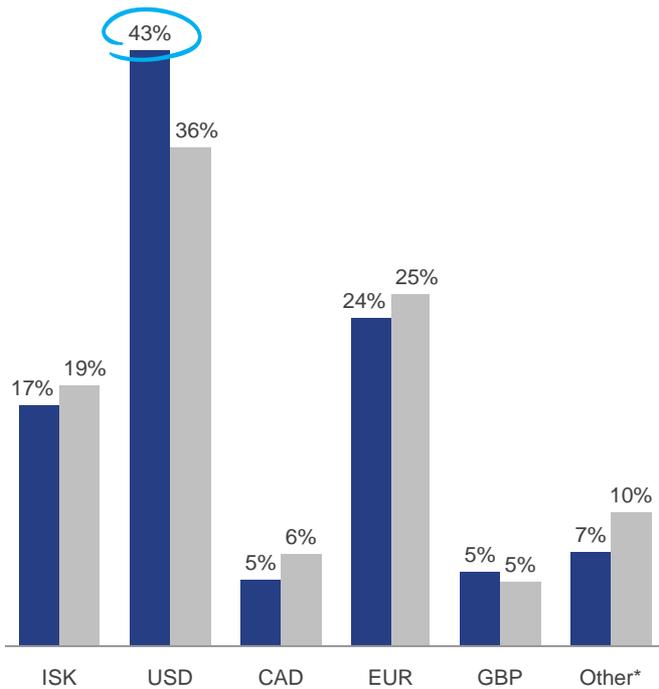


■ Change in main currencies against the USD; Q315 vs Q314

The weight of USD increases in revenues

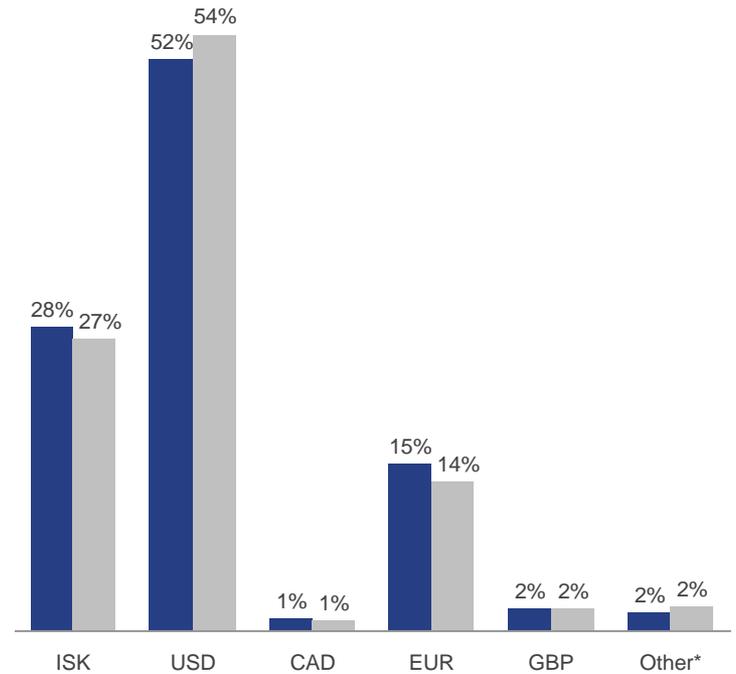
Operating income

■ Q3 2015 ■ Q3 2014



Operating expenses

■ Q3 2015 ■ Q3 2014



Other* mainly the Scandinavian currencies

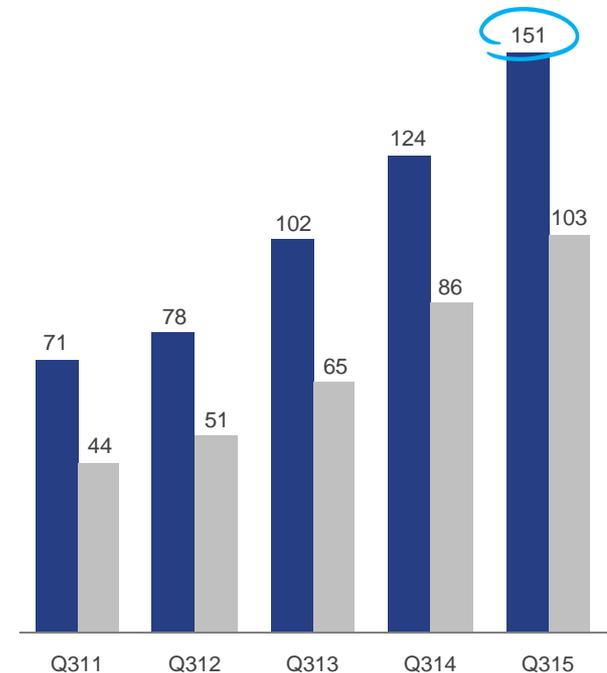
Profit in Q3 up by 20% compared to last year

USD million	Q3 2015	Q3 2014	% Chg.
Operating Income	429.4	418.7	3%
Salaries and related expenses	74.6	69.8	7%
Aircraft fuel	76.8	95.8	-20%
Aircraft lease	5.9	5.7	3%
Aircraft handling, landing and comm.	31.7	29.4	8%
Aircraft maintenance	13.6	21.6	-37%
Other expenses	75.9	72.6	5%
EBITDA	150.9	123.9	-
EBIT	127.0	102.5	-
EBT	130.8	106.2	-
Profit for the period	103.1	85.8	-
EBITDA ratio	35.1%	29.6%	5.5 ppt
EBITDAR	159.9	134.5	-
EBITDAR ratio	37.2%	32.1%	5.1 ppt

EBITDA and net profit

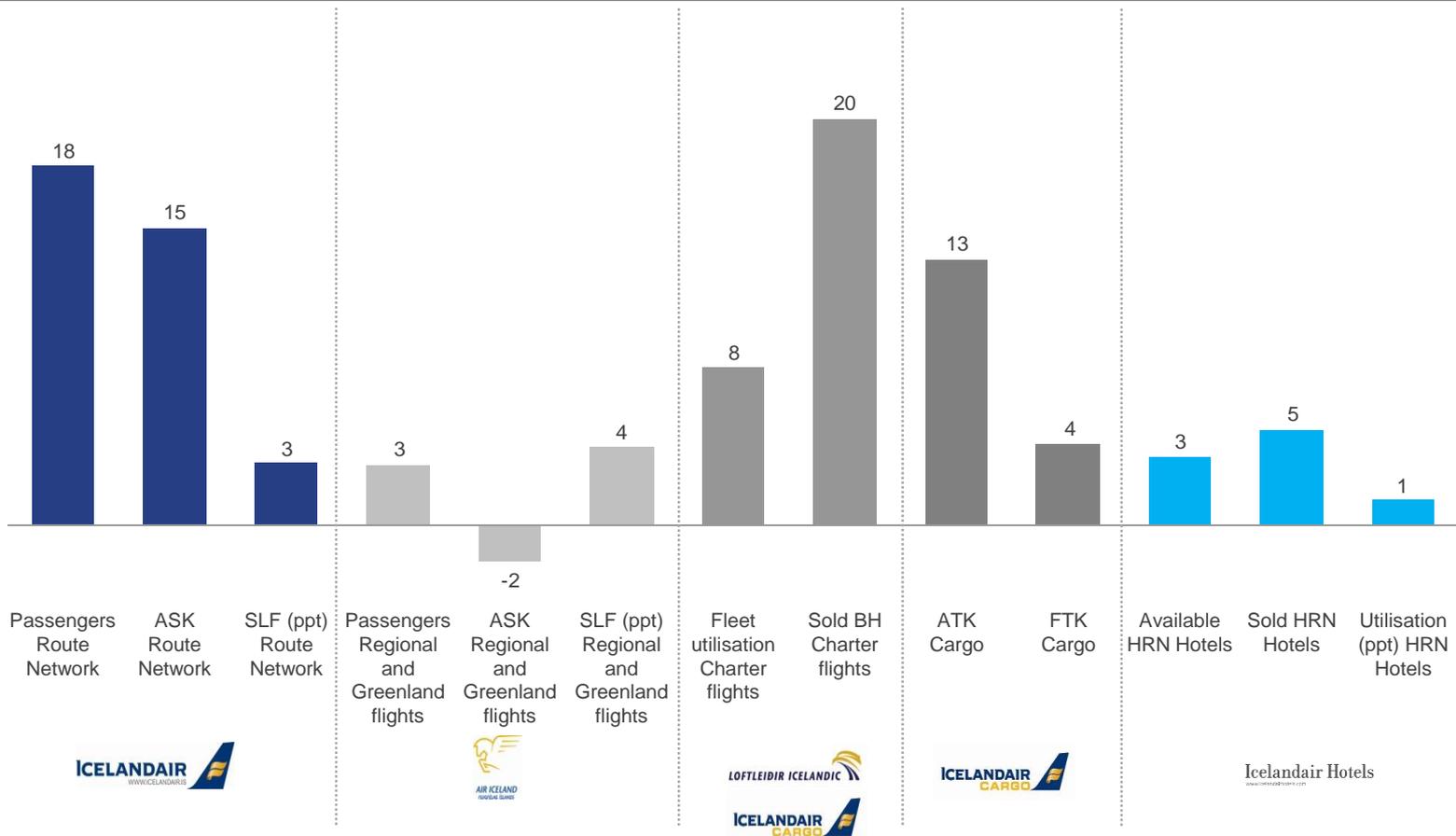
USD million

■ EBITDA
■ Net Profit



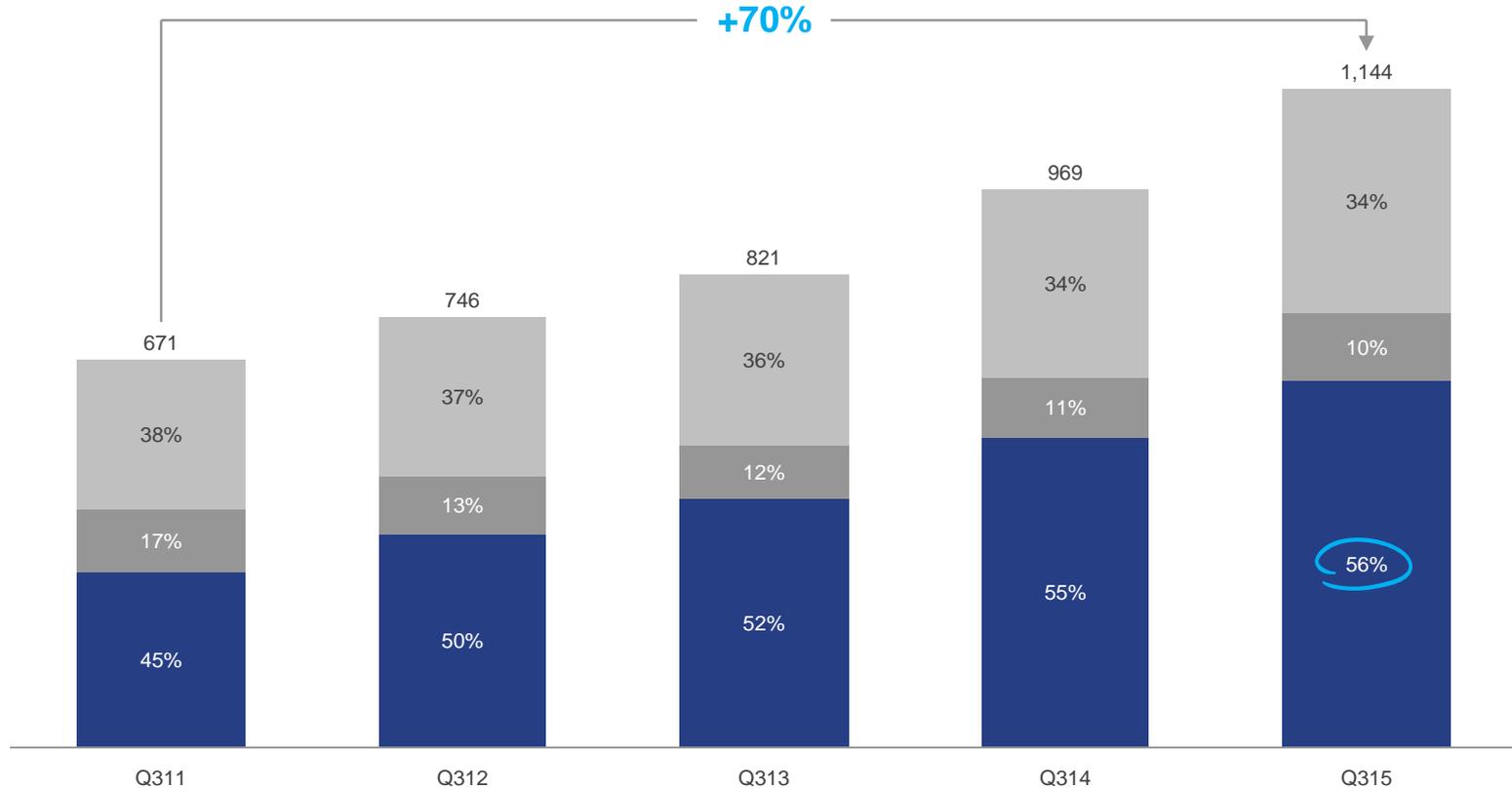
Growth in all our businesses in Q3

Year-on-year change in %



Icelandair Hotels

Over 1.1 million passengers carried in Q3 2015, an 18% increase compared to Q3 2014

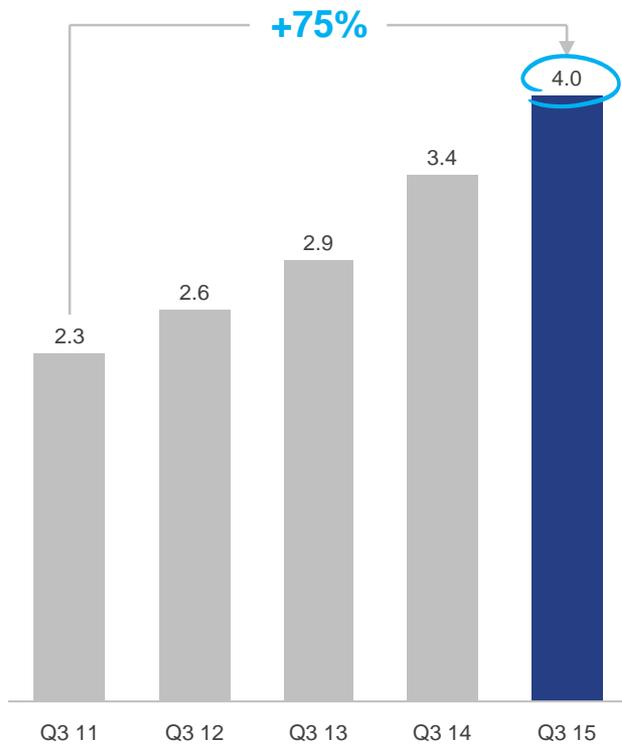


■ To ■ From ■ Via

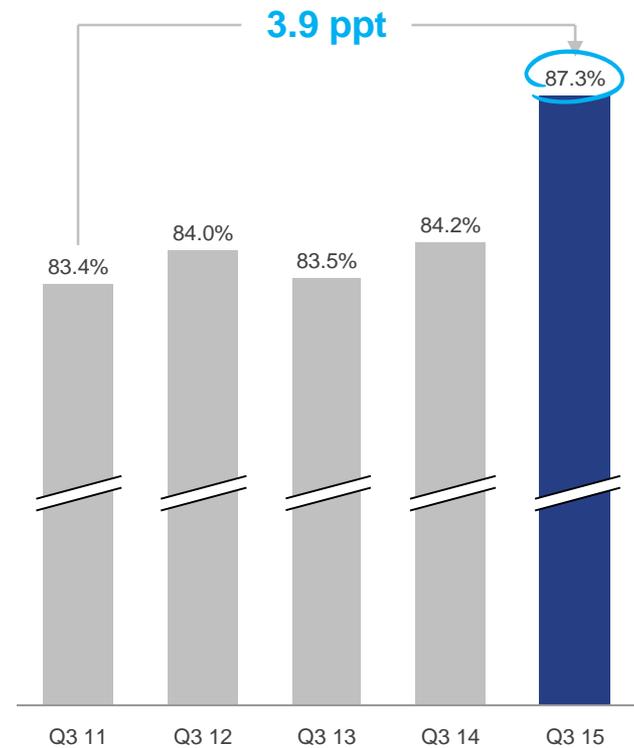
Absolute figures in thousands.

Record load factor of 87.3% in Q3 2015 on top of double digit capacity increase

Available seat kilometers (ASK) in millions



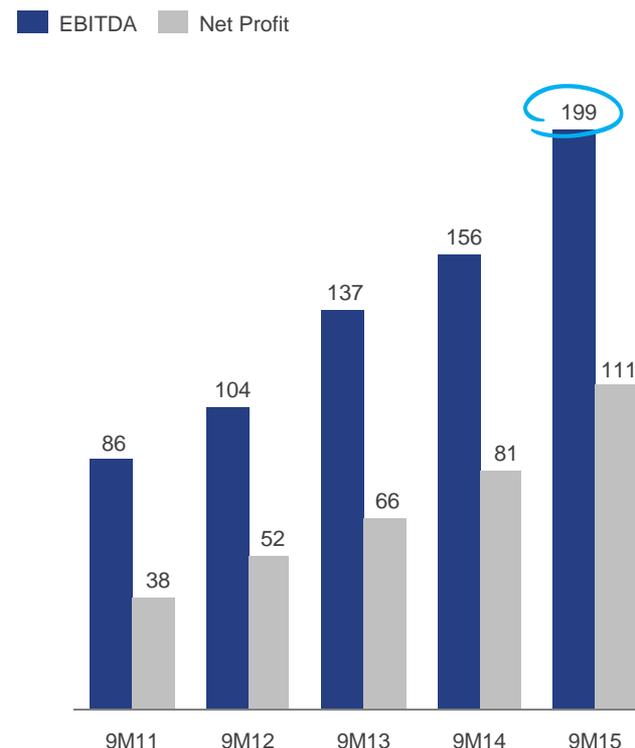
Passenger load factor



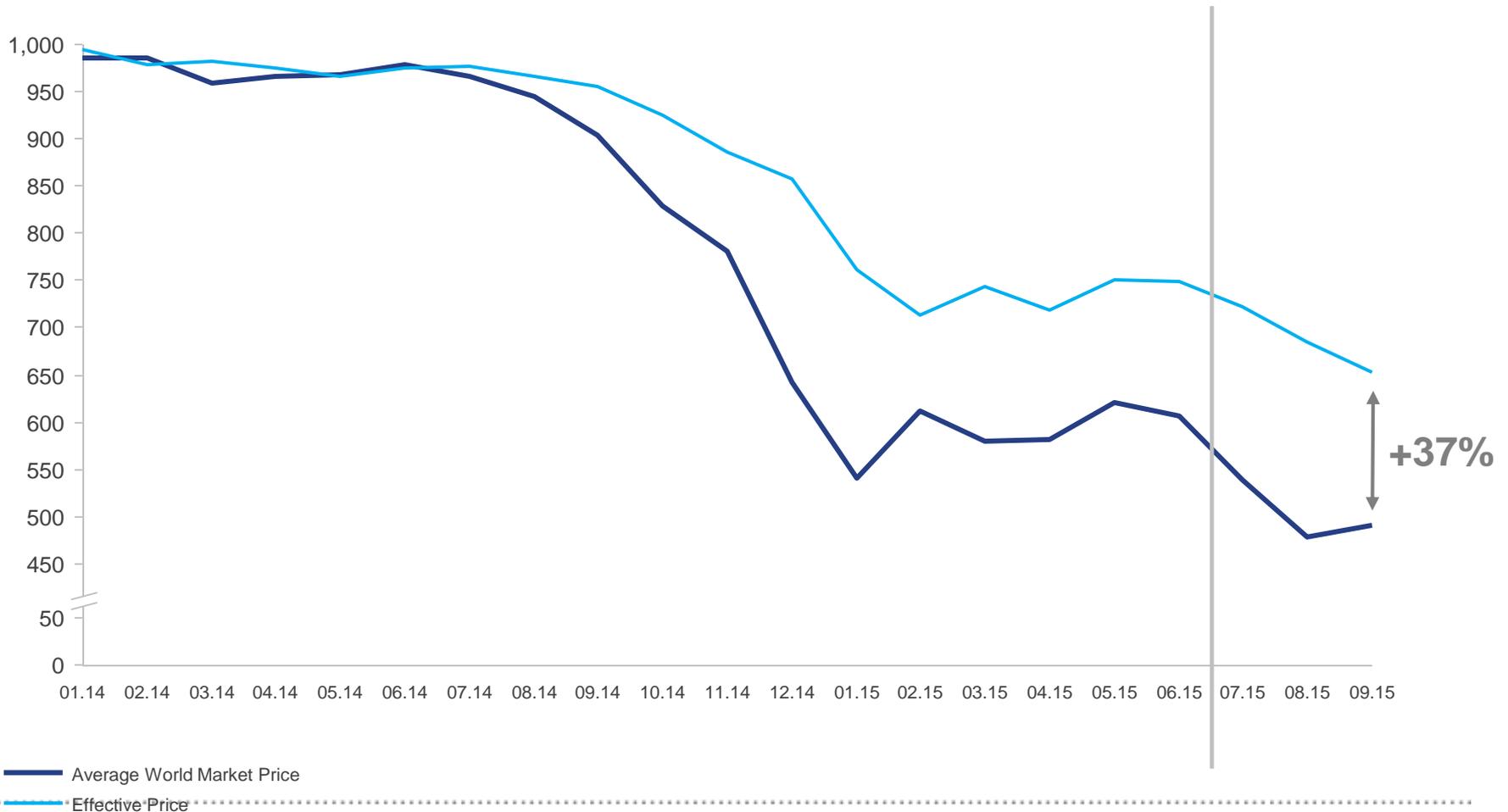
EBITDA USD 199 million year to date with EBITDA ratio improving by 4.7 ppt between years

USD million	9M 2015	9M 2014	% Chg.
Operating Income	909.7	907.8	0%
Salaries and related expenses	203.1	208.0	-2%
Aircraft fuel	187.6	218.4	-14%
Aircraft lease	18.0	18.8	-4%
Aircraft handling, landing and comm.	68.4	66.0	4%
Aircraft maintenance	51.6	59.5	-13%
Other expenses	182.2	181.4	0%
EBITDA	198.9	155.8	-
EBIT	136.1	97.8	-
EBT	140.4	97.6	-
Profit/loss for the period	111.0	81.5	-
EBITDA ratio	21.9%	17.2%	4.7 ppt
EBITDAR	225.3	186.3	-
EBITDAR ratio	24.8%	20.5%	4.2 ppt

EBITDA and net profit
USD million



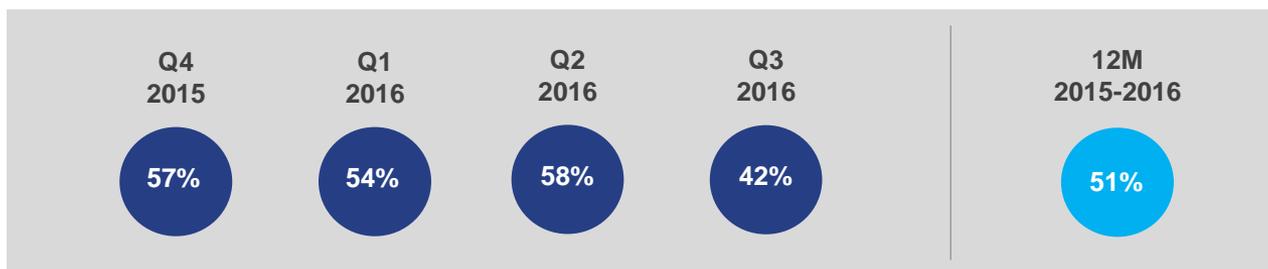
Effective fuel price paid in Q3 2015 37% higher than the average world fuel price



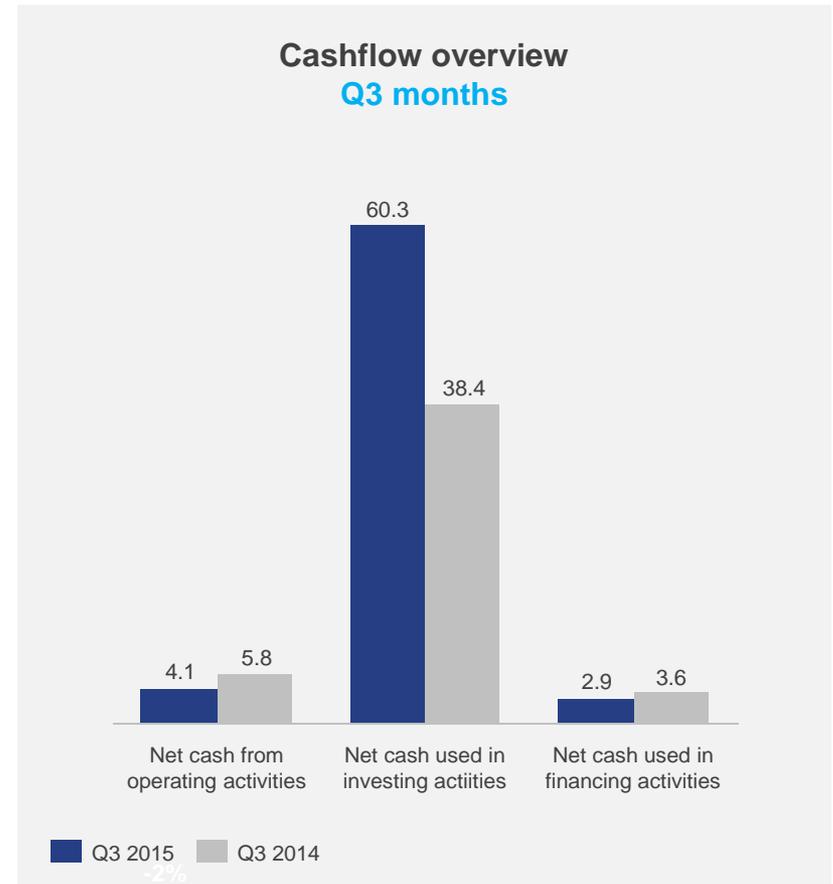
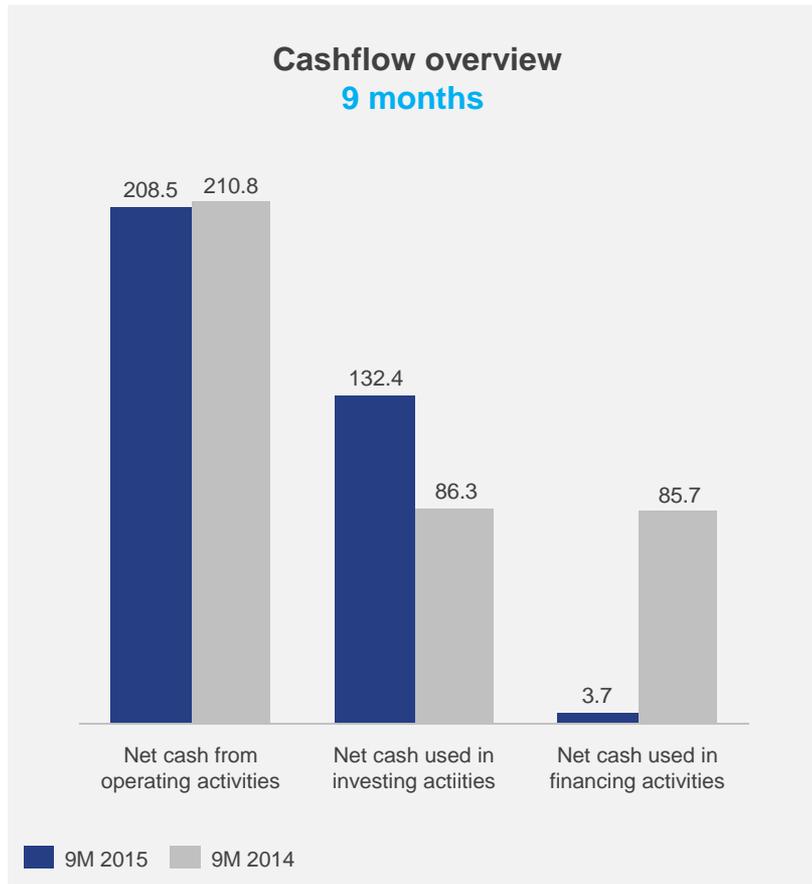
Figures: USD/ton.

51% 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
Oct 15	24.181	4.000	9.570	13.570	56%	662	960	859
Nov 15	20.109	0	10.640	10.640	53%	658	900	831
Dec 15	19.092	0	11.620	11.620	61%	596	0	0
Jan 16	19.252	0	10.460	10.460	54%	608	0	0
Feb 16	17.527	0	10.410	10.410	59%	642	0	0
Mar 16	21.076	0	10.390	10.390	49%	615	0	0
Apr 16	22.062	0	12.430	12.430	56%	618	0	0
May 16	33.523	0	19.420	19.420	58%	646	0	0
Jun 16	40.463	0	23.400	23.400	58%	639	0	0
Jul 16	42.370	0	20.400	20.400	48%	599	0	0
Aug 16	42.390	0	21.300	21.300	50%	535	0	0
Sep 16	36.851	0	9.300	9.300	25%	554	0	0
Total	338.896	4.000	169.340	173.340	51%	-	-	-



Cash and cash equivalents amounting to USD 256.6 million at the end of September 2015



Balance sheet remains strong with 46% equity ratio and low interest bearing debt

USD million	30.09 2015	30.09 2014	31.12 2014
Assets			
Operating Assets	353.1	297.6	319.3
Intangible assets	173.8	176.9	176.0
Other non-current assets	45.1	19.1	18.9
Total non-current assets	572.0	493.7	514.2
Other current-assets	158.5	128.9	119.4
Marketable securities	28.5	27.1	30.9
Cash and cash equivalents	256.6	227.6	184.8
Total current assets	443.5	383.6	335.0
Total assets	1,015.5	877.2	849.2

USD million	30.09 2015	30.09 2014	31.12 2014
Equity and liabilities			
Stockholders equity	471.6	403.6	365.1
Loans and borrowings non-current	63.7	43.0	49.7
Other non-current liabilities	67.6	59.0	33.0
Total non-current liabilities	131.3	102.0	82.6
Loans and borrowings current	12.5	12.5	12.3
Trade and other payables	220.1	202.5	214.3
Deferred income	179.9	156.7	174.9
Total current liabilities	412.5	371.6	401.5
Total equity and liabilities	1,015.5	877.2	849.2
Equity ratio	46%	46%	43%
Current ratio	1.08	1.03	0.83
Net interest bearing debt	-208.8	-199.2	-153.7
Interest bearing debt	76.2	55.5	61.9

OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

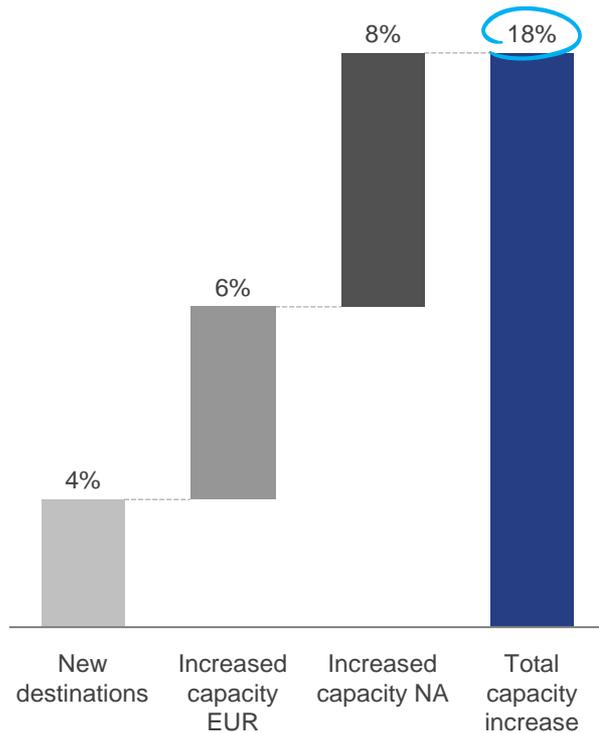




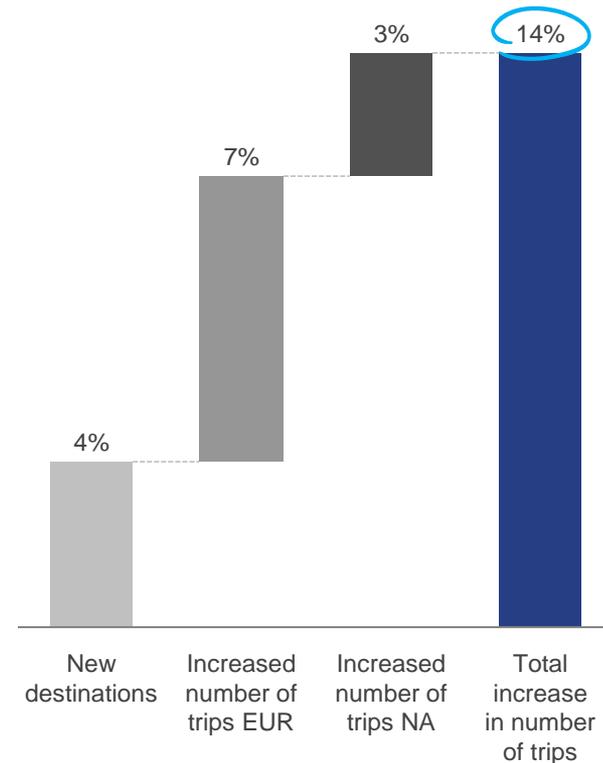
**42 destinations & 410 connections
in our Route Network in 2016**

18% increase in capacity in 2016 and 14% increase in the number of trips

Change in capacity* 2016 vs forecast 2015



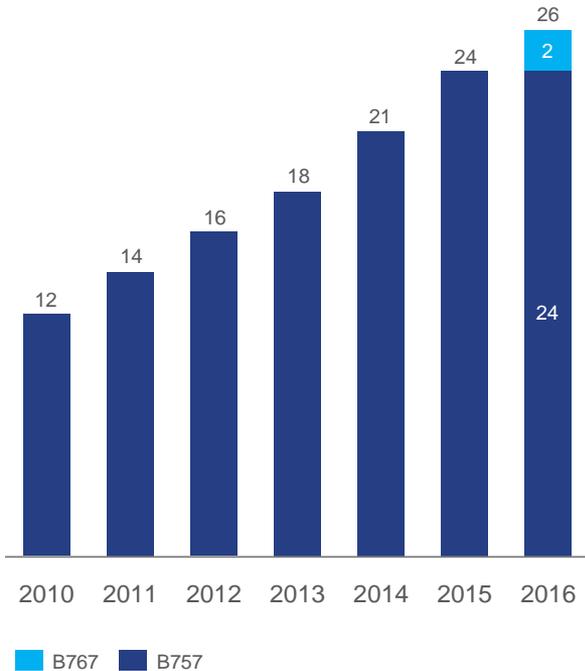
Change in number of trips 2016 vs forecast 2015



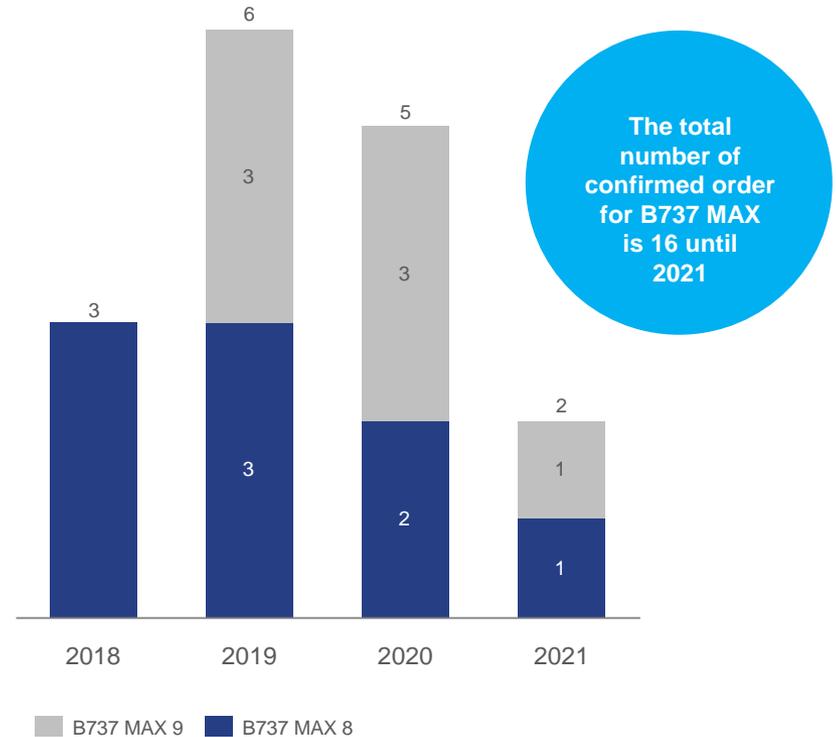
* Capacity = Available Seat Kilometers (ASK)

Changes in the fleet strategy in our Route Network in 2016 onwards

Two B767 added to the fleet in 2016

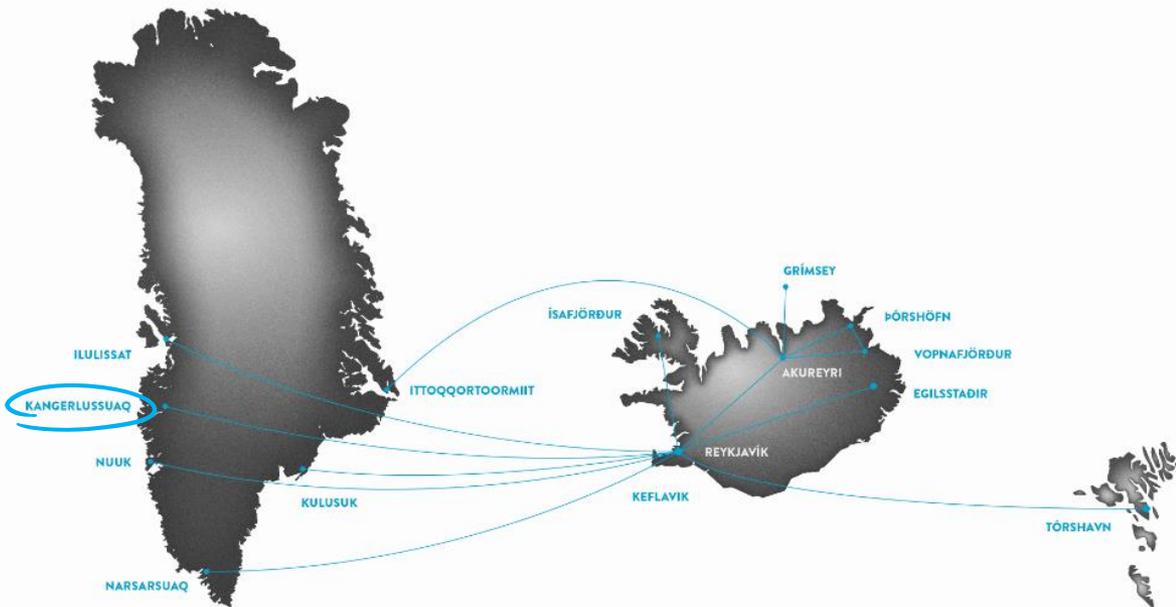


B737 MAX added to the fleet in 2018



New fleet and new destination in our regional airline operations

Route map | Regional airline operations



Kangerlussuaq
in west Greenland
a new destination
summer
2016

Three Bombardier
Q400 aircraft
will replace
five Fokker-50
aircraft
in 2016

Continued growth in our hotel operation

2016



Opening in cooperation with Hilton Worldwide
115 rooms

2017

Opening of a lifestyle boutique hotel downtown Reykjavik
50 rooms

2017

Opening of a luxury hotel downtown Reykjavik
160 rooms

2015-2017

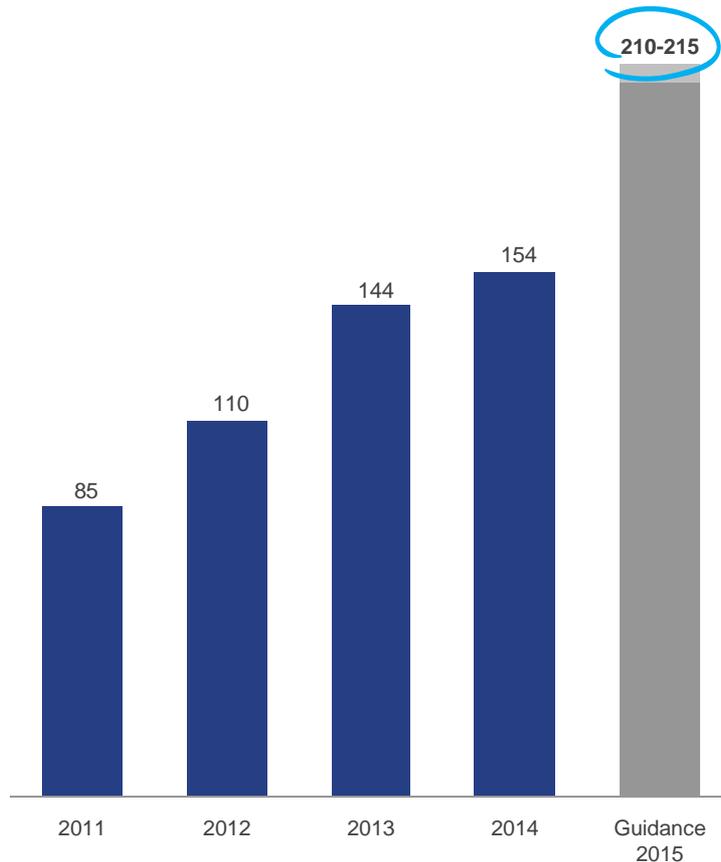
Build-up of a Hotel at Mývatn in the North of Iceland

Robust outlook for other businesses



EBITDA guidance for 2015 raised to USD 210-215 million

EBITDA development 2011-2015 in USD million



Main assumptions:

- | Successful operations in the first nine months of the year
- | Strengthening booking status in the international Route Network in Q4
- | Outlook in other businesses of the Company is good
- | EUR/USD rate assumed 1.12 Q4 2015, an increase from last forecast in July which was 1.10
- | Average fuel price (excluding hedging) 490 USD/ton in October, 480 USD/ton in November and 550 USD/ton in December

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