



ICELANDAIR GROUP

PRESENTATION OF Q4 AND 12M 2015 RESULTS | 9 FEBRUARY 2016



Highlights

1

**Full year
profit
increased
by 67%**

2

**Net profit
in Q4
for the
first time**

3

**EBITDA
guidance for
2016
245-250
USD million**

FINANCIAL RESULTS

BOGI NILS BOGASON | CFO



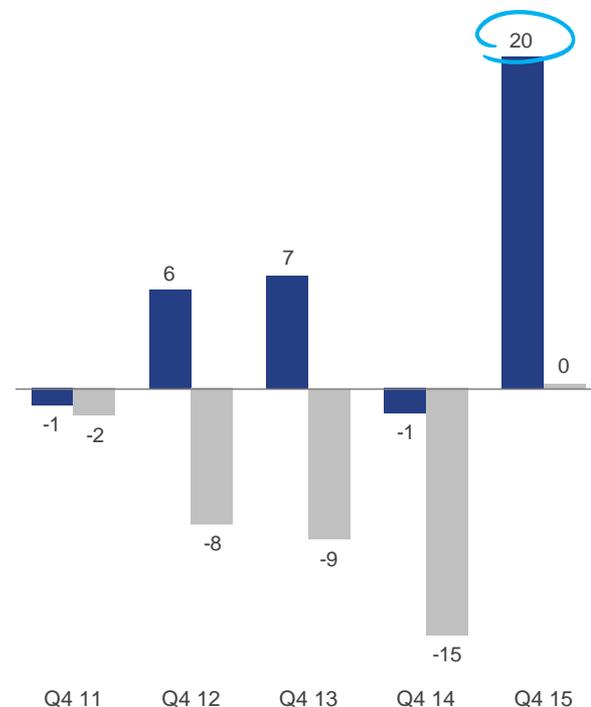
EBITDA ratio up by 9.5 percentage points in Q4

USD million	Q4 2015	Q4 2014	% Chg.
Operating Income	230.0	205.5	12%
Salaries and related expenses	77.2	65.1	19%
Aircraft fuel	41.7	53.5	-22%
Aircraft and aircrew lease	4.9	7.9	-38%
Aircraft handling, landing and comm.	17.2	16.9	2%
Aircraft maintenance expenses	17.2	16.4	5%
Other expenses	51.6	47.1	9%
EBITDA	20.1	-1.5	-
EBIT	-1.0	-18.8	-
EBT	-0.2	-17.7	-
Profit / loss for the period	0.3	-15.0	-
EBITDA ratio	8.7%	-0.7%	9.5 ppt
EBITDAR	28.8	7.1	-
EBITDAR ratio	12.5%	3.4%	9.1 ppt

EBITDA and net profit

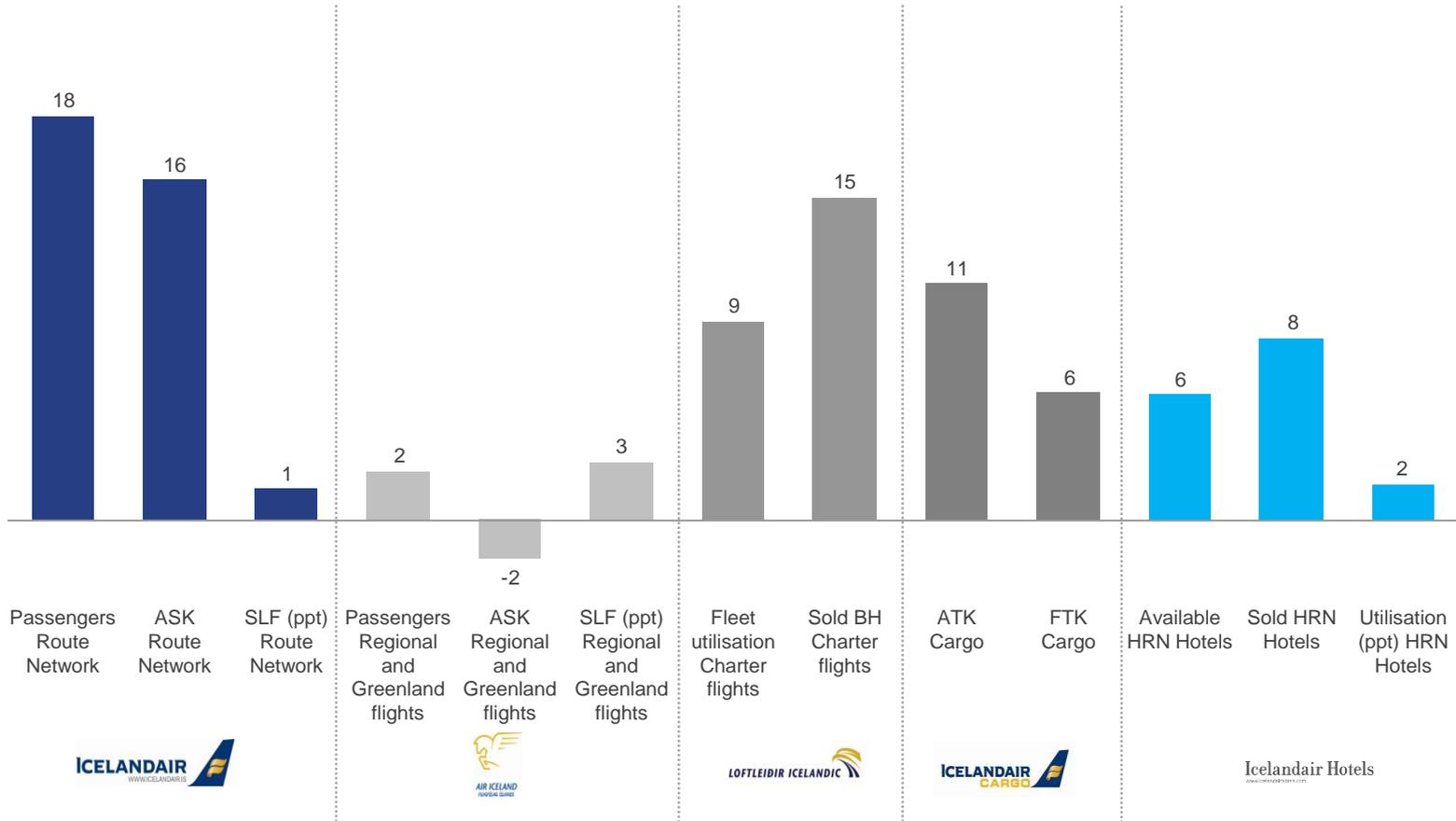
USD million

■ EBITDA
■ Net Profit



Growth in all our businesses in Q4 2015

Year-on-year change in %



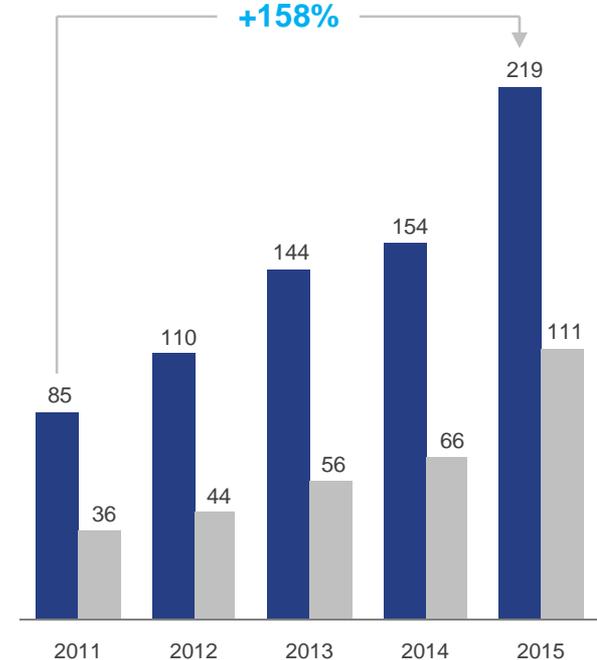
Full year profit increased by 67%

USD million	2015	2014	% Chg.
Operating Income	1,139.7	1,113.3	2%
Salaries and related expenses	280.2	273.2	3%
Aircraft fuel	229.3	271.9	-16%
Aircraft lease	22.9	26.7	-14%
Aircraft handling, landing and comm.	85.8	82.9	3%
Aircraft maintenance	68.8	75.9	-9%
Other expenses	233.8	228.5	2%
EBITDA	219.0	154.3	-
EBIT	135.2	79.0	-
EBT	140.2	79.9	-
Net Profit	111.2	66.5	-
EBITDA ratio	19.2%	13.9%	5.4 ppt
EBITDAR	254.0	193.4	-
EBITDAR ratio	22.3%	17.4%	4.9 ppt

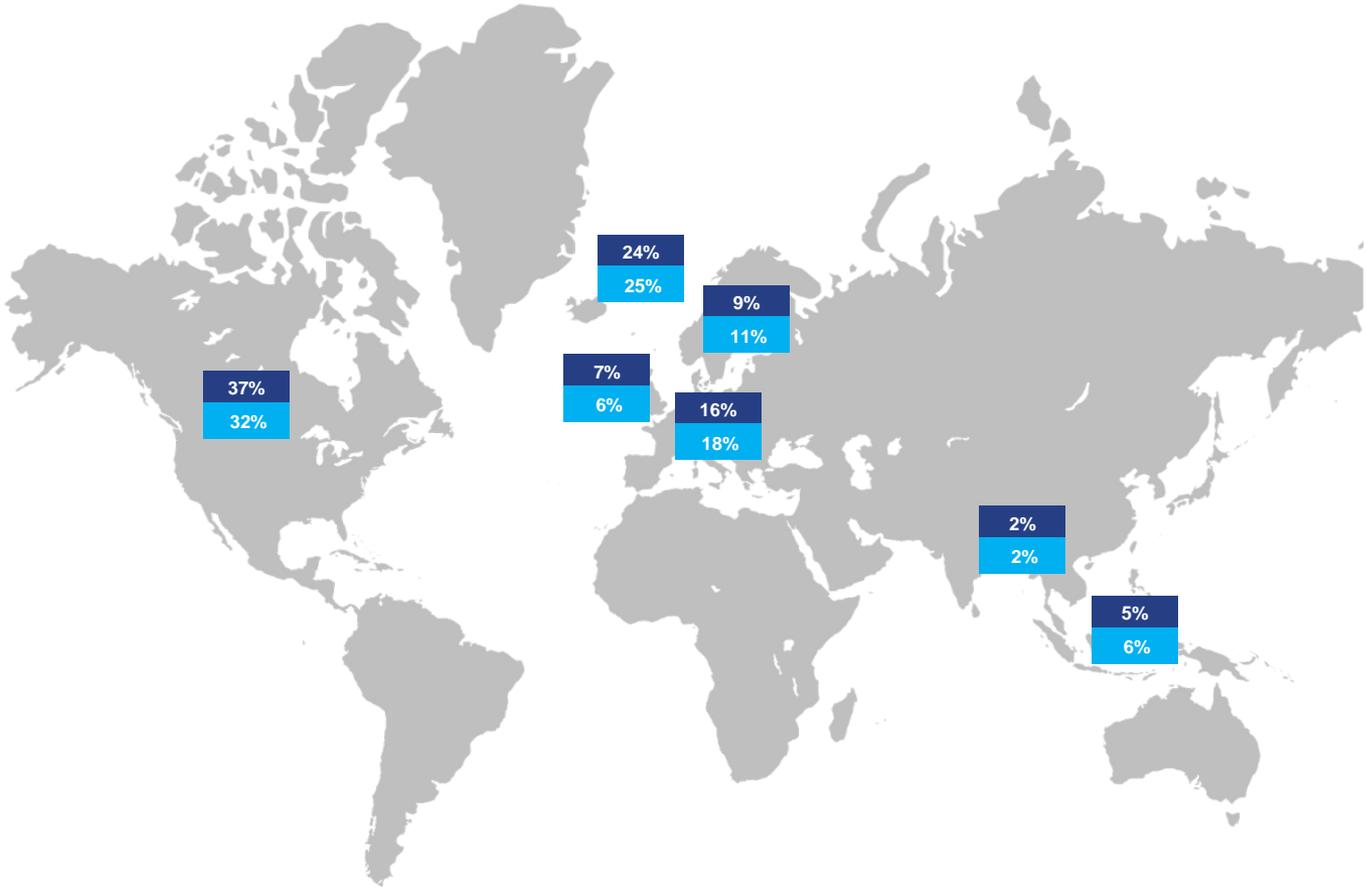
EBITDA and net profit

USD million

■ EBITDA ■ Net Profit



Increasing revenues originating in N-America

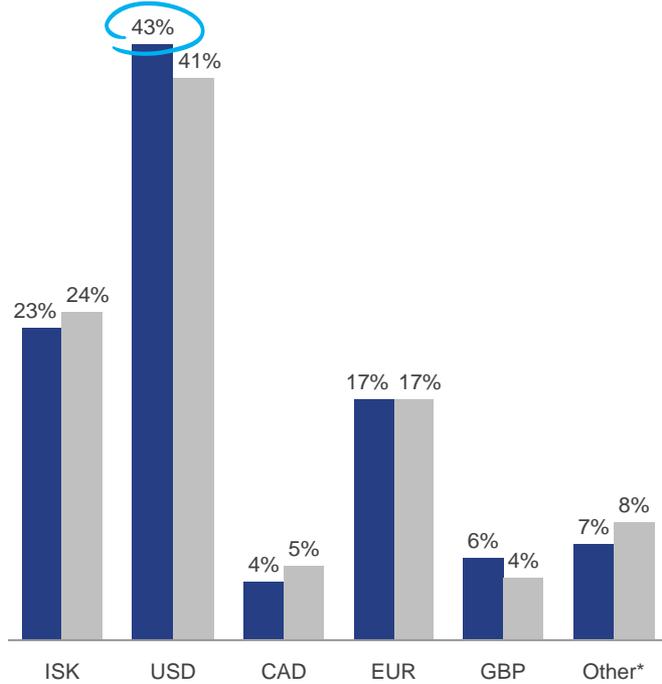


2015
2014

USD revenues increases

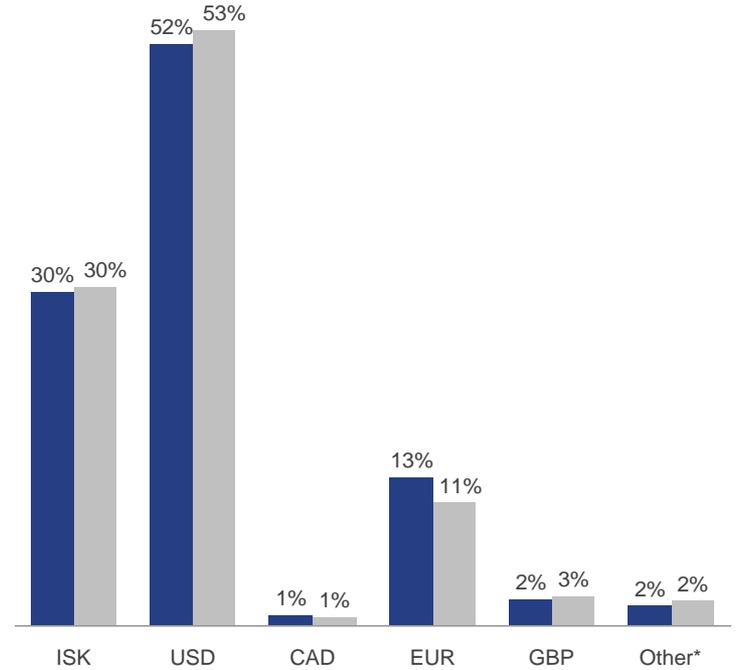
Operating income

■ 2015 ■ 2014



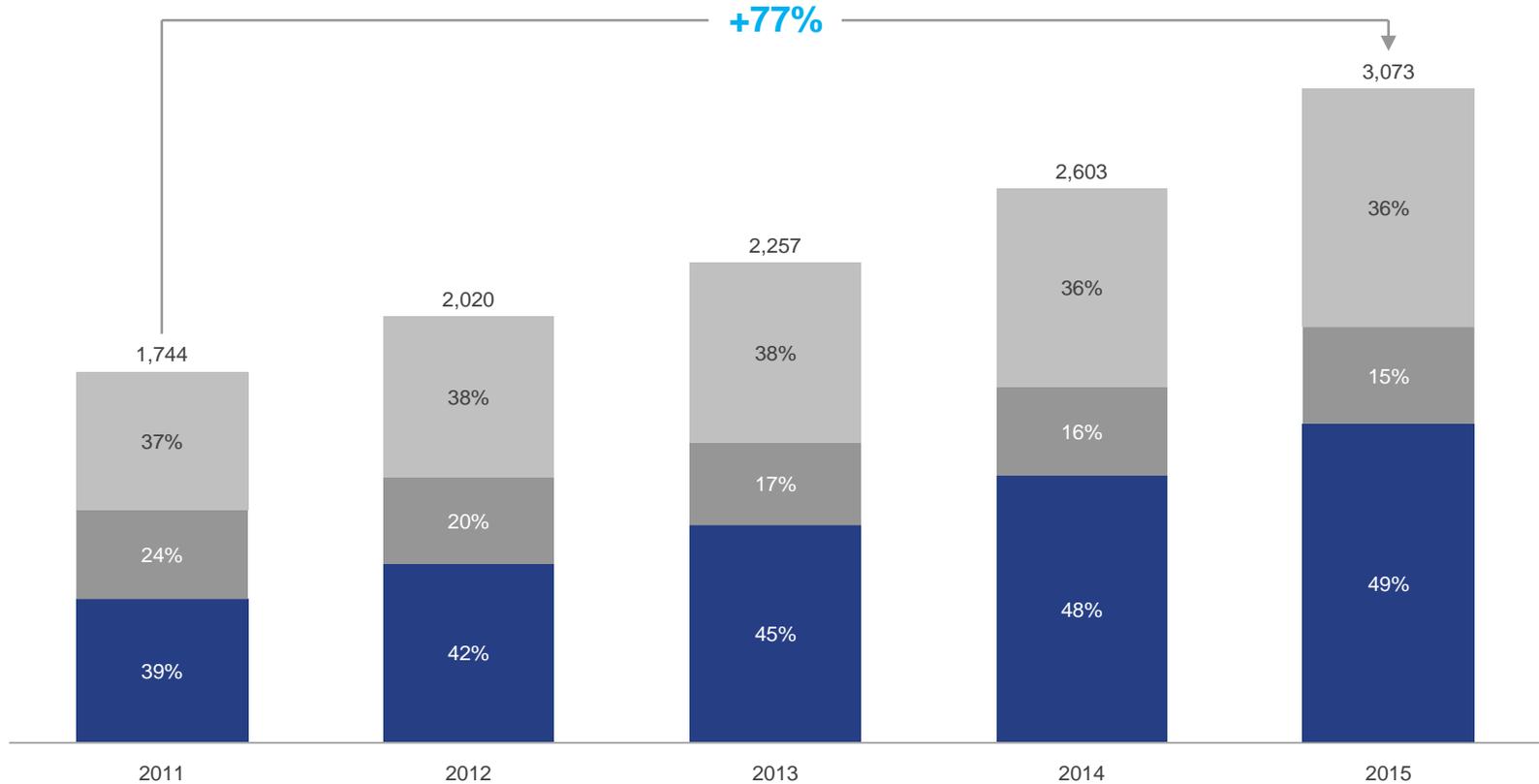
Operating expenses

■ 2015 ■ 2014



Other* mainly the Scandinavian currencies

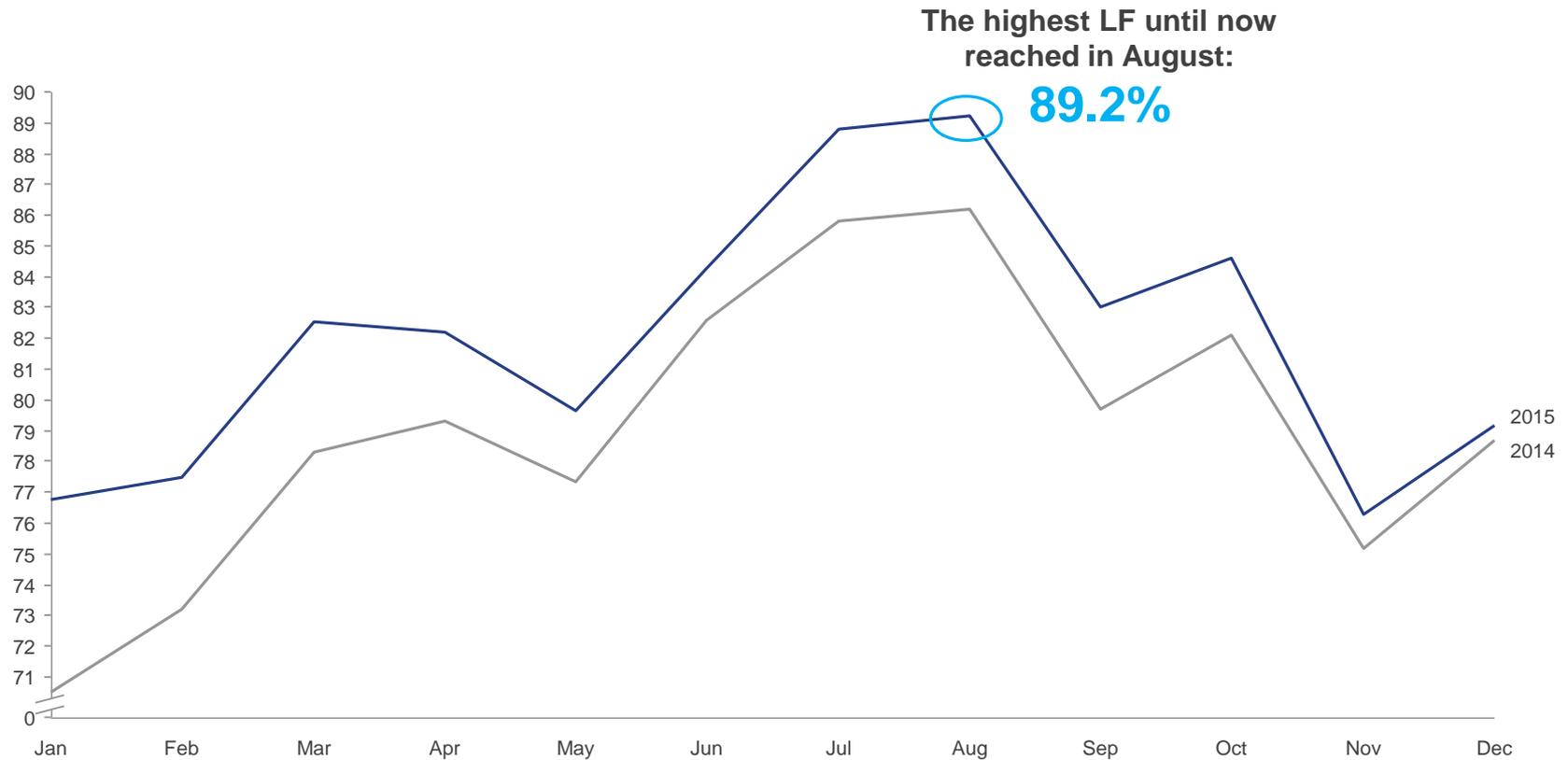
The growth is driven by the VIA market



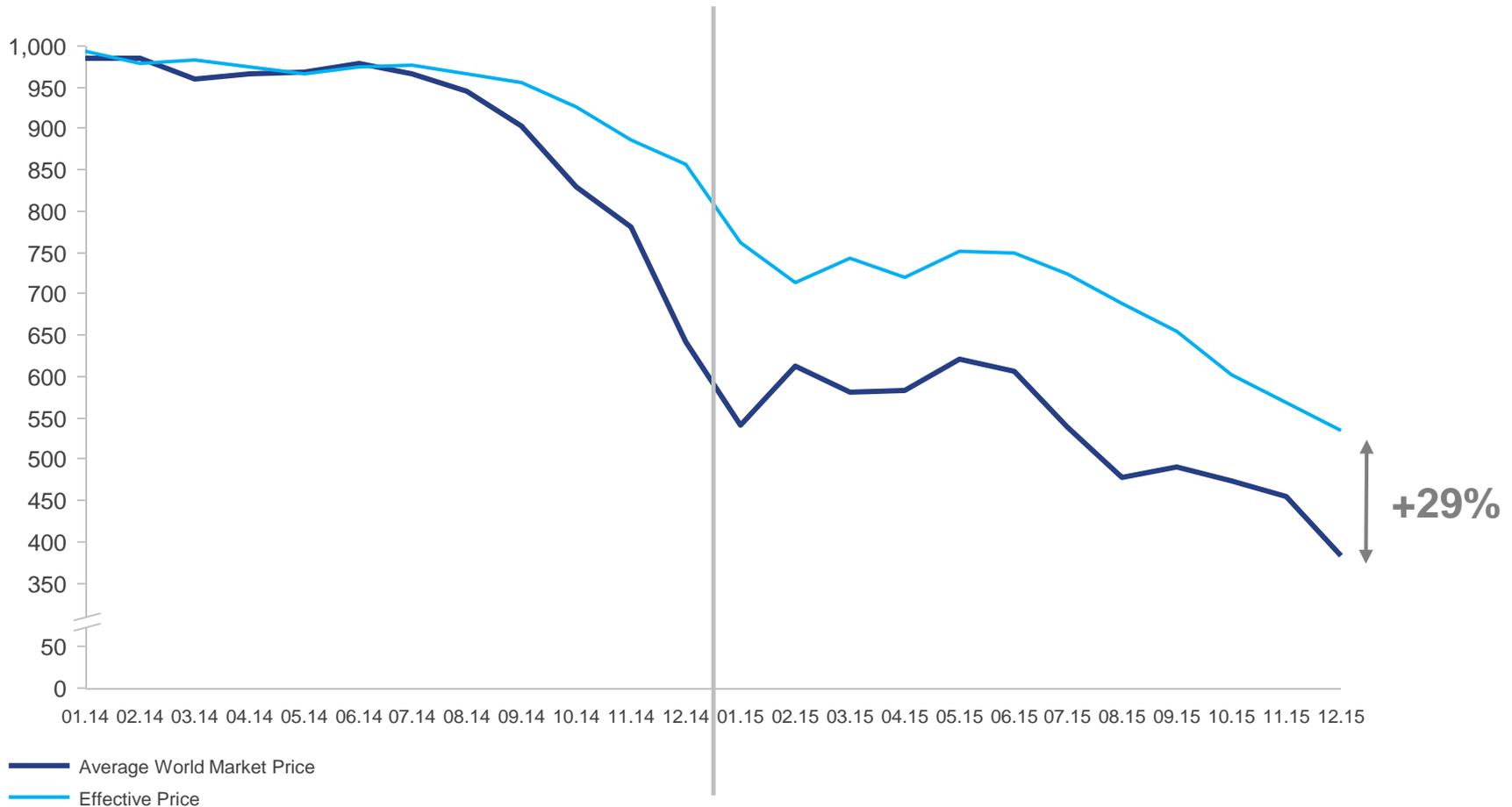
■ To ■ From ■ Via

Absolute figures in thousands.

A record load factor was reached in all months 2015



Effective fuel price paid in 2015 was 29% higher than the average world fuel price



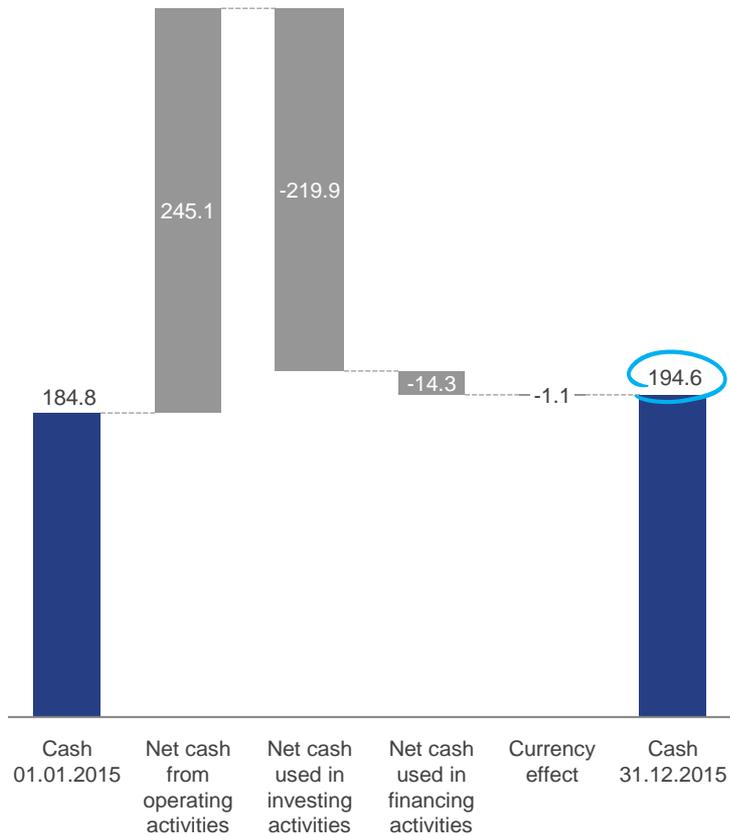
57% of estimated fuel usage in 2016 has been hedged

Period	Estimated usage (tons)	Swap volume	% hedged	Average swap price USD
January 2016	19.571	10.660	54%	606
February 2016	17.805	10.610	60%	639
March 2016	20.997	12.590	60%	588
April 2016	21.928	12.630	58%	616
May 2016	32.333	19.720	61%	643
June 2016	39.299	23.700	60%	637
July 2016	41.444	23.800	57%	591
August 2016	41.443	24.700	60%	536
September 16	35.951	20.600	57%	531
October 2016	28.352	16.500	58%	524
November 2016	22.443	10.500	47%	517
December 2016	21.630	9.500	44%	498
Total	343.196	195.510	57%	579

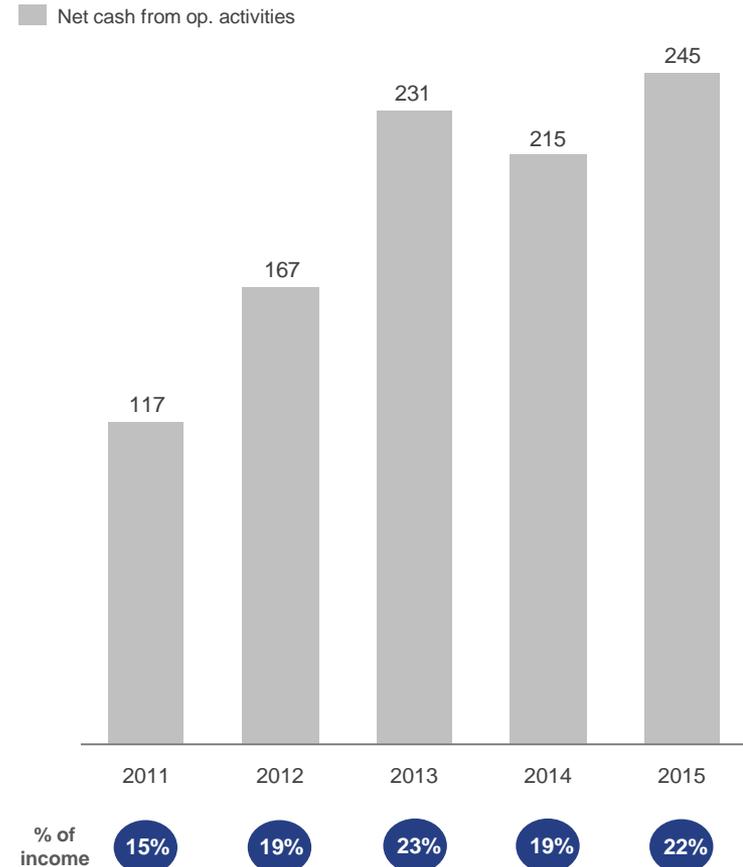


Strong underlying cash flow

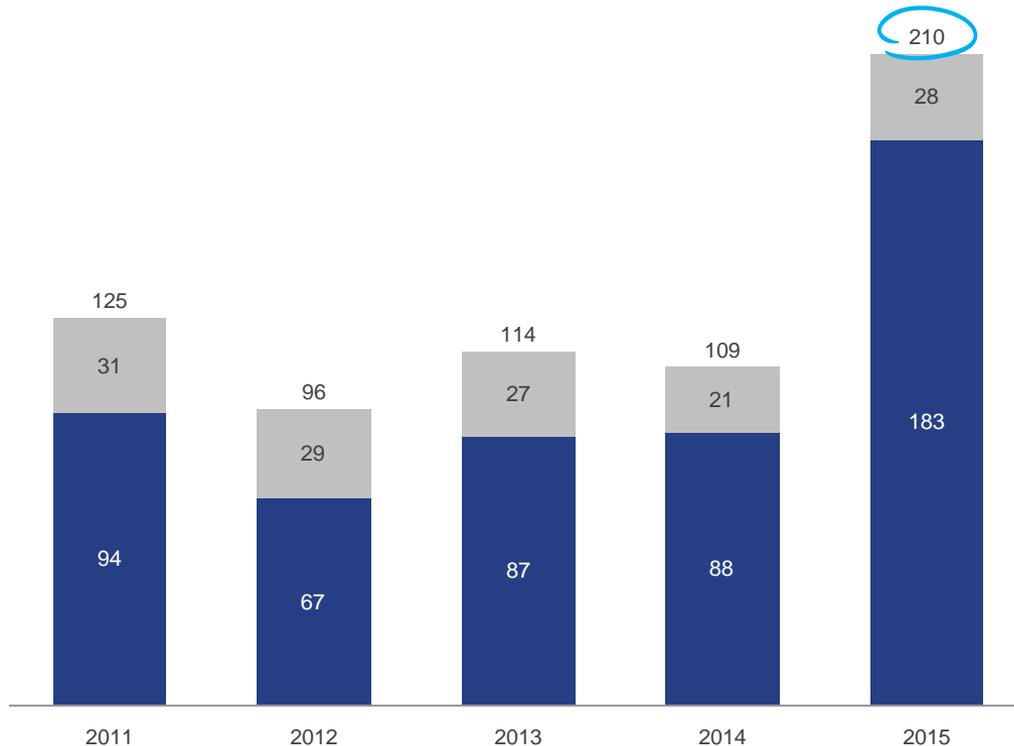
Changes in Cash in 2015
USD million



Net cash from operations and as % of income
USD million



Total investment amounted to USD 210 million in 2015



Investment in aircraft and aircraft components totalled USD 115 million in 2015

■ Other investment ■ Investment in operating assets

All figures in USD million.

Equity ratio 47%

USD million	31.12 2015	31.12 2014
Assets		
Operating Assets	419.1	319.3
Intangible assets	172.7	176.0
Other non-current assets	45.8	18.9
Total non-current assets	637.6	514.2
Other current-assets	120.3	119.4
Marketable securities	19.5	30.9
Cash and cash equivalents	194.6	184.8
Total current assets	334.4	335.0
Total assets	972.0	849.2

USD million	31.12 2015	31.12 2014
Equity and liabilities		
Stockholders equity	456.5	365.1
Loans and borrowings non-current	55.4	49.7
Other non-current liabilities	44.1	33.0
Total non-current liabilities	99.5	82.6
Loans and borrowings current	10.1	12.3
Trade and other payables	219.7	214.3
Deferred income	186.1	174.9
Total current liabilities	415.9	401.5
Total equity and liabilities	972.0	849.2
Equity ratio	47%	43%
Current ratio	0.80	0.83
Net interest bearing debt	-148.6	-153.7
Interest bearing debt	65.5	61.9

OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO



Dividend proposal in the amount of ISK 3,500 million to shareholders

Our Dividend Policy:

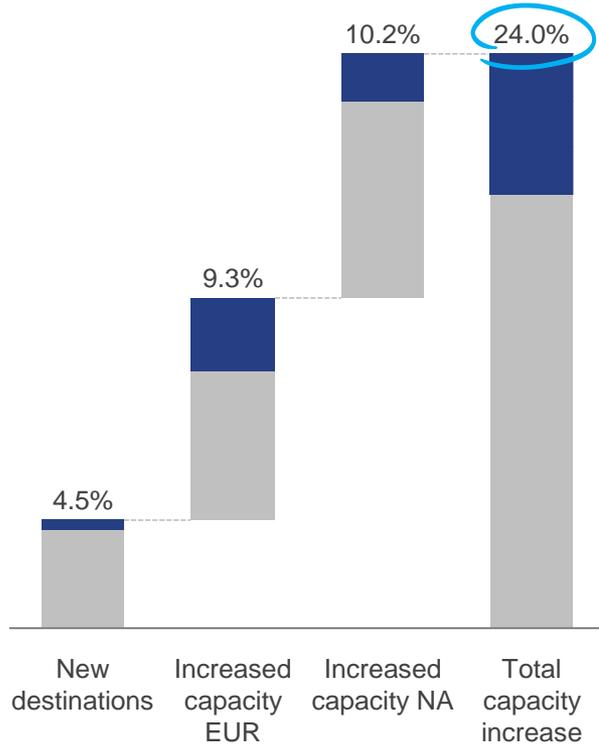
The goal is to pay 20-40% of each year's net profit as dividend. Final annual dividend payments will be based on the financial position of the Company, operating capital requirements and market conditions.

The Board of Directors proposes to pay as a dividend in 2016:



24% capacity increase in the Route Network in 2016

Change in capacity* 2016 vs 2015



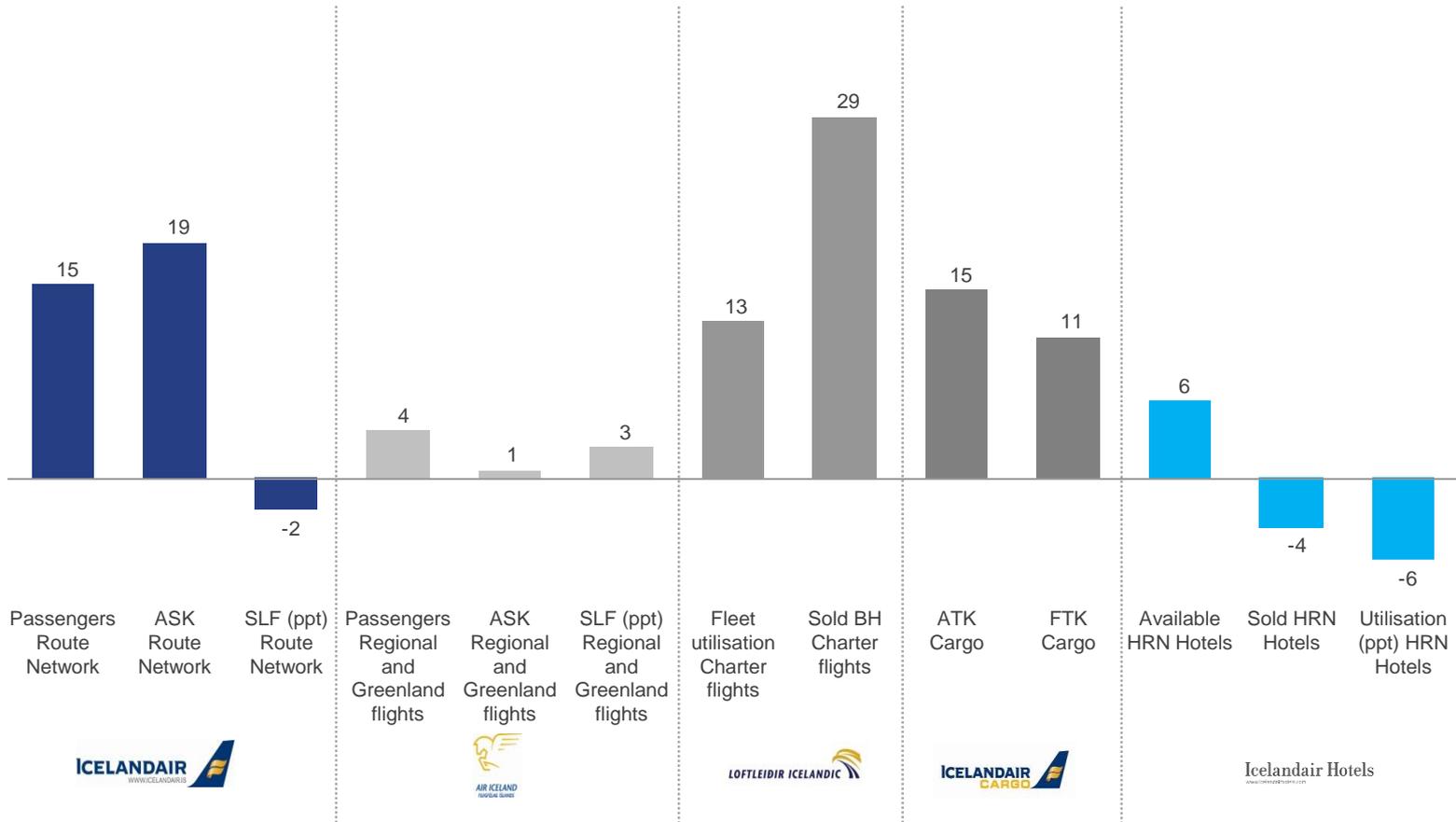
One extra B-757 aircraft added to the fleet and Orly added as new airport in France

■ Announced YoY increase in flight schedule for 2016 in September 2015
■ Additional capacity since September 2015

* Capacity = Available Seat Kilometers (ASK)

15% increase in passenger numbers in the Route Network in January 2016

Year-on-year change in %



Continued focus on utilising the belly space

4-14

tons capacity
per trip

Icelandair Passenger Aircraft

25 B 757 aircraft

2 B 767 aircraft – opening new opportunities

34-38

tons capacity
per trip

Freighter Aircraft

2 B757 aircraft

1-3.5

tons capacity
per trip

Air Iceland Passenger Aircraft

2 Bombardier Q200

3 Bombardier Q400

Our regional operation developing further in 2016

Three Bombardier
Q400 aircraft
to replace
five Fokker-50
aircraft

Kangerlussuaq
in Greenland
a new destination
summer
2016

Bombardier Q400
aircraft used
in the international
Route Network to
serve Aberdeen

Good prospects in our aircraft leasing business in 2016



2

B 737-800

1

B 737-700

2

B 767-300

2

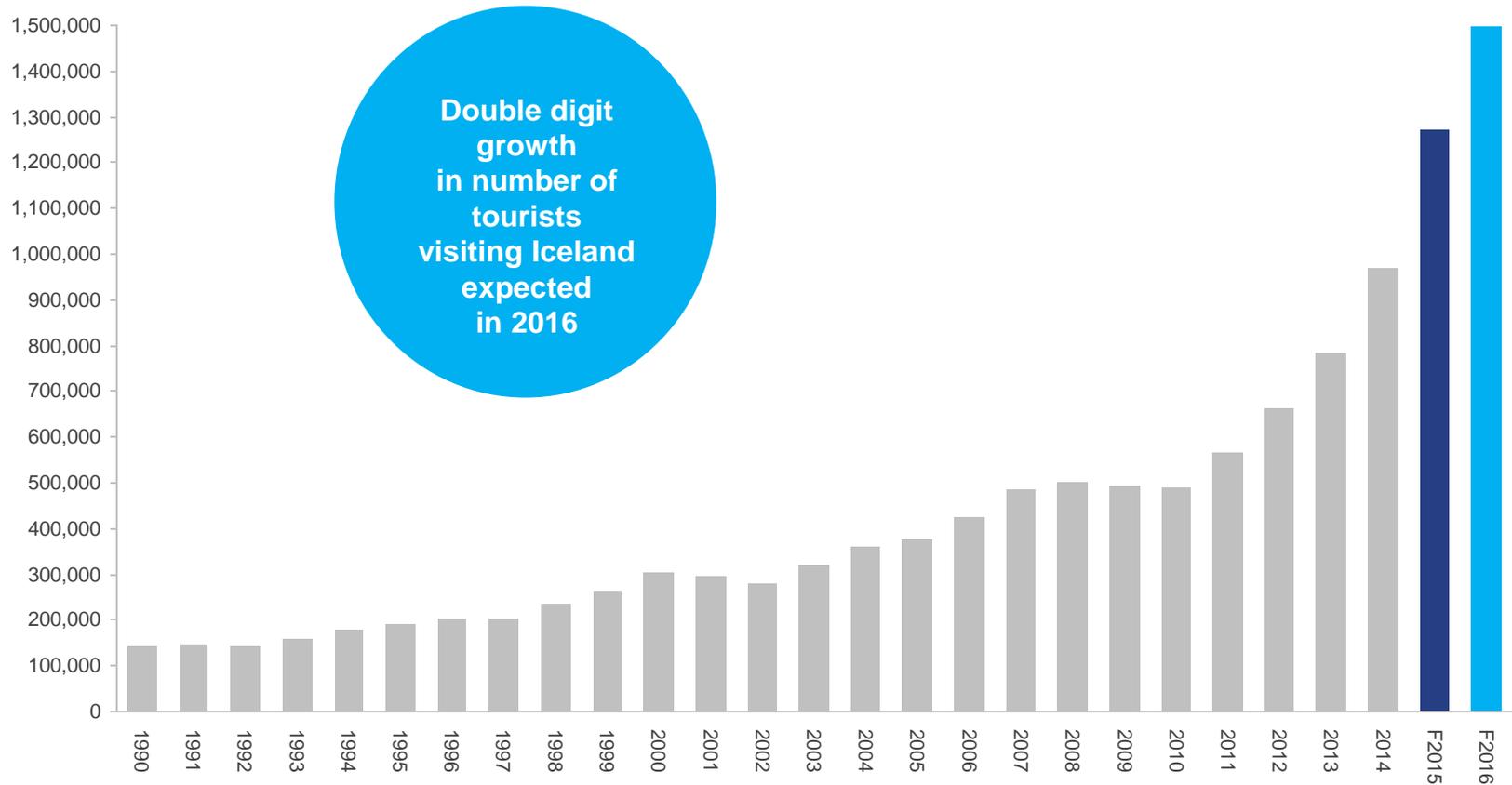
B 757-200

+

Leasing of excess capacity in the Route Network in off-season

Good opportunities in tourist related services in Iceland

Number of tourists
visiting Iceland



* Source = Icelandic Travel Bureau

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

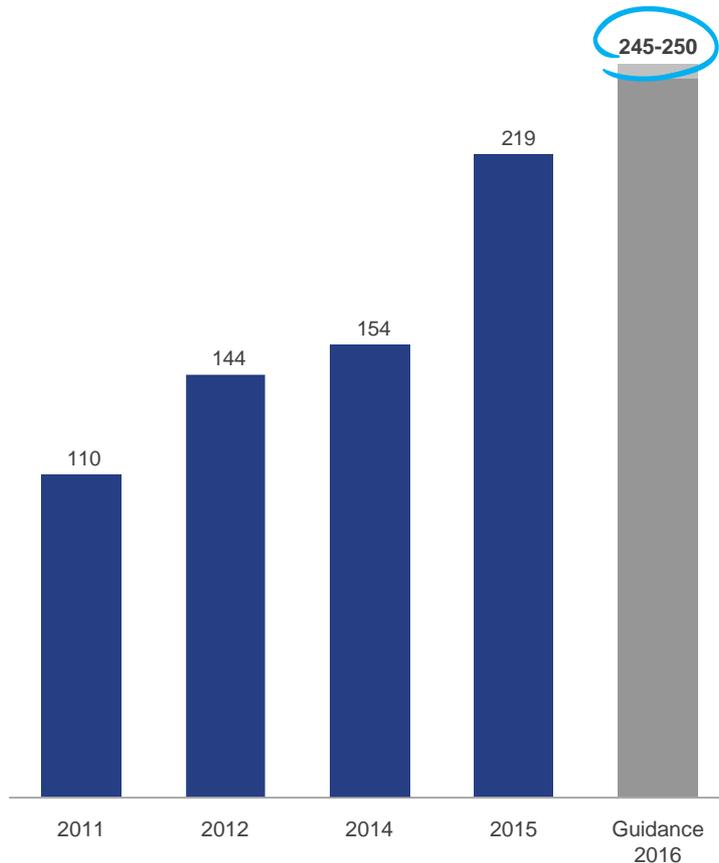
Opening of a
luxury hotel
downtown
Reykjavik
160 rooms

2015-2017

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

EBITDA guidance for 2016 USD 245-250 million

EBITDA development 2011-2016 in USD million



Main assumptions:

- | Continued focus on profitable organic growth
- | Capacity increase in the Route Network 24% and booking situation is favourable
- | Good outlook for cargo and charter operations
- | Favourable prospects in the tourist services in Iceland
- | Expansion in the hotel operation with the opening of a new Canopy hotel (115 rooms) downtown Reykjavik in summer 2016 in co-operation with Hilton Worldwide
- | EUR/USD rate assumed 1.08
- | Average fuel price (excluding hedging) 385 USD/ton in January, 314 USD/ton in February and 350 USD/ton in March - December

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