

**Icelandair Group**  
**Presentation of Q3 2016 Results**



# Highlights

**Good results  
in Q3 with  
net profit at  
USD 103m**

**Equity ratio  
at 49% and  
net cash  
USD 134m**

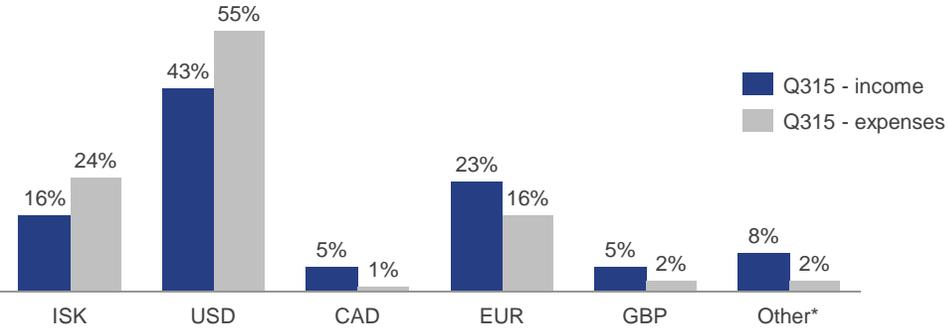
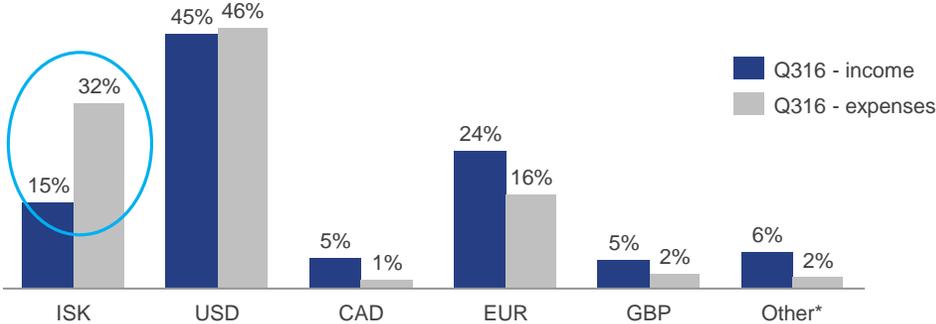
**EBITDA  
guidance  
for 2016 is  
USD 210-220m**

**Financials**  
**Bogi Nils Bogason, CFO**

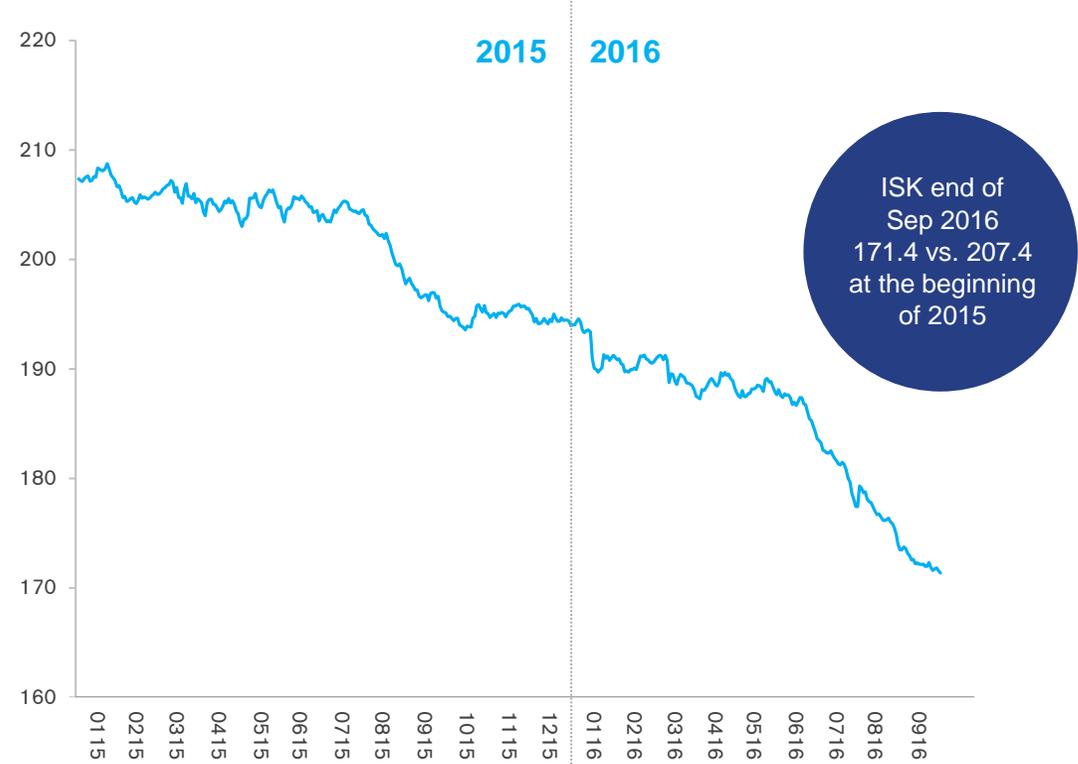


# ISK deficit increases between years

Operating income and expenses by currency



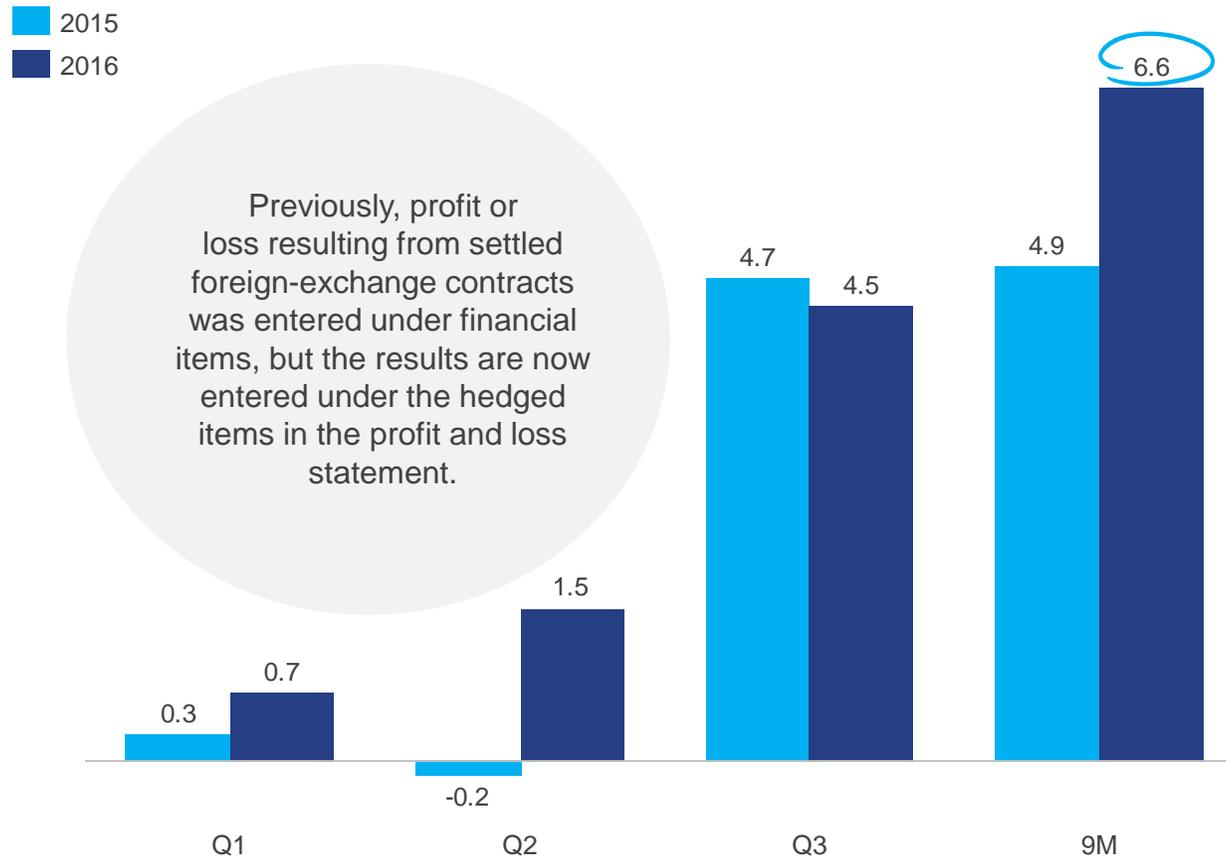
Development of the ISK | 2015-2016



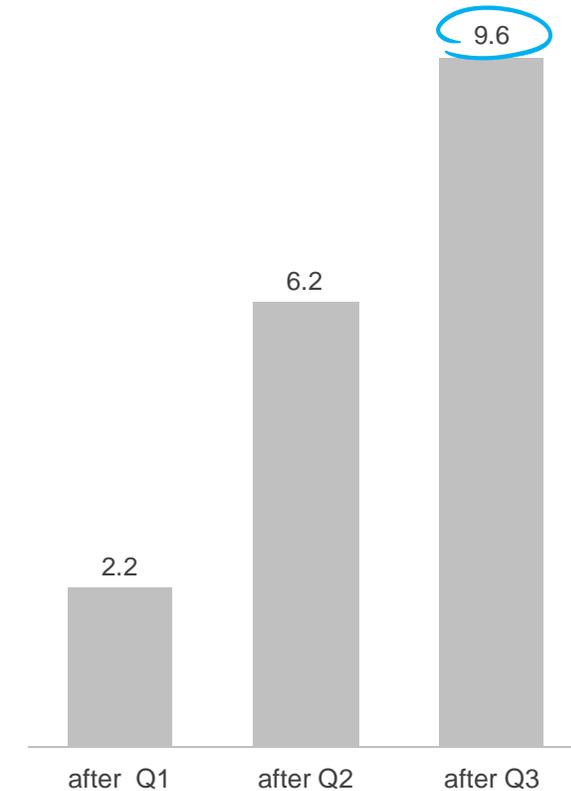
Other\* mainly the Scandinavian currencies

# Settled currency hedges now presented within the hedged item

Overview currency translation difference | USD millions



Effect on guidance | USD millions

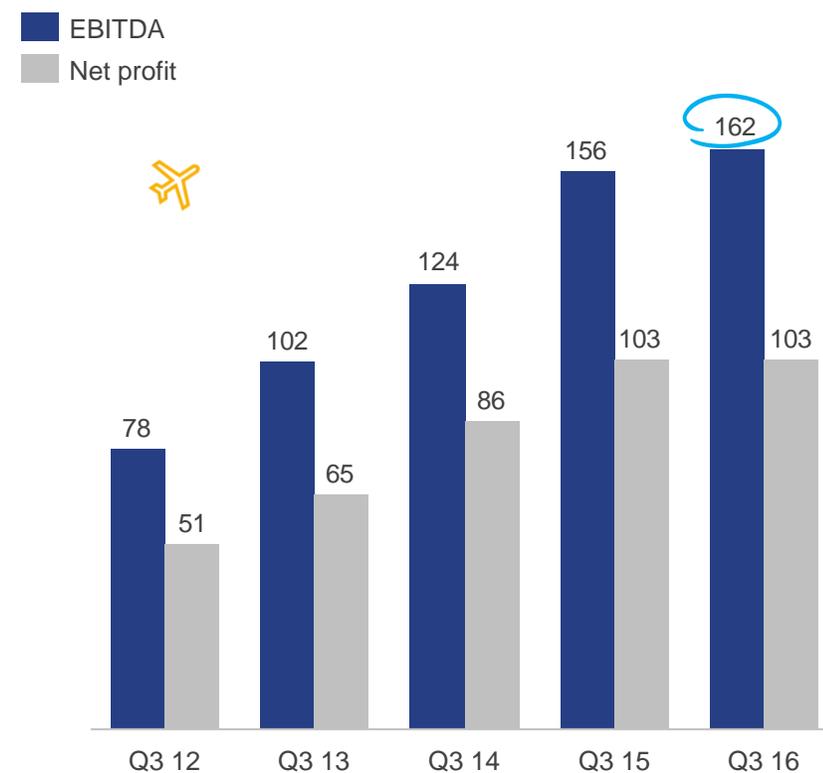


Absolute figures in USD millions

# Good results in Q3 2016

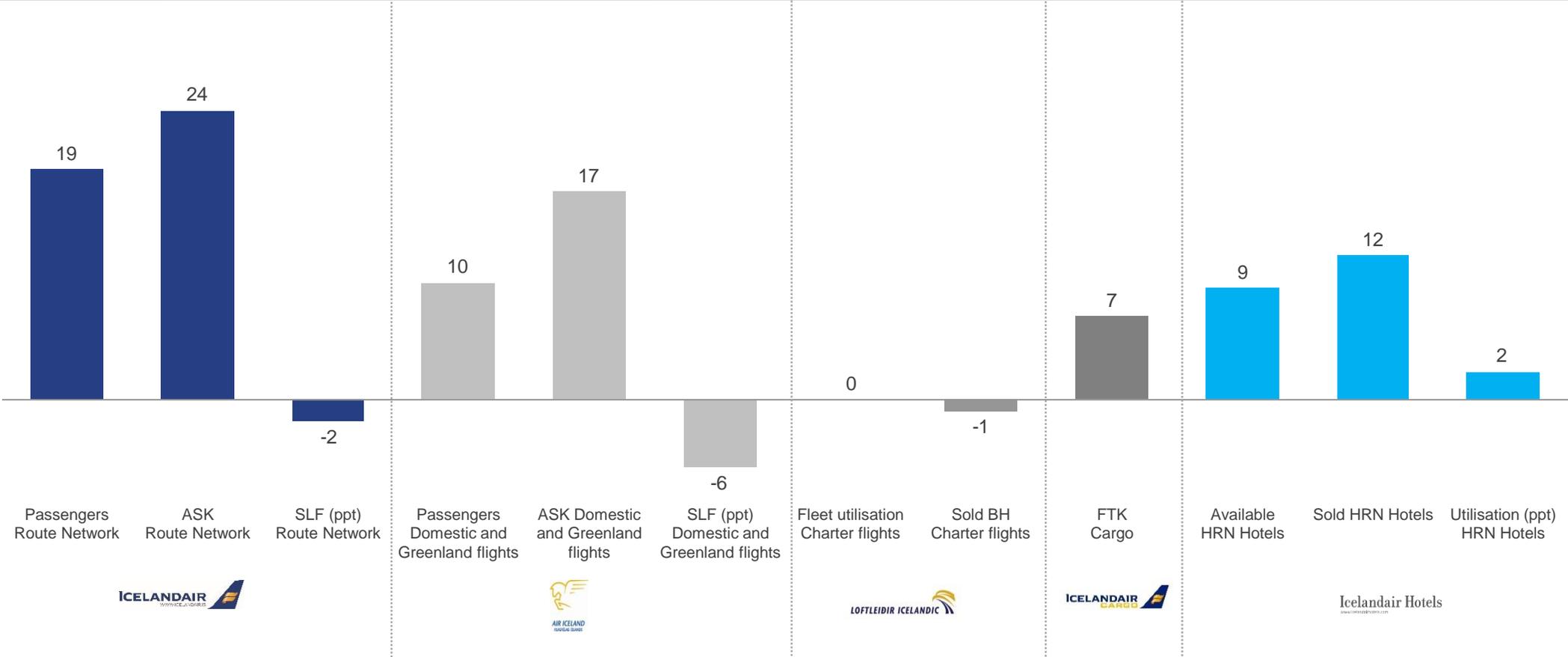
USD million	Q3 2016	Q3 2015	% Chg.
<b>Operating Income</b>	<b>485.9</b>	<b>429.4</b>	<b>13%</b>
Salaries and related expenses	94.7	73.3	29%
Aircraft fuel	73.1	73.5	-1%
Aircraft and aircrew lease	4.4	5.9	-26%
Aircraft handling, landing and comm.	38.9	31.7	23%
Aircraft maintenance expenses	19.2	13.6	41%
Other expenses	94.0	75.9	24%
<b>Operating expenses</b>	<b>324.2</b>	<b>273.8</b>	<b>18%</b>
<b>EBITDA</b>	<b>161.8</b>	<b>155.6</b>	-
<b>EBIT</b>	<b>132.1</b>	<b>131.8</b>	-
<b>EBT</b>	<b>130.8</b>	<b>130.8</b>	-
<b>Profit for the period</b>	<b>102.8</b>	<b>103.1</b>	-
<b>EBITDA ratio</b>	<b>33.3%</b>	<b>36.2%</b>	<b>-2.9 ppt</b>
<b>EBITDAR</b>	<b>170.4</b>	<b>164.7</b>	-
<b>EBITDAR ratio</b>	<b>35.1%</b>	<b>38.3%</b>	<b>-3.3 ppt</b>

EBITDA and net profit | USD million



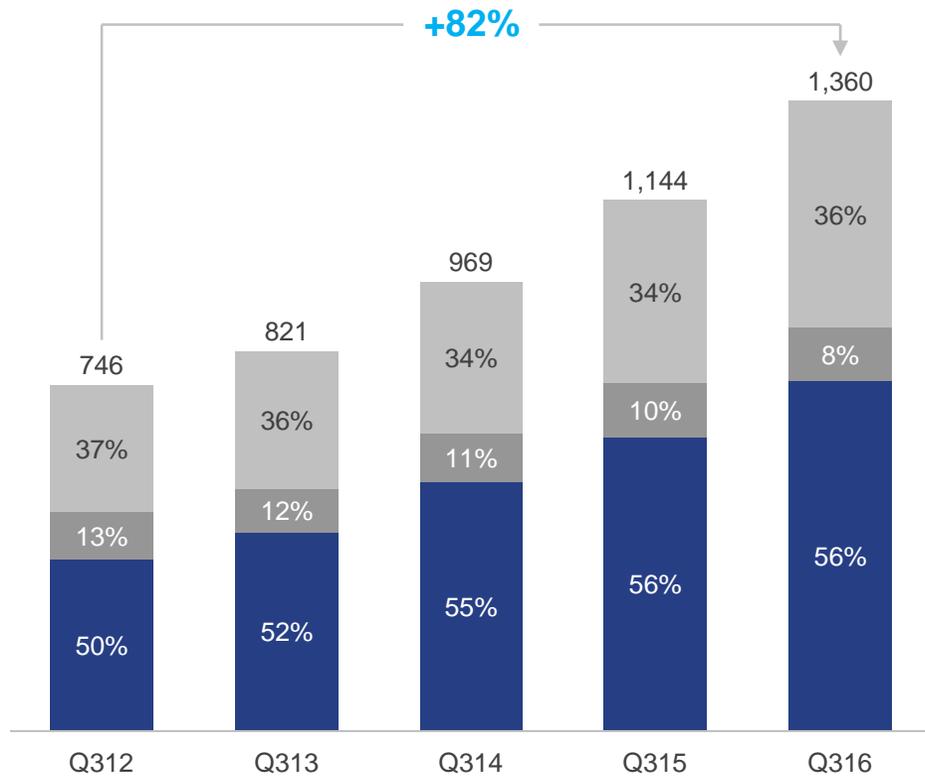
# Organic growth in Q3

Year-on-year change in %

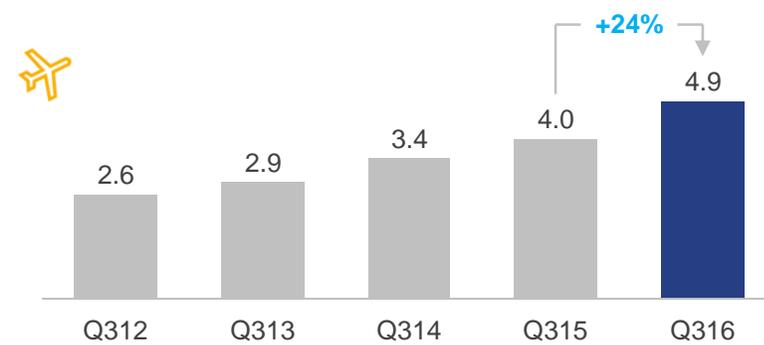


# The number of passengers up 19% in Q3 with 85.5% load factor

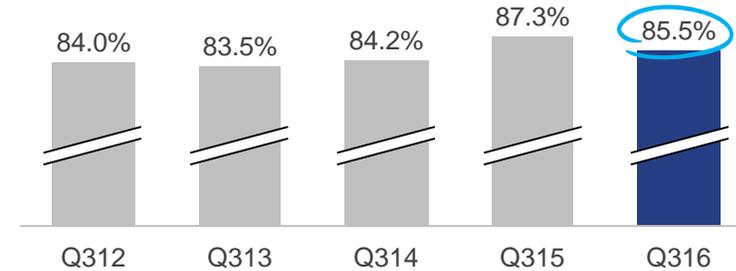
Passenger mix | number of passengers in thousands



Available seat km (ASK) per quarter | billions



Load factor per quarter | 2012-2016

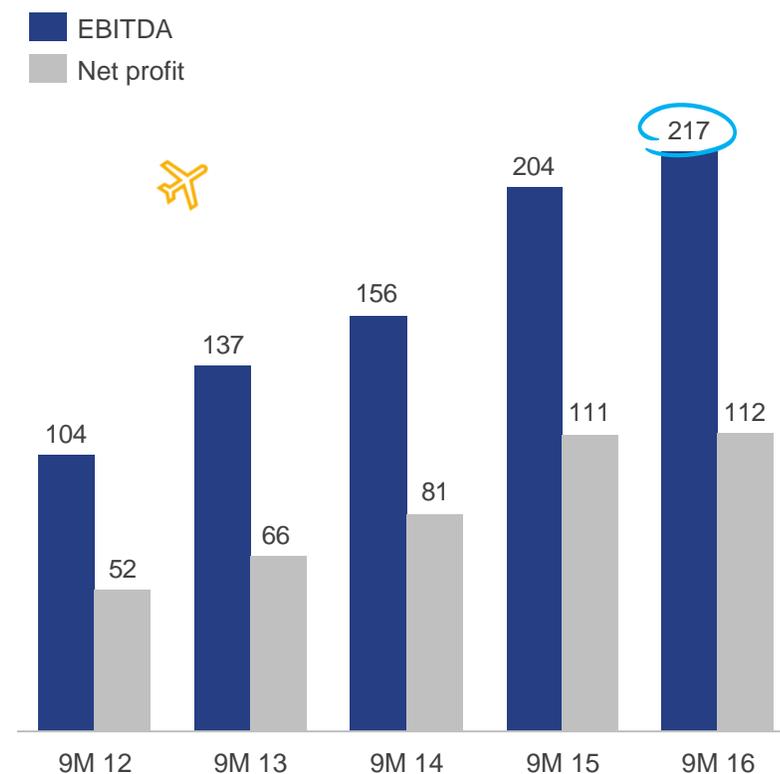


■ To ■ From ■ Via

# Profit January – September USD 112 million

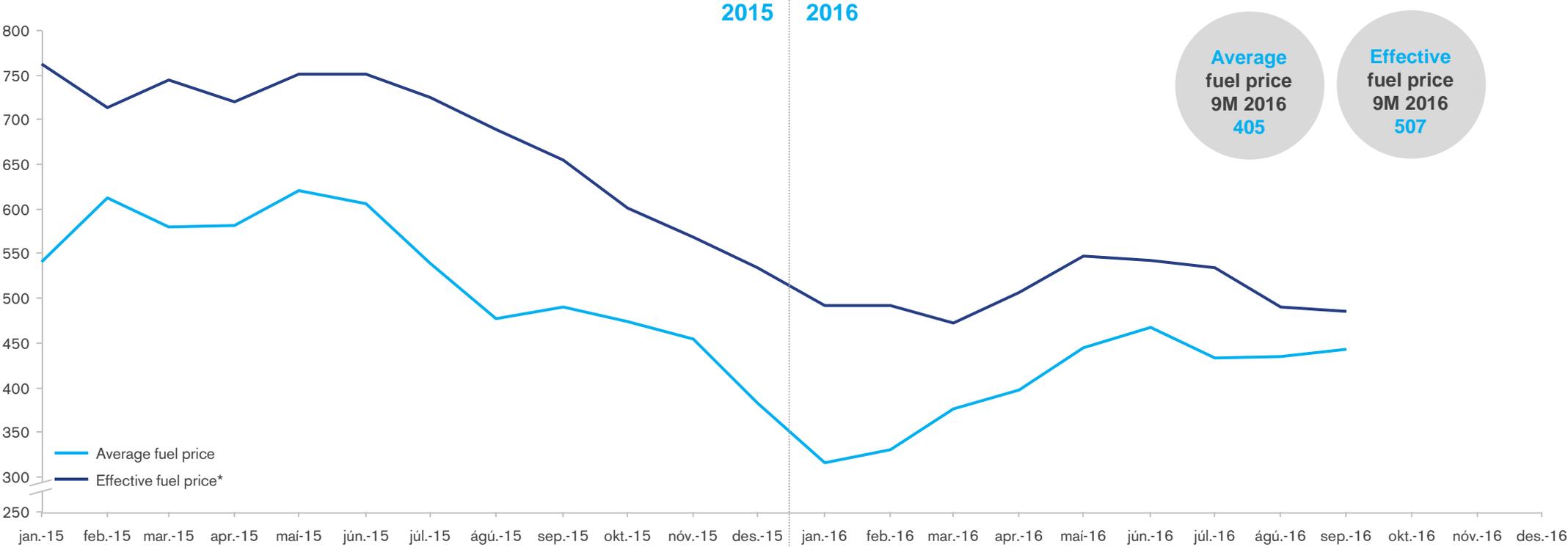
USD million	9M 2016	9M 2015	% Chg.
<b>Operating Income</b>	<b>1,029.1</b>	<b>909.7</b>	<b>13%</b>
Salaries and related expenses	256.1	201.7	27%
Aircraft fuel	168.2	184.1	-9%
Aircraft and aircrew lease	15.3	18.0	-15%
Aircraft handling, landing and comm.	87.7	68.4	28%
Aircraft maintenance expenses	60.4	51.6	17%
Other expenses	224.0	182.2	23%
<b>Operating expenses</b>	<b>811.7</b>	<b>706.0</b>	<b>15%</b>
<b>EBITDA</b>	<b>217.4</b>	<b>203.7</b>	-
<b>EBIT</b>	<b>142.8</b>	<b>141.0</b>	-
<b>EBT</b>	<b>142.3</b>	<b>140.4</b>	-
<b>Profit for the period</b>	<b>111.9</b>	<b>111.0</b>	-
<b>EBITDA ratio</b>	<b>21.1%</b>	<b>22.4%</b>	<b>-1.3 ppt</b>
<b>EBITDAR</b>	<b>243.0</b>	<b>230.1</b>	-
<b>EBITDAR ratio</b>	<b>23.6%</b>	<b>25.3%</b>	<b>-1.7 ppt</b>

EBITDA and net profit | USD million



# Effective fuel price\* in the first nine months of 2016 30% below the corresponding period last year

Average and effective fuel price per month | USD/tonne 2015-2016



\* Effective fuel price = average fuel price +/- hedging results

## 53% of estimated usage for the next 12 months has been hedged

Period	Estimated use (tons)	Swap volume	Hedging ratio	Average swap price USD
Oct 2016	31,192	18,500	59%	514
Nov 2016	24,833	12,500	50%	499
Dec 2016	23,632	13,500	57%	470
Jan 2017	24,062	14,250	59%	423
Feb 2017	22,312	12,250	55%	409
Mar 2017	26,631	12,250	46%	444
Apr 2017	27,927	15,250	55%	476
May 2017	37,173	19,250	52%	489
Jun 2017	45,828	24,250	53%	493
Jul 2017	48,124	26,250	55%	483
Aug 2017	47,962	26,000	54%	500
Sep 2017	42,028	20,000	48%	490
<b>12 months</b>	<b>401,703</b>	<b>214,250</b>	<b>53%</b>	<b>479*</b>
Oct 2017	32,600	4,000	12%	531
Nov 2017	24,111	3,000	12%	512
Dec 2017	23,343	3,000	13%	523
Jan 2018	23,944	0	0%	0
Feb 2018	21,677	0	0%	0
Mar 2018	24,211	0	0%	0
<b>13-18 months</b>	<b>149,886</b>	<b>10,000</b>	<b>7%</b>	<b>523*</b>

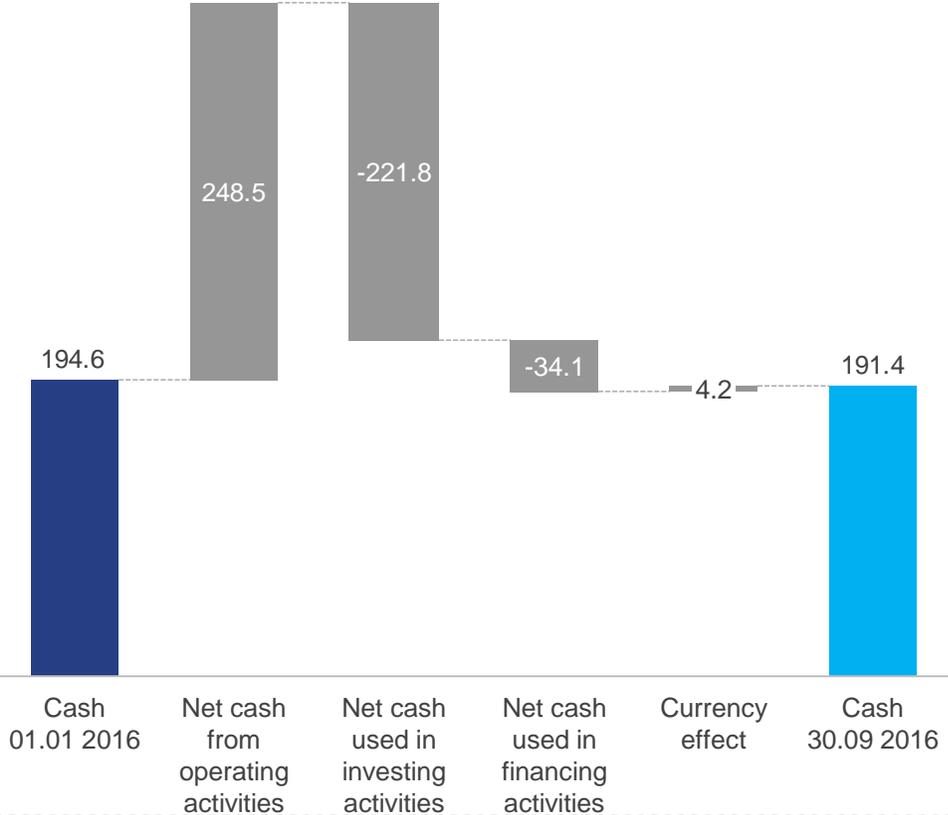
12m  
weighted  
swap price  
USD 479



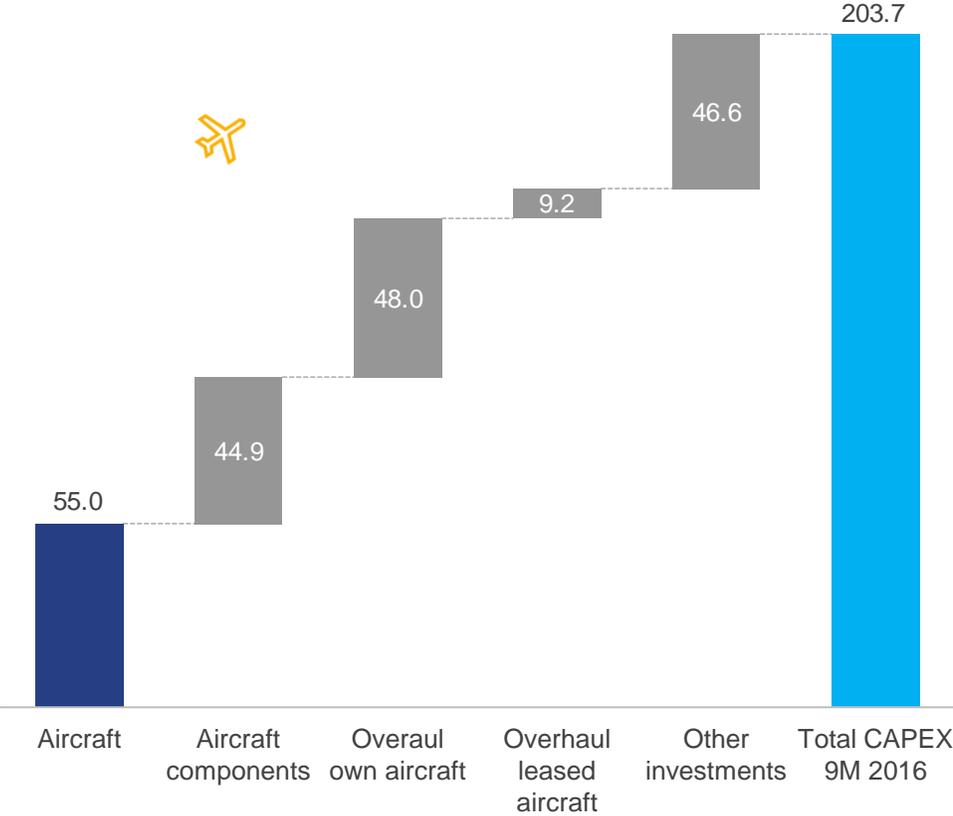
13-18m  
weighted  
swap price  
USD 523

# Capital expenditure in 2016 paid with cash from operations

Changes in cash 9M 2016 | USD million



Overview main capital expenditure in 9M2016 | USD million



## Equity ratio 49% and increases compared to the same period last year

USD million	30.09 16	31.12 15	30.09 15
<b>Assets</b>			
Operating assets	545,2	419,1	353,1
Intangible assets	174,5	172,7	173,8
Other non-current assets	91,0	45,8	45,1
<b>Total non-current assets</b>	<b>810,7</b>	<b>637,6</b>	<b>572,0</b>
Other current-assets	178,7	120,3	158,5
Short term investments	3,2	19,5	28,5
Cash and cash equivalents	191,4	194,6	256,6
<b>Total current assets</b>	<b>373,3</b>	<b>334,4</b>	<b>443,5</b>
<b>Total assets</b>	<b>1.184,0</b>	<b>972,0</b>	<b>1.015,5</b>

USD million	30.09 16	31.12 15	30.09 15
<b>Equity and liabilities</b>			
<b>Stockholders equity</b>	<b>582,9</b>	<b>456,5</b>	<b>471,6</b>
Loans and borrowings non-current	49,6	55,4	63,7
Other non-current liabilities	90,6	44,1	67,6
<b>Total non-current liabilities</b>	<b>140,2</b>	<b>99,5</b>	<b>131,3</b>
Loans and borrowings current	10,8	10,1	12,5
Trade and other payables	257,0	219,7	220,1
Deferred income	193,1	186,1	179,9
<b>Total current liabilities</b>	<b>460,9</b>	<b>415,9</b>	<b>412,5</b>
<b>Total equity and liabilities</b>	<b>1.184,0</b>	<b>972,0</b>	<b>1.015,5</b>
Equity ratio	49%	47%	46%
Current ratio	0,81	0,80	1,08
Net interest bearing debt	-134,2	-148,6	-208,8
Interest bearing debt	60,4	65,5	76,2

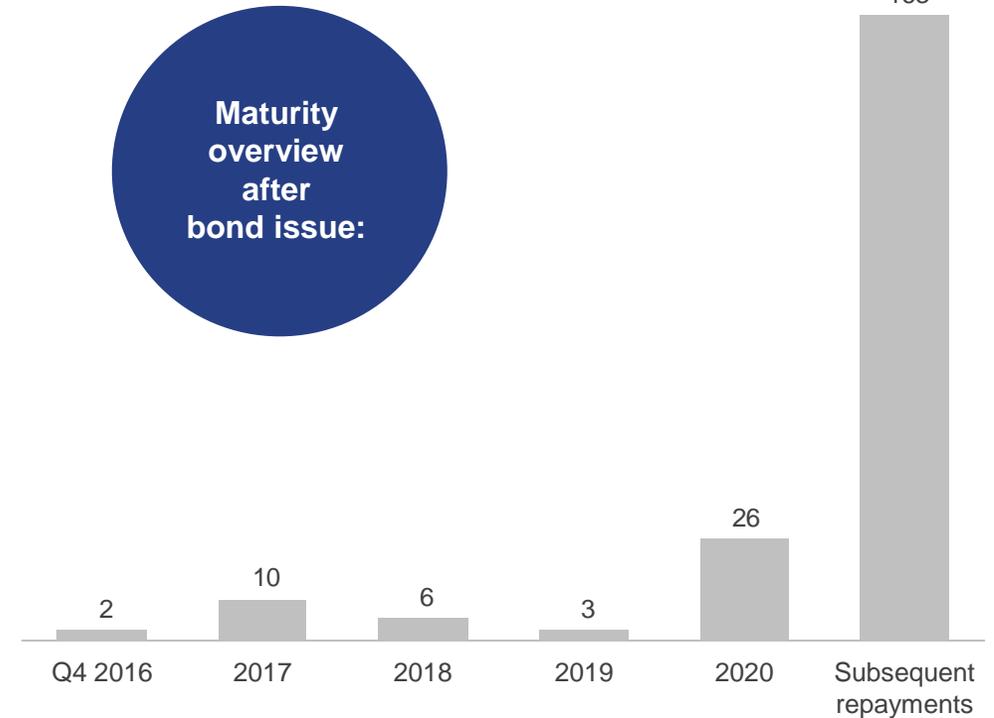
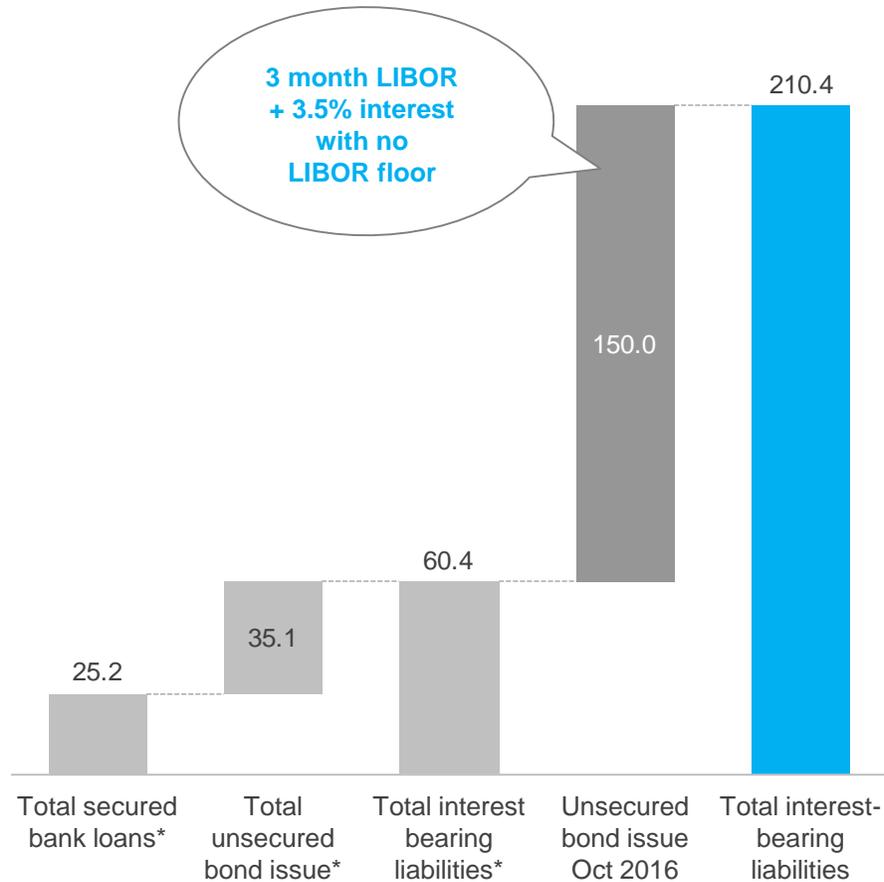
\* Net cash = cash and cash equivalents + short term investments – interest bearing debt

**Interest bearing debt**  
USD  
60.4 million

**Net cash**  
USD  
134.2 million



# 5 year senior unsecured bond in the amount of USD 150 million issued in October



All amounts in USD millions  
 \* Amounts at 30 September 2016

**Outlook**  
**Björgólfur Jóhannsson, President and CEO**





# Domestic flights between Keflavik airport and Akureyri as of February 2017 connecting with international flights to and from Iceland



**In line with our strategy to strengthen the tourist infrastructure throughout Iceland**

**Enables foreign tourists to experience the country side of Iceland in an easy and convenient way**

**Opens opportunities for the tourism industry in the North of Iceland**

**Increased service for the people of northern and eastern Iceland**

**6 times per week**  
winter season

**3 times per week**  
summer season

**Proportion of foreign travellers on domestic flights:**

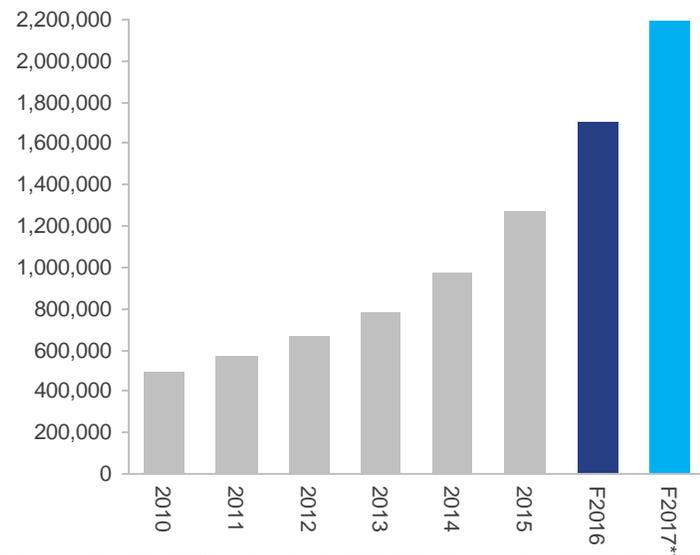


# Outlook in other business operations of Icelandair Group is good



## Further increases anticipated in the number of tourists to Iceland in 2017

No. of tourists to Iceland 2010-2017



Record occupancy anticipated in our hotel operation in 2016

**83.2%**

occupancy  
Jan – Sep 2016

## 2 Curio-collection brand hotels in development:

A 50 room hotel opens downtown Reykjavik 2017

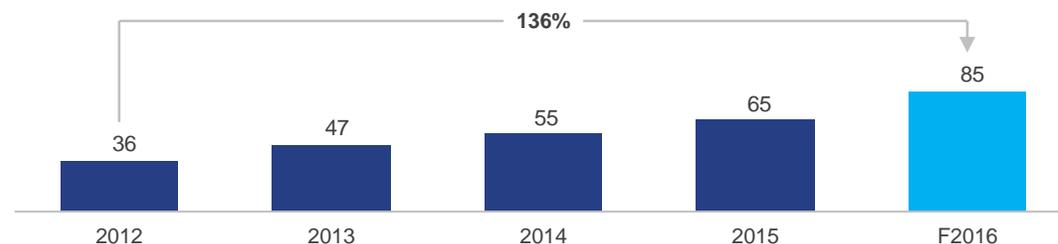
REYKJAVÍK  
CONSULATE  
HOTEL

A 160 room hotel opens downtown Reykjavik 2018

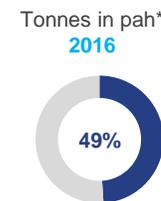
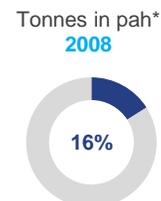
ICELAND PARLIAMENT  
HOTEL

## Number of tourists buying our tourism services in Iceland

In thousands 2010-2016



Focus on holds of passenger aircraft in the Route Network in our Cargo operation



2 B757 200 freighter aircraft



Aircraft in the Group's leasing operation:

- ③ B757 200
- ② B767 300
- ① B737 700
- ② B737 800

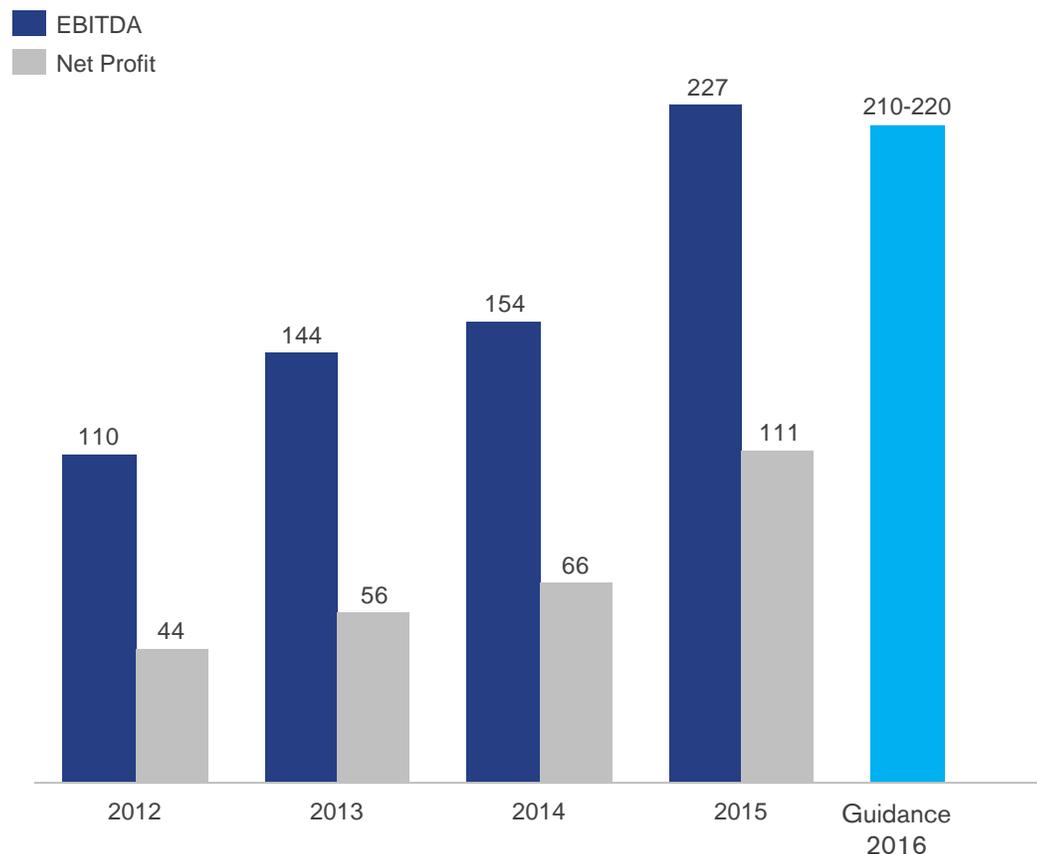


\*pah = passenger aircraft holds

\*\* Source Arionbanki: Report on Icelandic tourism service September 2016

# EBITDA guidance USD 210-220 millions

## EBITDA development 2012-2016 in USD million



### Main assumptions:

- | Successful operations in the first nine months of the year.
- | Booking status good in the international Route Network in Q4 but reduction in passenger revenues expected due to lower yields in markets.
- | Outlook in other businesses of the Company is good.
- | Continued growth in tourist arrivals in Iceland expected.
- | EUR/USD rate assumed 1.12, ISK rate assumed 172 a decrease from last forecast in July which was 182.
- | Average fuel price (excluding hedging) 443 USD/ton in October and 490 USD/ton in November - December

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