

Icelandair Group
Presentation of Q1 2016 results



Highlights

**Positive
EBITDA for
the first time
since
Q1 2010**

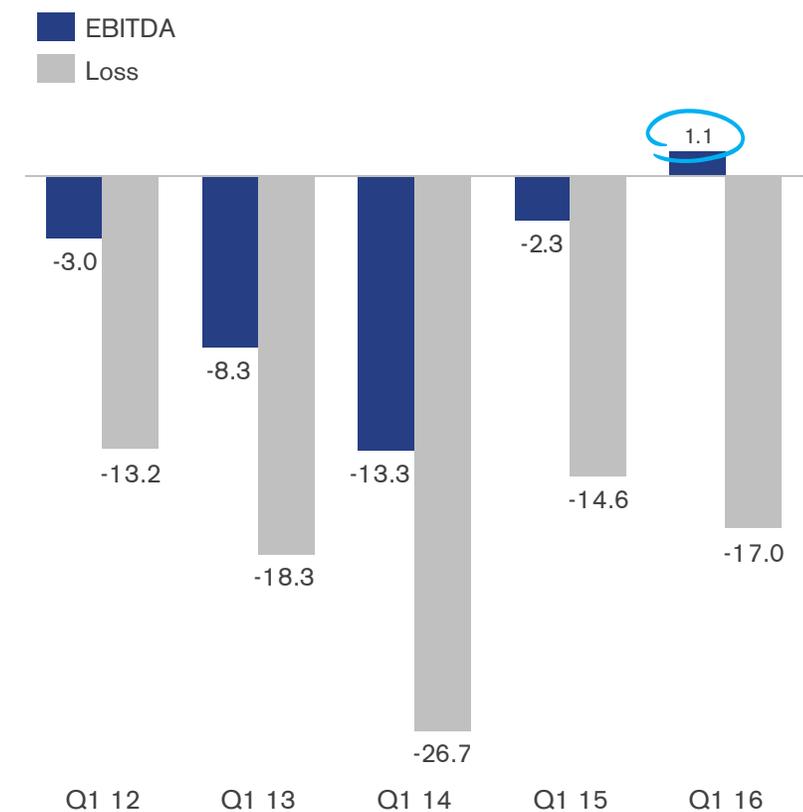
**Strong
cash
flow**

**EBITDA
guidance
for 2016
lowered to
USD
235-245m**

EBITDA ratio up by 1.7 percentage points between years

USD million	Q1 2016	Q1 2015	% Chg.
Operating Income	211.8	186.1	14%
Salaries and related expenses	71.5	57.1	25%
Aircraft fuel	34.1	43.6	-22%
Aircraft lease	5.4	5.7	-5%
Aircraft handling, landing and communication	19.6	14.9	32%
Aircraft maintenance expenses	21.0	17.7	18%
Other expenses	59.1	49.4	20%
Operating expenses	210.7	188.3	12%
EBITDA	1.1	-2.3	-
EBIT	-20.7	-19.3	-
EBT	-21.3	-18.3	-
Loss for the period	-17.0	-14.6	-
EBITDA ratio	0.5%	-1.2%	1.7 ppt
EBITDAR	9.5	6.2	-
EBITDAR ratio	4.5%	3.3%	1.2 ppt

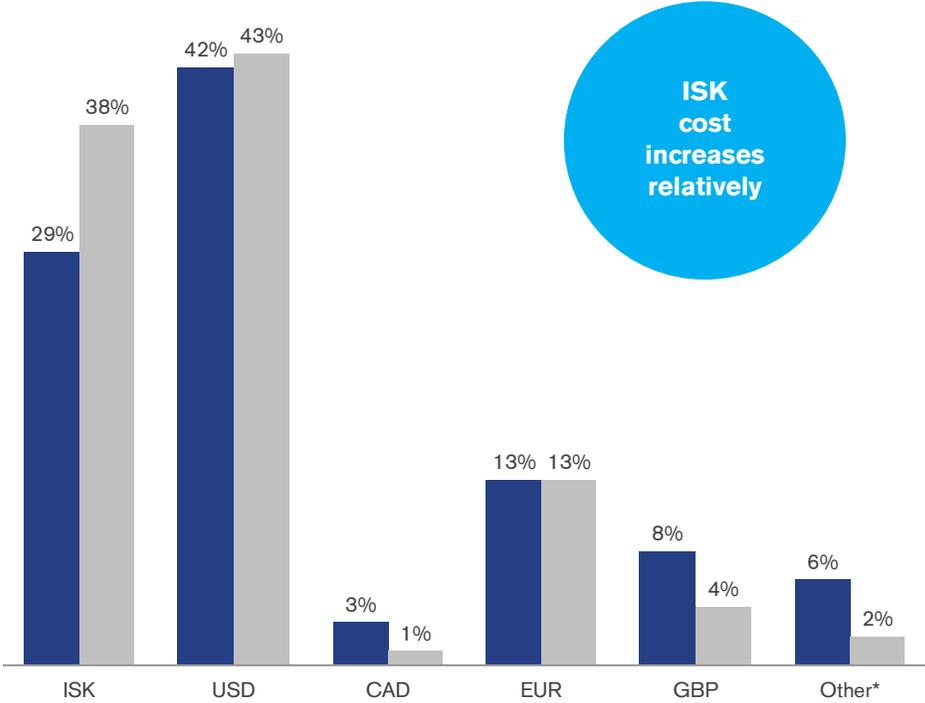
EBITDA and loss | USD million



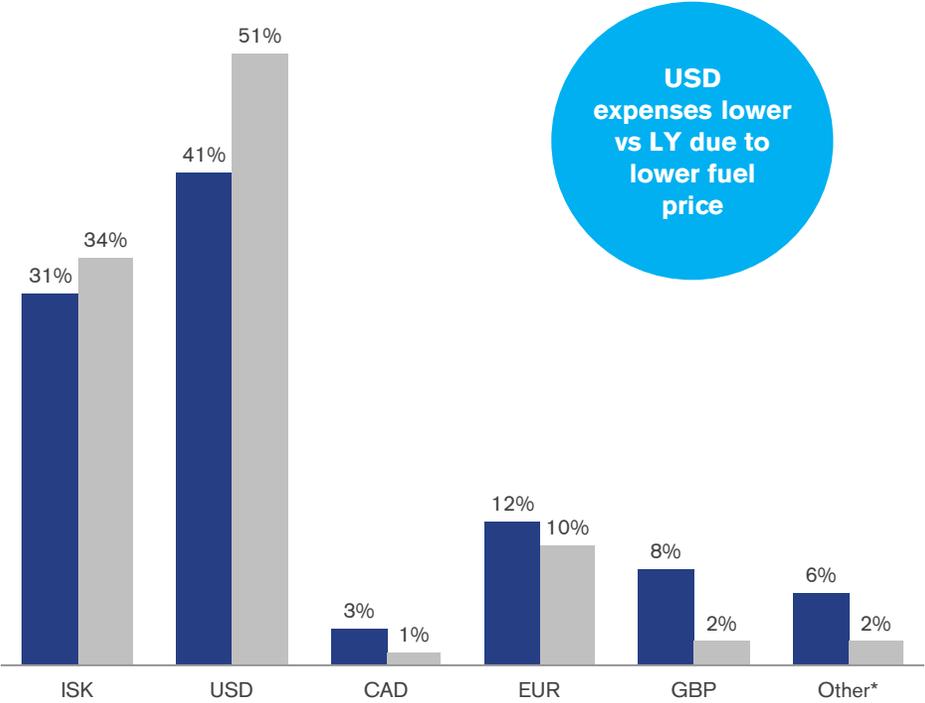
ISK deficit increased between years while USD outflow decreased

Operating income and expenses by currency

Income Expenses



ISK cost increases relatively



USD expenses lower vs LY due to lower fuel price

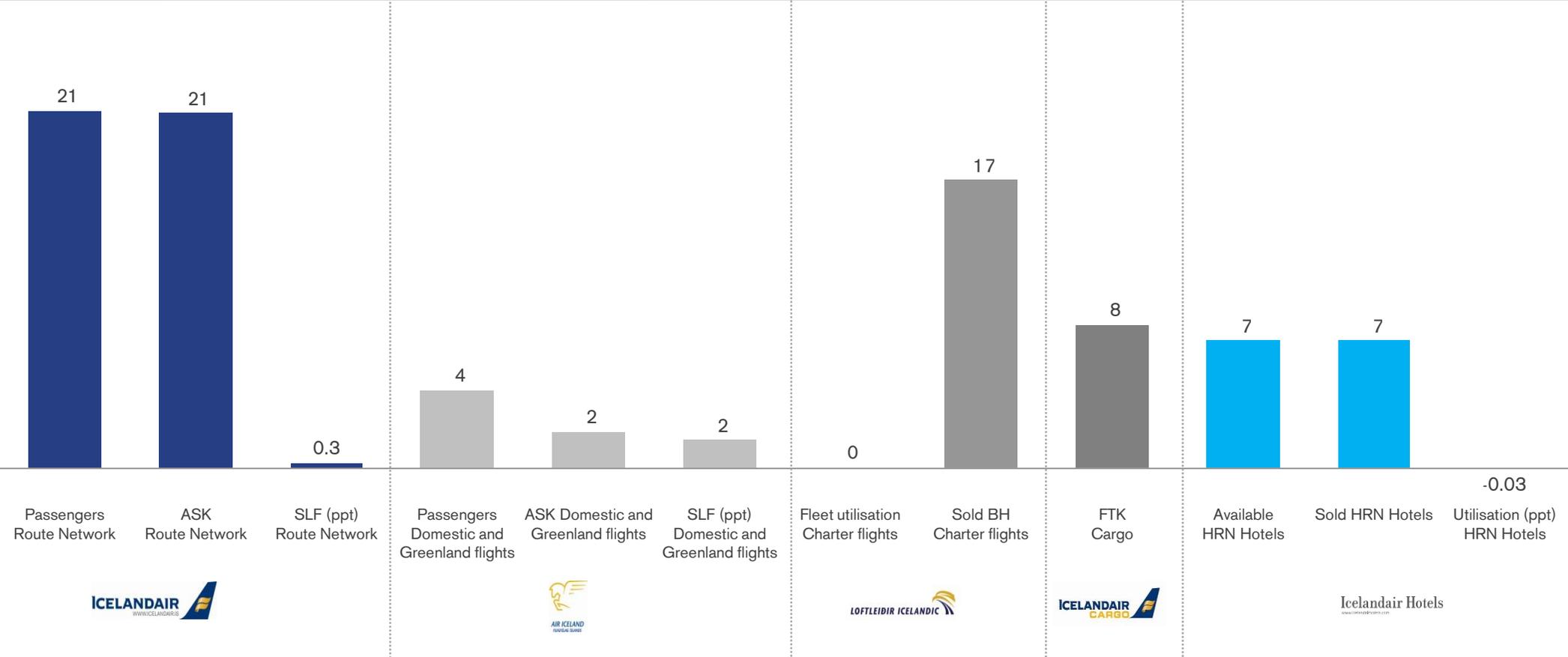
Q1 2016

Q1 2015

Other* mainly the Scandinavian currencies

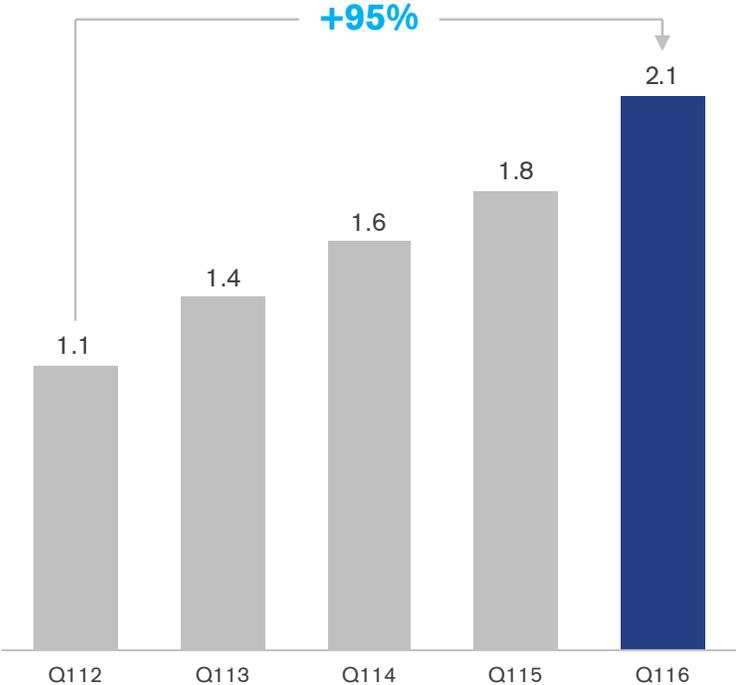
Growth in all our businesses in Q1 2016

Year-on-year change in %

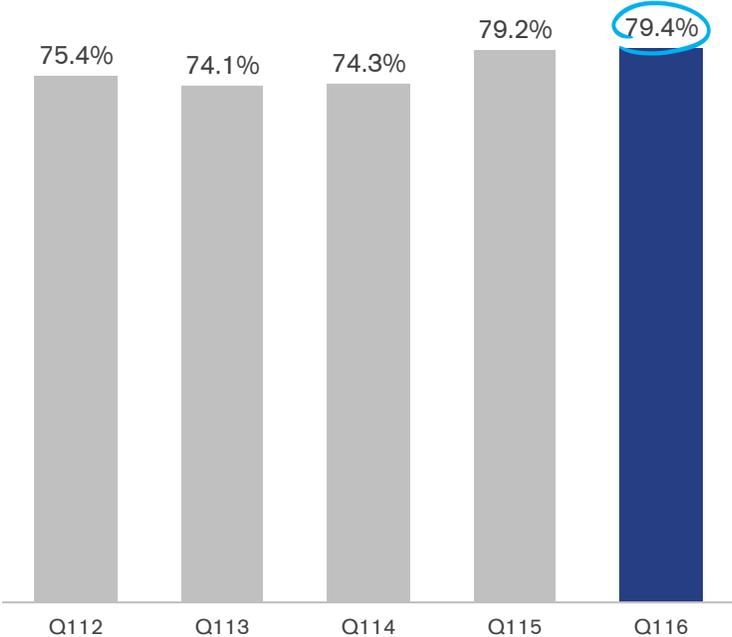


Record load factor of 79.4% on top of 21% capacity increase

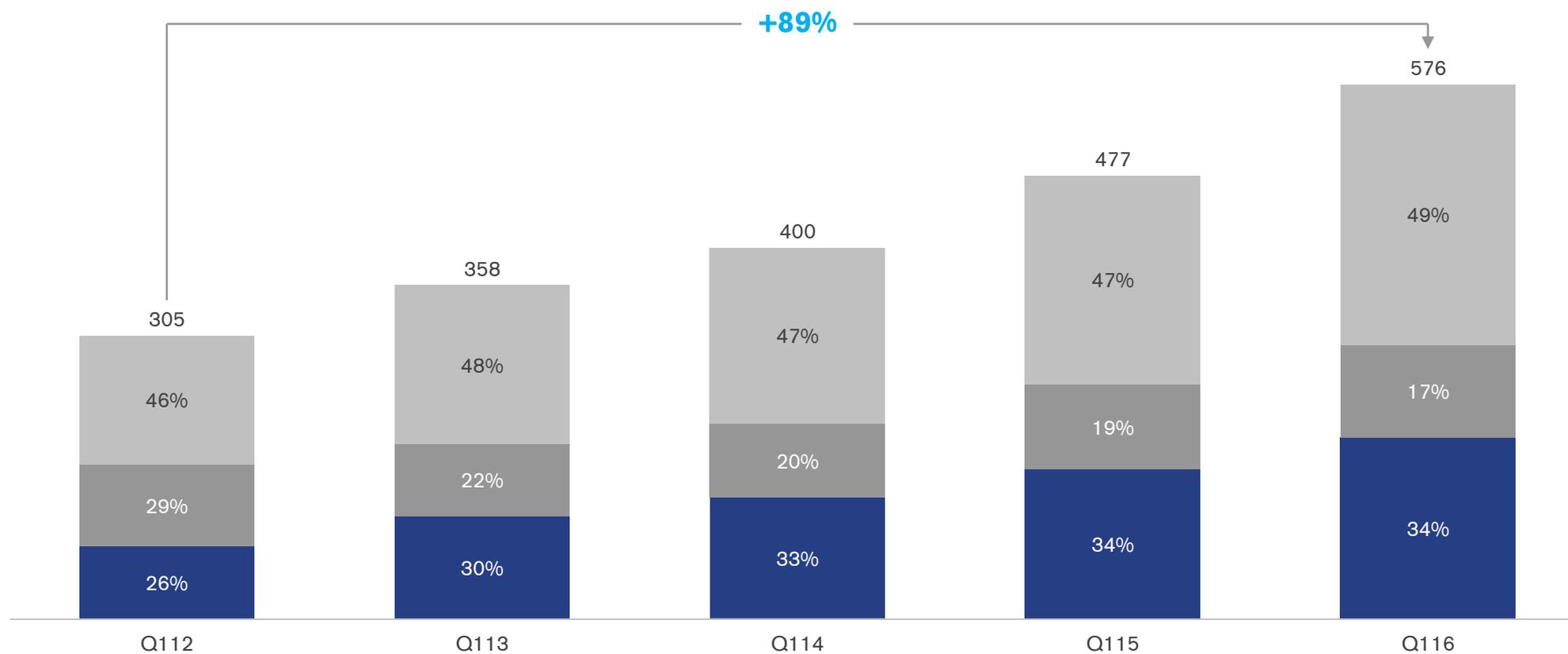
Available seat km (ASK) per quarter | billions



Load factor per quarter | 2012-2016



TO market the largest market in Q1 2016

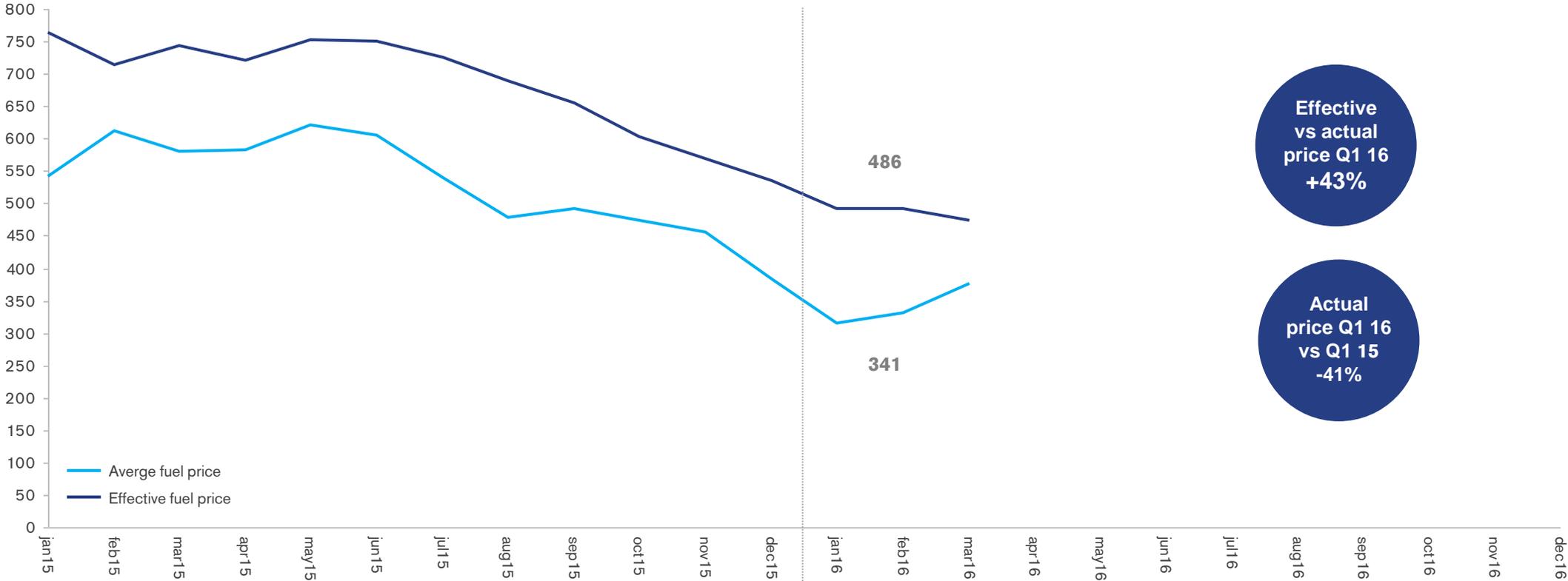


■ To ■ From ■ Via

Absolute figures in thousands.

Effective fuel price was 43% higher than the average world fuel price in Q1

Average and effective fuel price per month | USD/tonne



Effective vs actual price Q1 16 +43%

Actual price Q1 16 vs Q1 15 -41%

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

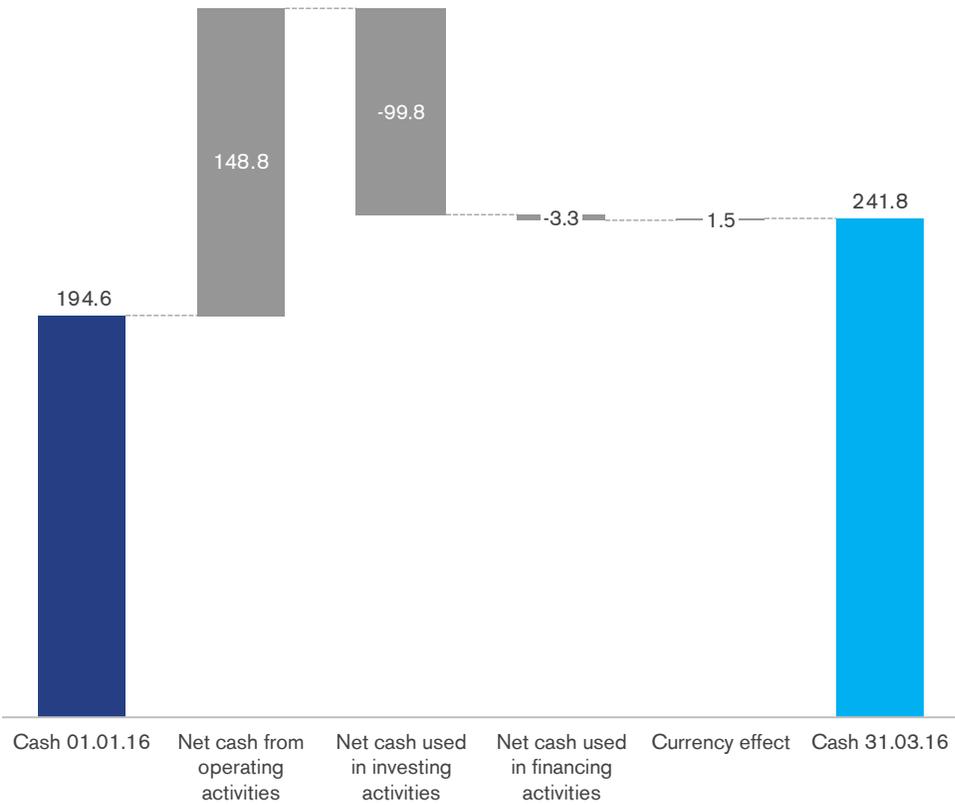
Period	Estimated usage (tons)	Swap volume	% hedged	Av. swap price USD
Apr 16	22,045	12,630	57%	616
May 16	32,435	19,720	61%	643
Jun 16	41,200	23,700	58%	637
Jul 16	43,760	23,800	54%	592
Aug 16	43,816	24,700	56%	536
Sep 16	38,878	22,600	58%	521
Oct 16	31,472	18,500	59%	514
Nov 16	24,340	12,500	51%	499
Dec 16	23,738	13,500	57%	470
Jan 17	24,727	11,250	45%	399
Feb 17	21,251	10,250	48%	399
Mar 17	24,722	12,000	49%	443
12 months	372,384	205,150	55%	
Apr 17	27,174	-	-	-
May 17	32,618	-	-	-
Jun 17	40,836	4,000	10%	456
Jul 17	43,147	4,000	9%	471
Aug 17	43,281	4,000	9%	469
Sep 17	38,306	-	-	-
13-18 months	225,363	12,000	5%	

12m
weighted
swap price
USD 539

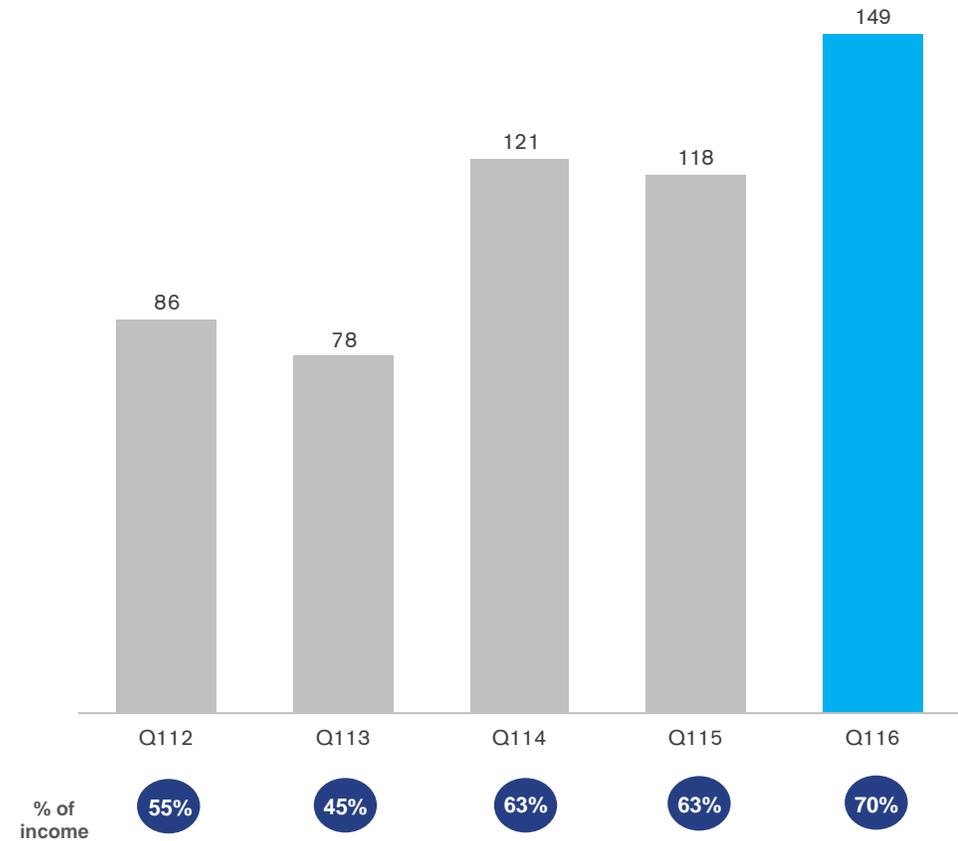
13-18m
weighted
swap price
USD 465

Strong underlying cash flow

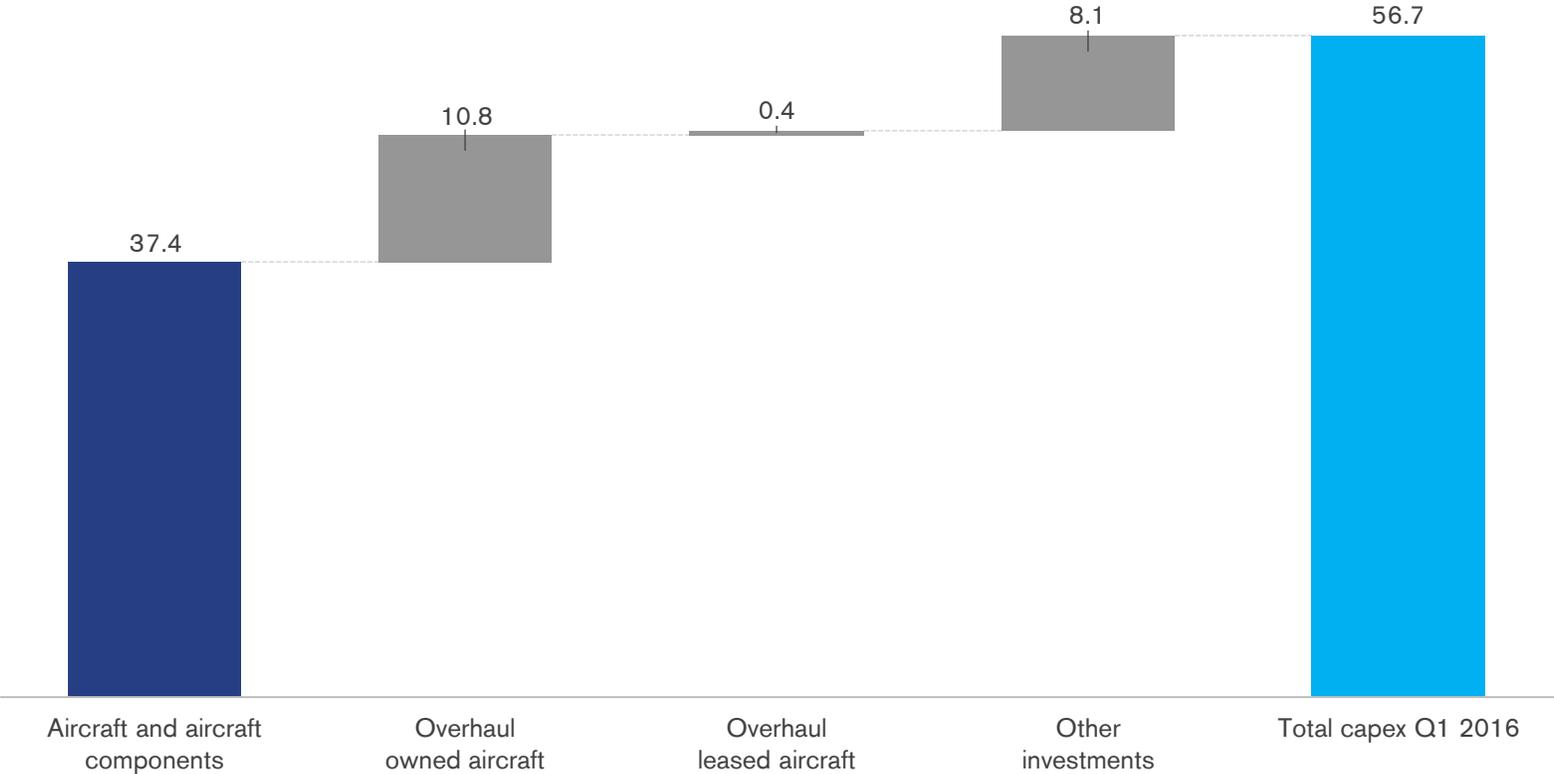
Changes in cash in Q1 2016 | USD million



Net cash from operations and as % of income | USD million



Capex totalled USD 56.9 million in Q1 2016



**2 x
757 aircraft
purchased**

**2 x
apartment
buildings
purchased**

Equity ratio 37%

USD million	31.03 16	31.12 15	31.03 15
Assets			
Operating Assets	456,6	419,1	325,8
Intangible assets	173,9	172,7	173,6
Other non-current assets	55,1	45,8	21,7
Total non-current assets	685,6	637,6	521,2
Other current-assets	165,3	120,3	149,8
Short term investments	59,9	19,5	39,3
Cash and cash equivalents	241,8	194,6	282,7
Total current assets	467,0	334,4	471,7
Total assets	1.152,5	972,0	993,0

Interest
bearing debt
USD 63m

Cash
exceeding
interest bearing
debt USD
239m

USD million	31.03 16	31.12 15	31.03 15
Equity and liabilities			
Stockholders equity	421,7	456,5	335,6
Loans and borrowings non-current	52,6	55,4	68,6
Other non-current liabilities	43,0	44,1	29,8
Total non-current liabilities	95,6	99,5	98,4
Loans and borrowings current	10,3	10,1	12,2
Trade and other payables	280,2	219,7	249,0
Deferred income	344,7	186,1	297,8
Total current liabilities	635,2	415,9	559,0
Total equity and liabilities	1.152,5	972,0	993,0
Equity ratio	37%	47%	34%
Current ratio	0,74	0,80	0,84
Net interest bearing debt	-238,8	-148,6	-241,2
Interest bearing debt	62,9	65,5	80,8

Two Boeing 767 aircraft to fly in the Route Network – the first wide-body aircraft in the fleet since 2006

Available seats
262 vs 183
on the B757

The B767
carries more
freight tonnes
than the
B757

Longer
flight range
compared
to B757

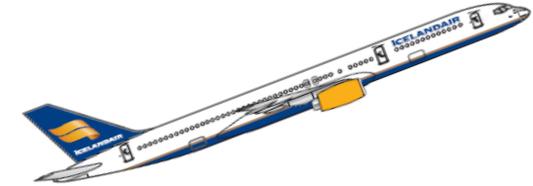
767
will begin
to fly in the
Route Network
in May

Feasible due
to high load
factors all year
round on some
routes

Limited slot
capacity at some
airports
making B767
advantageous

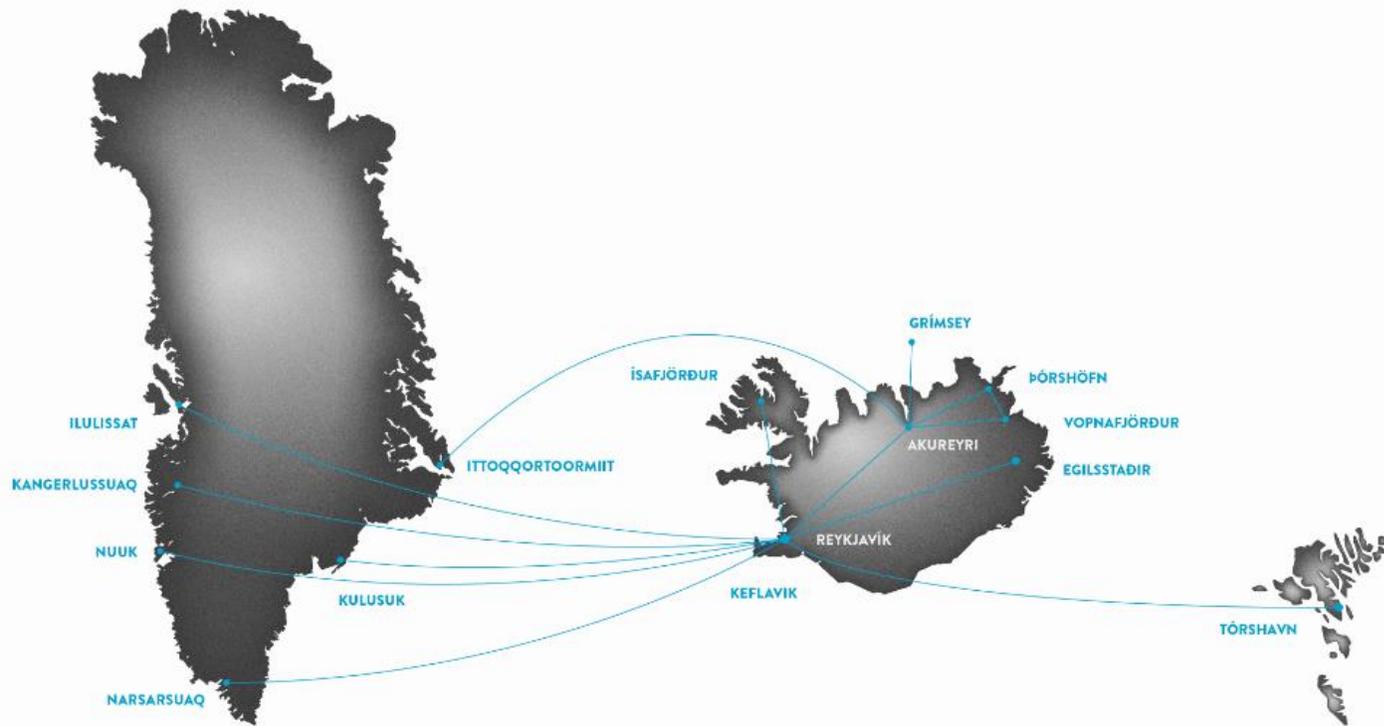
Maintenance
and crew
training similar
to B757

Opportunities
for new
destinations



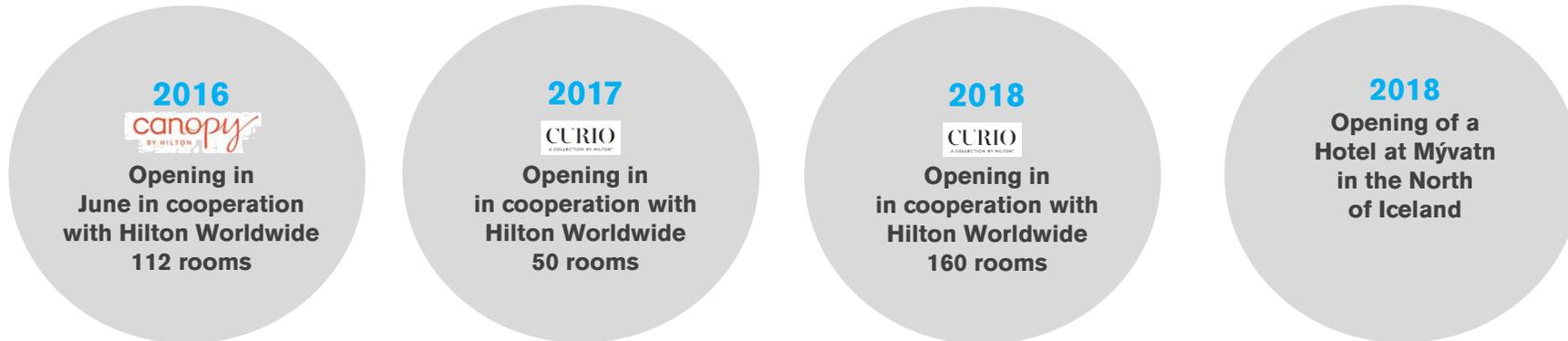
The first Bombardier Q400 arrived in early March

Route map | Regional airline operations



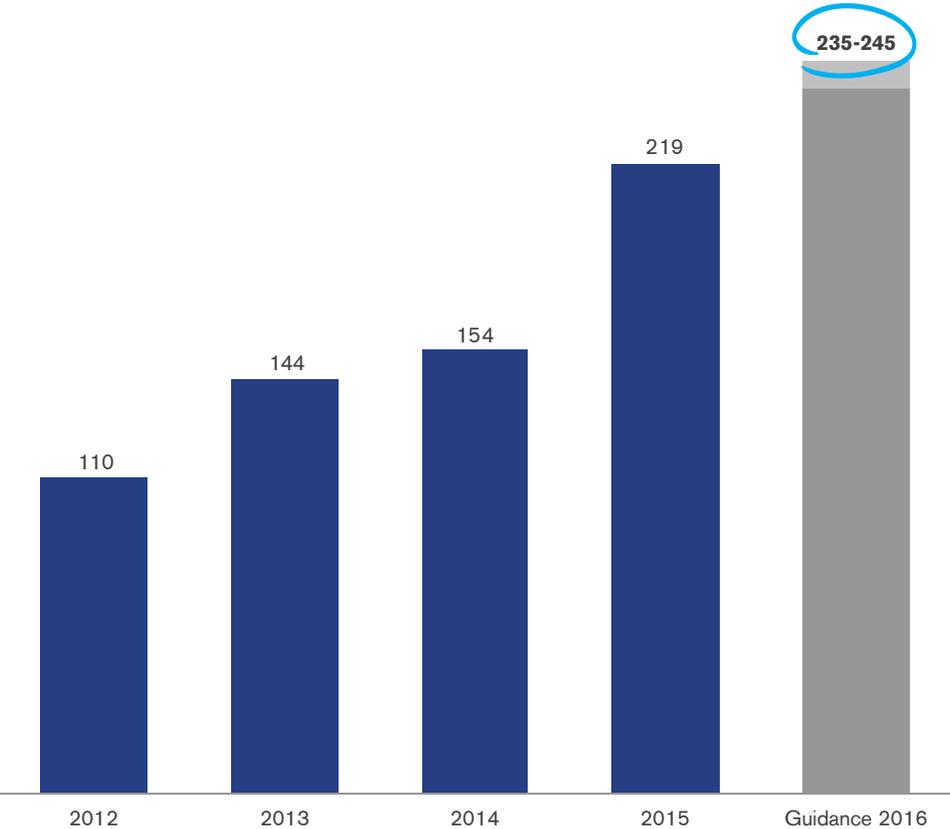
Bombardier Q400 aircraft replacing the Fokker-50 aircraft

Continued growth in our hotel operation with the opening of the first Canopy hotel world wide in Reykjavik in the beginning of June



EBITDA guidance for 2016 lowered from USD 245-250 to USD 235-245 million

EBITDA development 2012-2016 | USD millions



Main assumptions:

- | Continued focus on profitable organic growth
- | Booking status in the Route Network is favourable and bookings for the summer in line with projections
- | Further decline in yields is expected
- | Favourable prospects in the tourist services in Iceland
- | EUR/USD rate assumed 1.12 and ISK 191
- | Average fuel price (excluding hedging) 385 USD/ton in April, 400 USD/ton in May - December

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