

Icelandair Group
Presentation of Q2 2017 Results



HIGHLIGHTS

**EBITDA in
Q2 2017
USD 42.3 million
and net profit
USD 11.2 million**

**Measures designed
to improve efficiency
and increase revenue
in the Group's
operations are
proceeding
according to plan**

**EBITDA
guidance
increased to
USD 150-160
million**

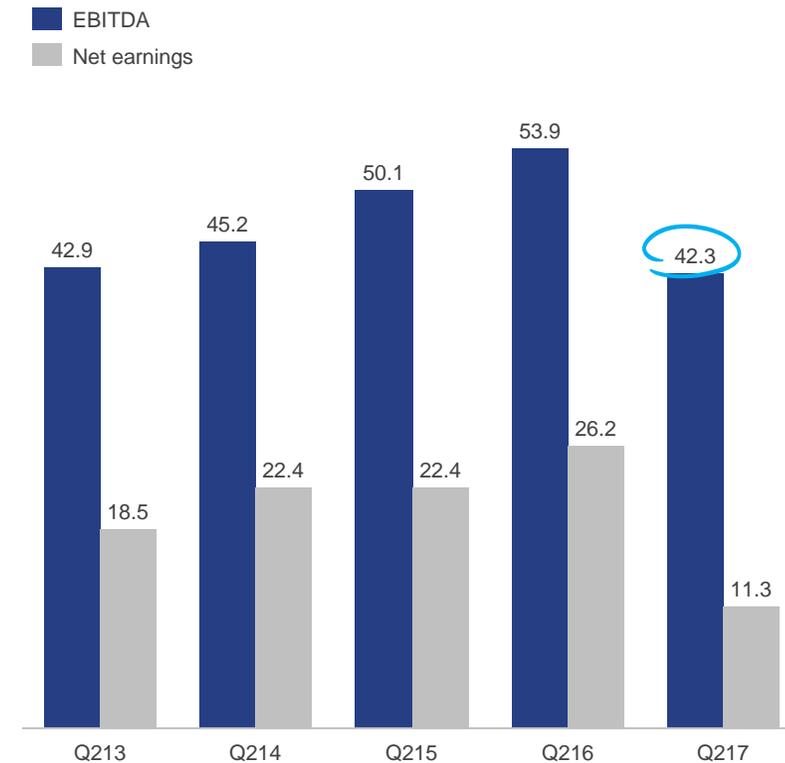
Financials
Bogi Nils Bogason, CFO



EBITDA USD 42.3 million in Q2 2017

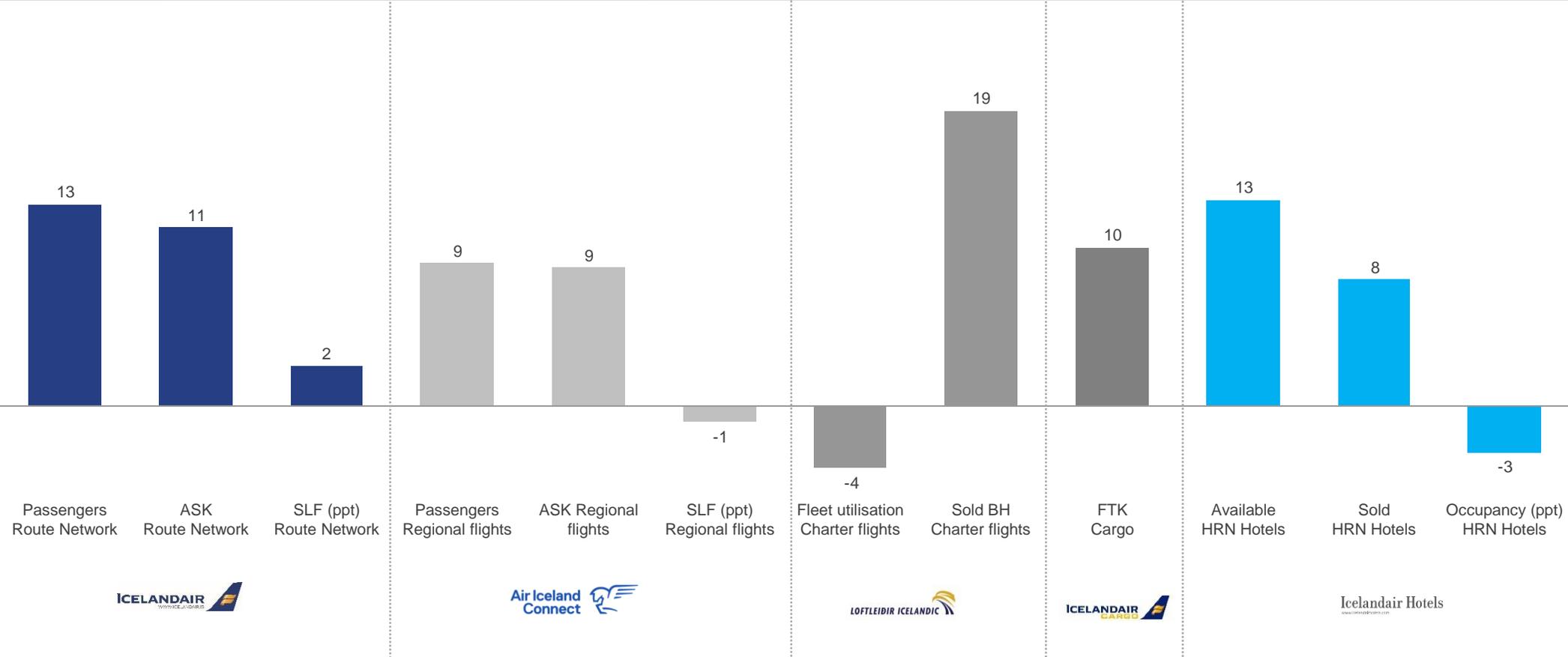
USD million	Q2 2017	Q2 2016	% Chg.
Operating Income	368.9	331.4	11%
Salaries and related expenses	125.8	90.5	39%
Aircraft fuel	60.5	61.0	-1%
Aircraft and aircrew lease	5.2	5.5	-6%
Aircraft handling, landing and comm.	31.9	29.2	9%
Aircraft maintenance expenses	18.3	20.3	-10%
Other expenses	85.0	70.9	20%
Operating expenses	326.6	277.5	18%
EBITDA	42.3	53.9	-
EBIT	11.4	30.7	-
EBT	13.4	32.8	-
Profit for the period	11.3	26.2	-
EBITDA ratio	11.5%	16.3%	-4.8 ppt
EBITDAR	50.2	62.4	-
EBITDAR ratio	13.6%	18.8%	-5.2 ppt

EBITDA and Net earnings | USD million



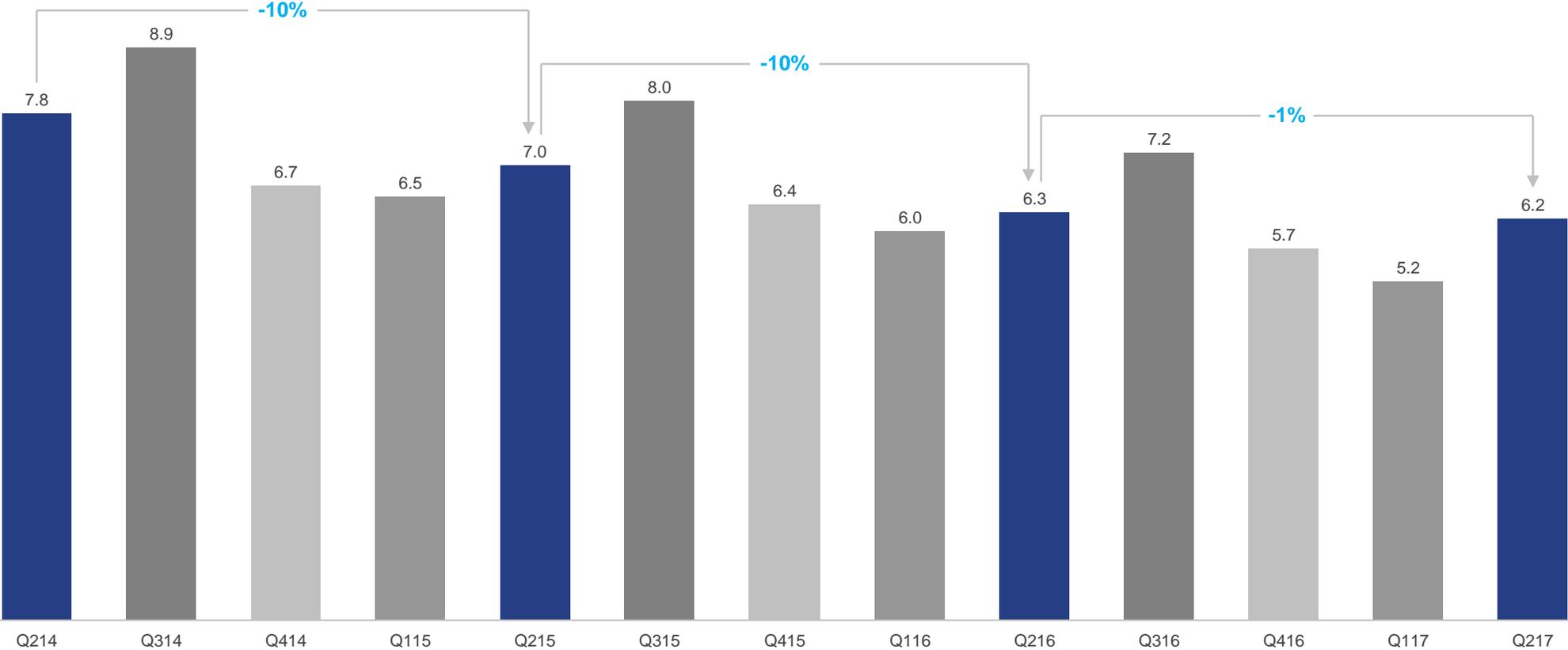
Organic growth in all our businesses in Q2 2017

Q2 year-on-year change in %



ASK = Available Seat Kilometres, BH = Block Hours, HRN = Hotel Room Nights.

PRASK decrease lower than in recent quarters



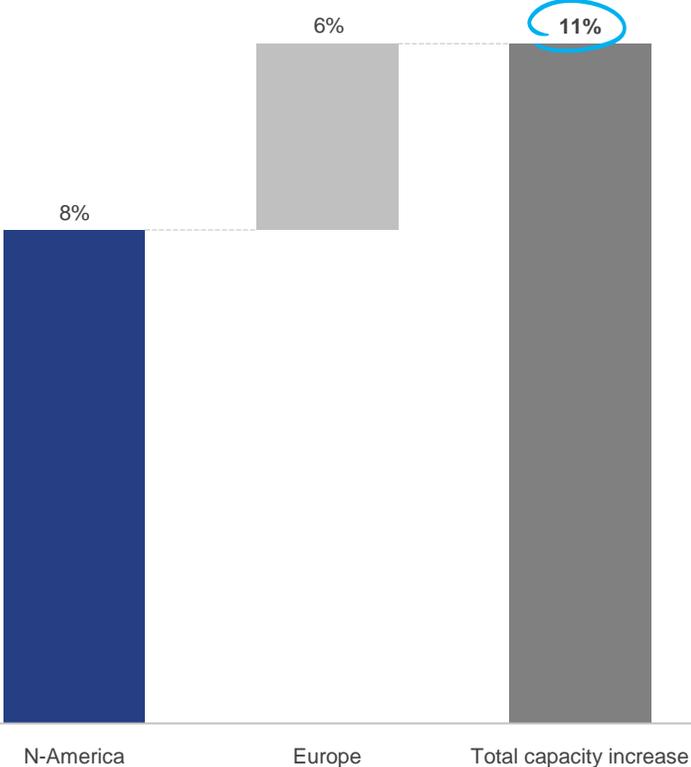
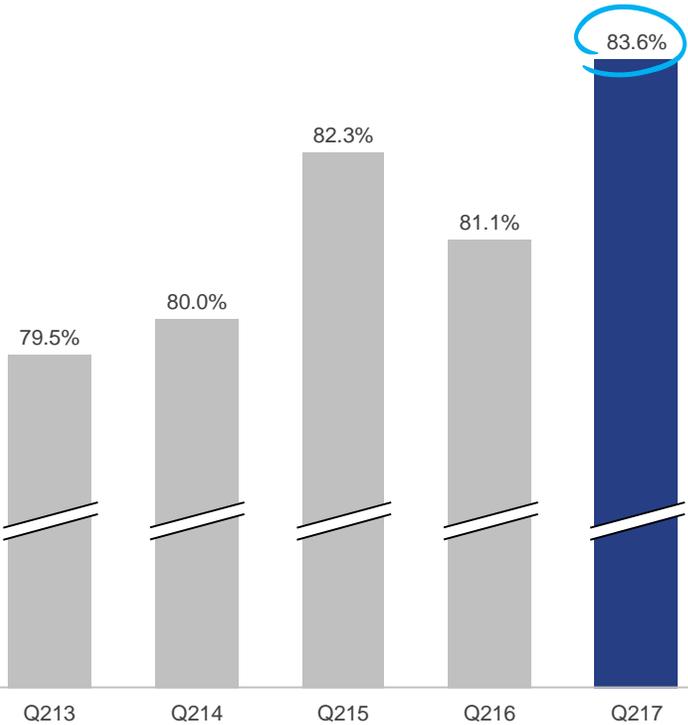
Absolute figures show yield as passenger revenues / total available seat kilometres (ASK) per US Cent

Record load factor in the Route Network in Q2 2017



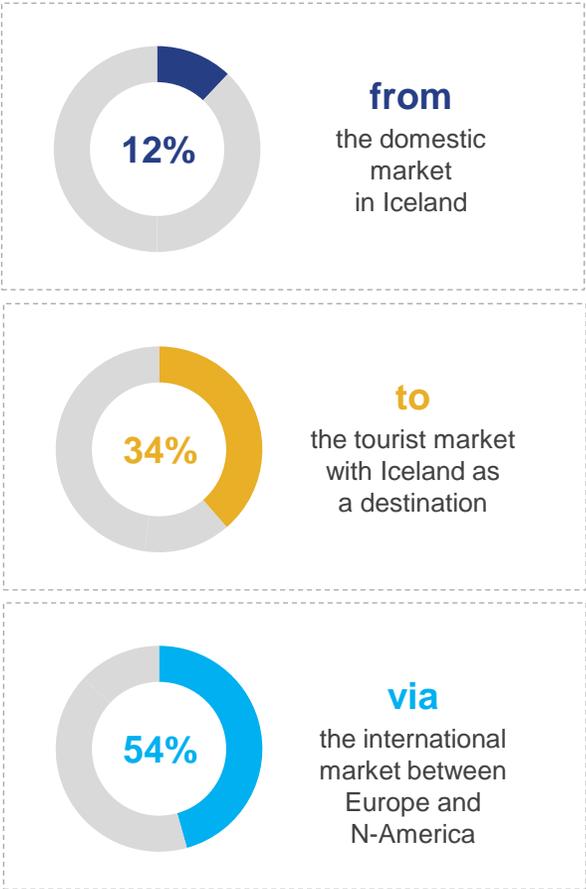
Load factor in Q2 | 2013-2017

Breakdown of capacity increase | Q217 vs Q216



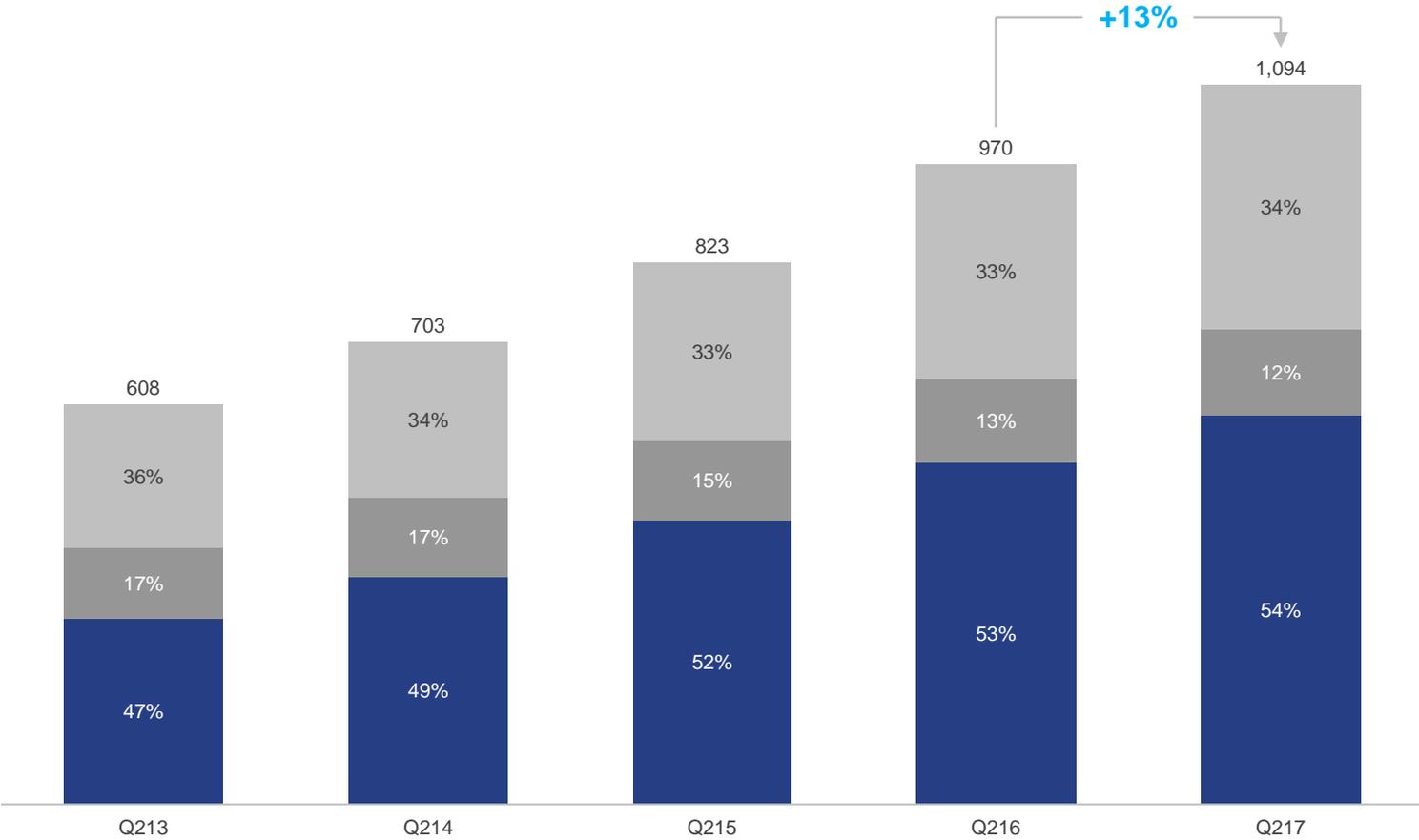
Absolute figures in millions.

Passengers on the via market count for 54% of total passengers in Q2 2017



to from via

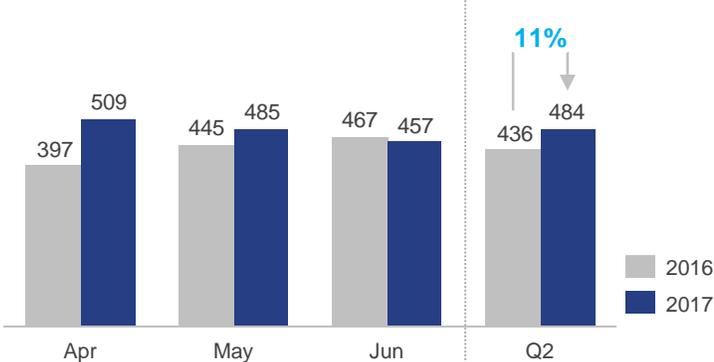
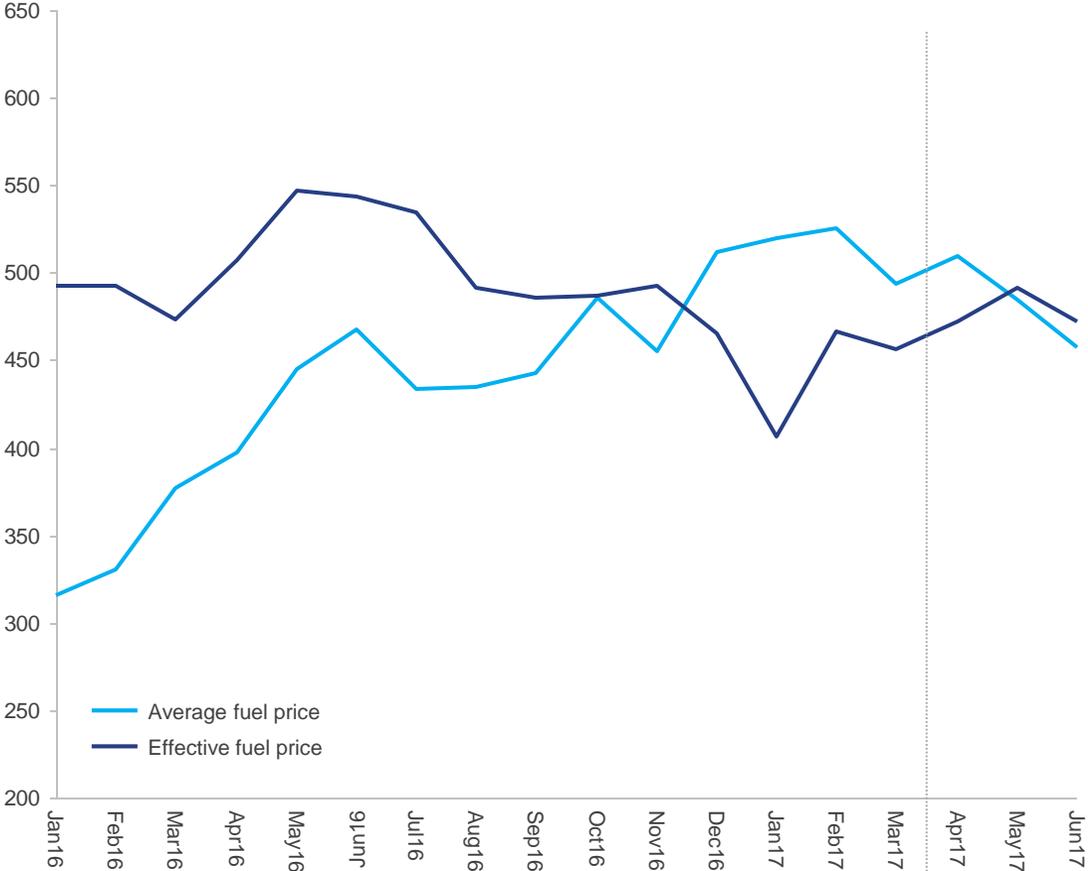
Absolute figures in thousands.



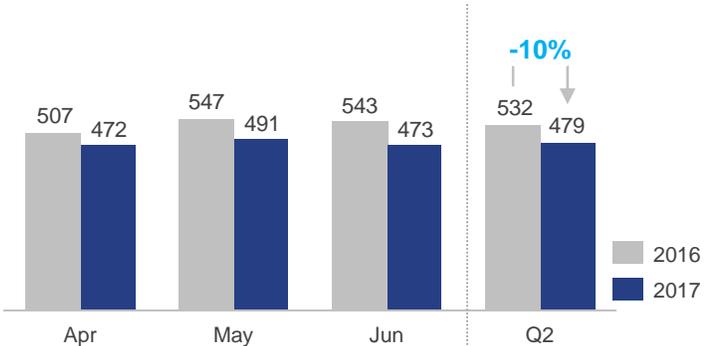
Fuel hedges reduce fuel expenses in Q2 2017

Average and effective fuel price per month | USD/tonne 2016-2017

Average world fuel price | Q217 vs Q216



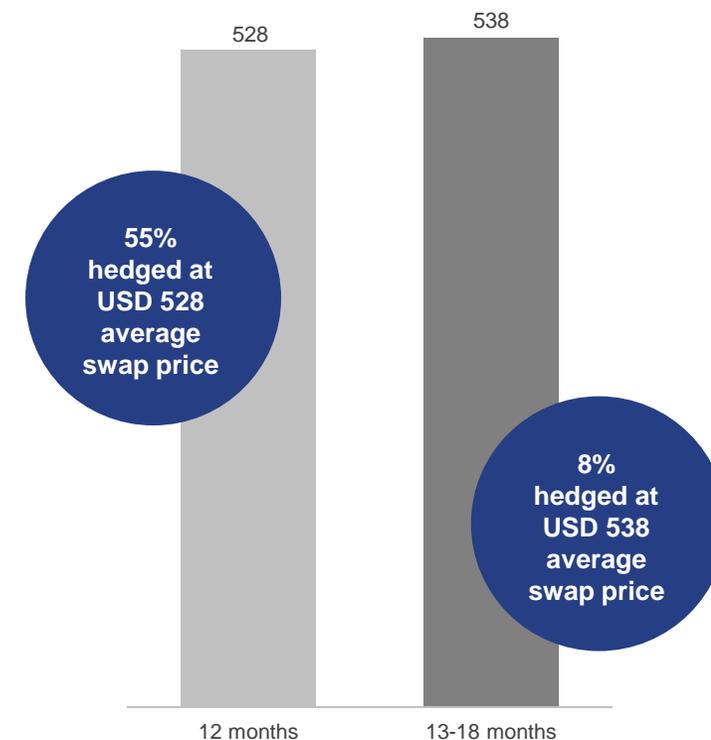
Effective fuel price paid by Icelandair Group | Q217 vs Q216



55% of estimated usage for the next 12 months has been hedged at weighted average swap price of 528 USD/tonne

Period	Estimated usage (tons)	Swap volume	% hedged	Av. Swap price USD
Jul 17	49,333	29,750	60%	497
Aug 17	49,189	26,750	54%	502
Sep 17	42,810	23,550	55%	538
Oct 17	31,418	17,550	56%	516
Nov 17	26,497	14,550	55%	547
Dec 17	25,246	15,550	62%	552
Jan 18	24,869	14,250	57%	558
Feb 18	22,557	12,250	54%	556
Mar 18	27,201	15,250	56%	544
Apr 18	28,909	14,000	48%	543
May 18	35,076	18,000	51%	528
Jun 18	46,527	25,000	54%	514
12 months	409,632	226,450	55%	528
Jul 18	49,531	4,000	8%	551
Aug 18	49,154	4,000	8%	565
Sep 18	43,037	4,000	9%	534
Oct 18	33,039	3,000	9%	519
Nov 18	26,929	4,000	15%	515
Dec 18	25,638	0	0%	-
13-18 months	227,328	19,000	8%	538

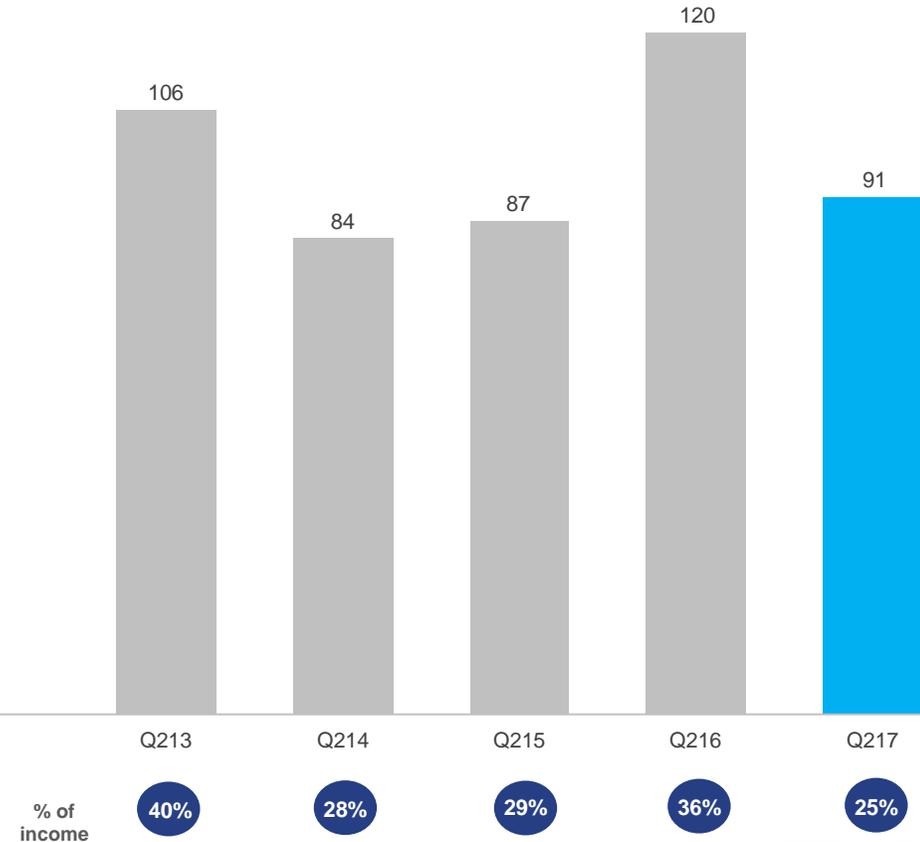
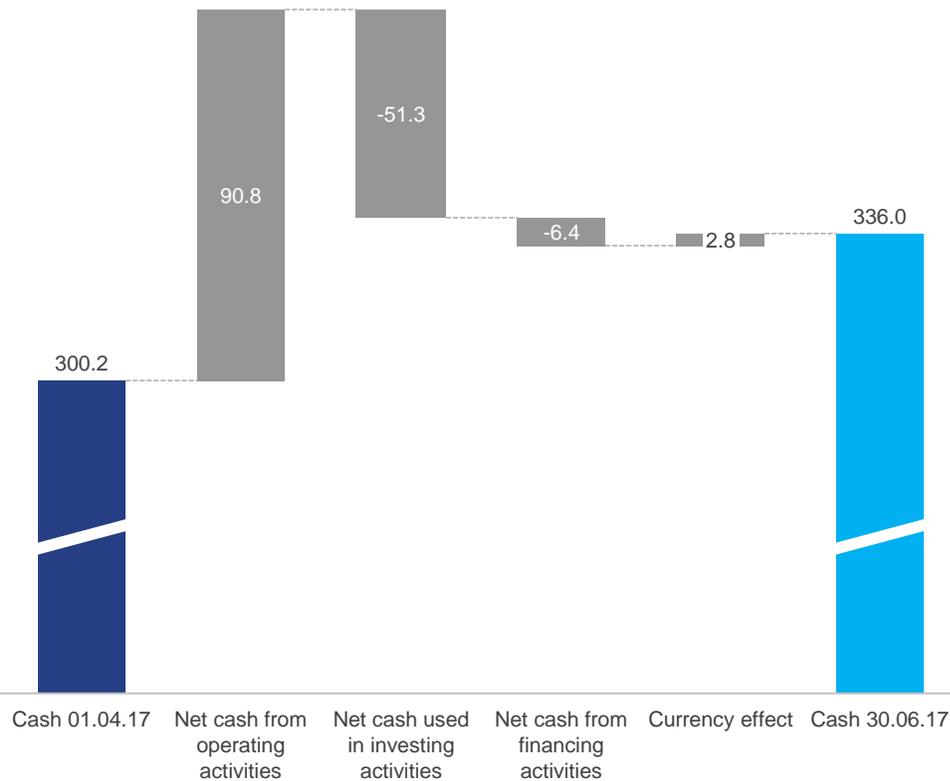
* weighted average price



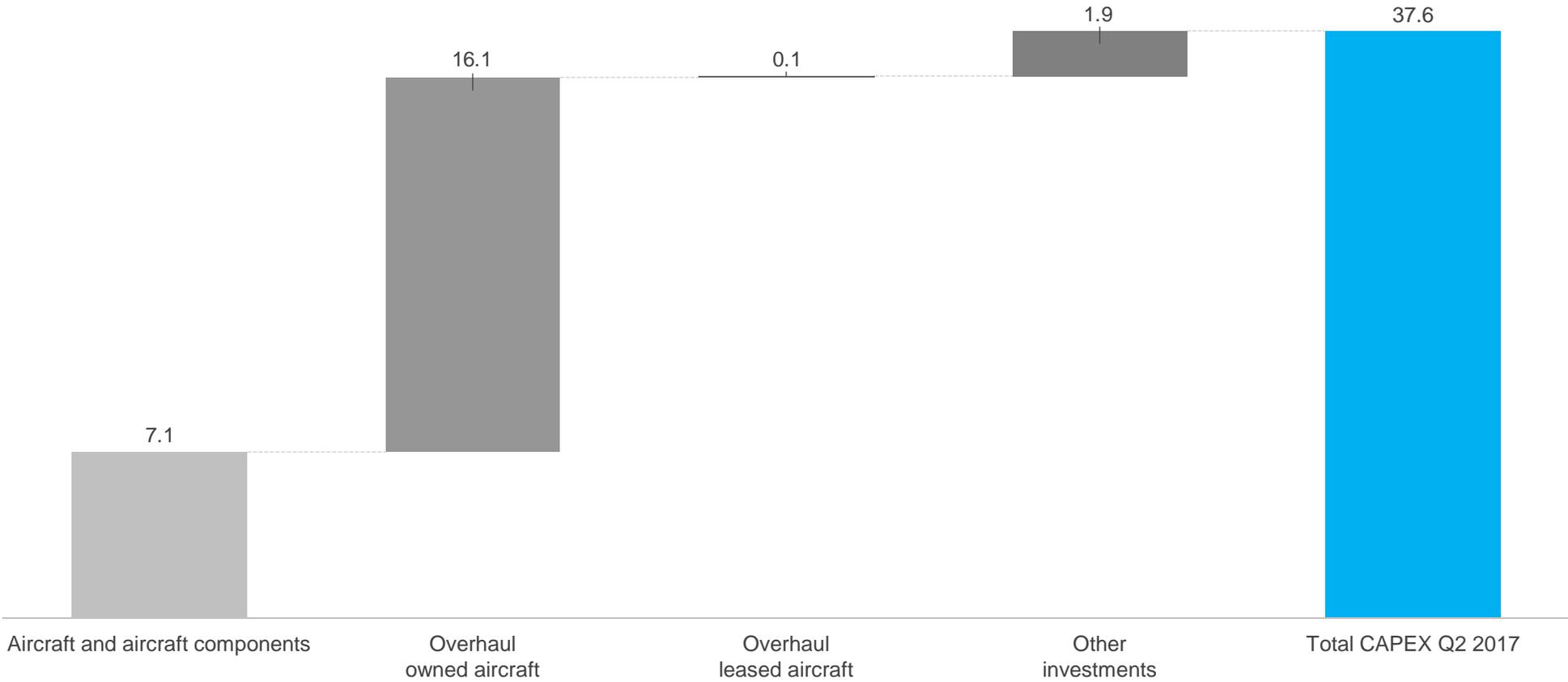
Cash and cash equivalents increased by USD 33 million in Q2 2017

Changes in cash Q2 2017 | USD million

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



Investments in Q2 2017 totalled USD 37.6 million



Equity ratio at 34% and net cash at USD 75.4 million

USD million	30.06 2017	31.12 2016	30.06 2016
Assets			
Operating Assets	642.8	602.6	521.5
Intangible assets	181.1	174.7	173.4
Other non-current assets	94.9	97.7	60.6
Total non-current assets	918.8	875.0	755.4
Other current-assets	242.4	167.4	174.7
Short term investments	24.1	23.2	13.2
Cash and cash equivalents	336.0	226.9	274.4
Total current assets	602.5	417.5	462.3
Total assets	1,521.4	1,292.5	1,217.7

Interest
bearing debt
USD 284.7m

Net cash
USD
75.4m

USD million	30.06 2017	31.12 2016	30.06 2016
Equity and liabilities			
Stockholders equity	516.7	568.2	470.6
Loans and borrowings non-current	233.8	196.7	51.0
Other non-current liabilities	62.8	71.5	54.5
Total non-current liabilities	296.6	268.2	105.5
Loans and borrowings current	50.8	45.7	10.5
Trade and other payables	284.9	210.5	280.8
Deferred income	372.3	199.9	350.4
Total current liabilities	708.0	456.1	641.7
Total equity and liabilities	1,521.4	1,292.5	1,217.7
Equity ratio	34%	44%	39%
Current ratio	0.85	0.92	0.72
Net cash	75.4	7.7	226.1
Interest bearing debt	284.7	242.4	61.5

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

Agreement for sale and leaseback of 4 Boeing 737MAX aircraft has been signed

- | 2 Boeing 737MAX 8
2 Boeing 737MAX9
- | Option to add 2 aircraft will not be executed
- | 1 Boeing 737MAX delivered early 2018
- | 3 Boeing 737MAX delivered 2019



Outlook
Björgólfur Jóhannsson, President and CEO



**Icelandair Group is on track to
deliver on the USD 30 million goal** ✈️

**We are confident that the project's results will
be clearly visible in our financial results in 2018**





Outlook in the international flight operations remains unchanged

Fierce competition in many markets

Prospects for the cargo operation are favourable

Demand for imports has increased sharply and is expected to remain strong



Strengthening of
the ISK negatively
affects margins
from tourist
services

Rebranding of the domestic and regional operation

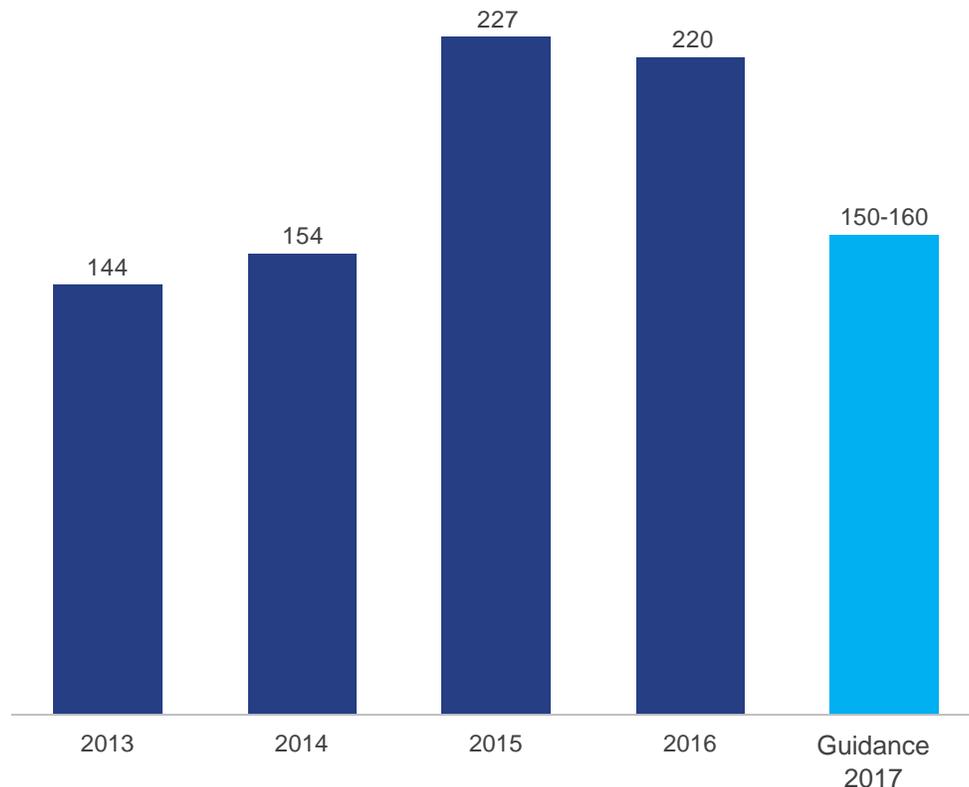


Air Iceland Connect



EBITDA guidance increased to USD 150-160 million

EBITDA development 2013-2017 in USD million



All figures in USD million.

Main assumptions:

- | Slight improvement in external factors main reason for increased Guidance: EUR/USD rate assumed 1.16 (1.08 April-guidance), ISK rate assumed 160 (156 April-guidance). Average fuel price (excluding hedging) 500 USD/ton (same as in April-guidance) in July – December.
- | Challenging operating conditions in air transport services remains with fierce competition and continued yield pressure.
- | Booking status in the international Route Network in July and August is favourable. Sales and marketing activities are focused on the last four months of the year.
- | ISK impacting tourism services in Iceland negatively. Outlook in other businesses of the Company is good.
- | Wage agreements with pilots and mechanics expiring later this year.
- | Icelandair Group financial position remains strong and the Company is well prepared to seize opportunities.

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