

**Icelandair Group**  
**Presentation of Q1 2017 Results**

# HIGHLIGHTS

**EBITDA in Q1  
USD -16.2M and  
in line with  
expectations**

**Good progress  
in implementing  
measures to  
improve efficiency  
and increase  
revenue**

**EBITDA  
guidance  
for total year  
increased to  
USD 145-155M**

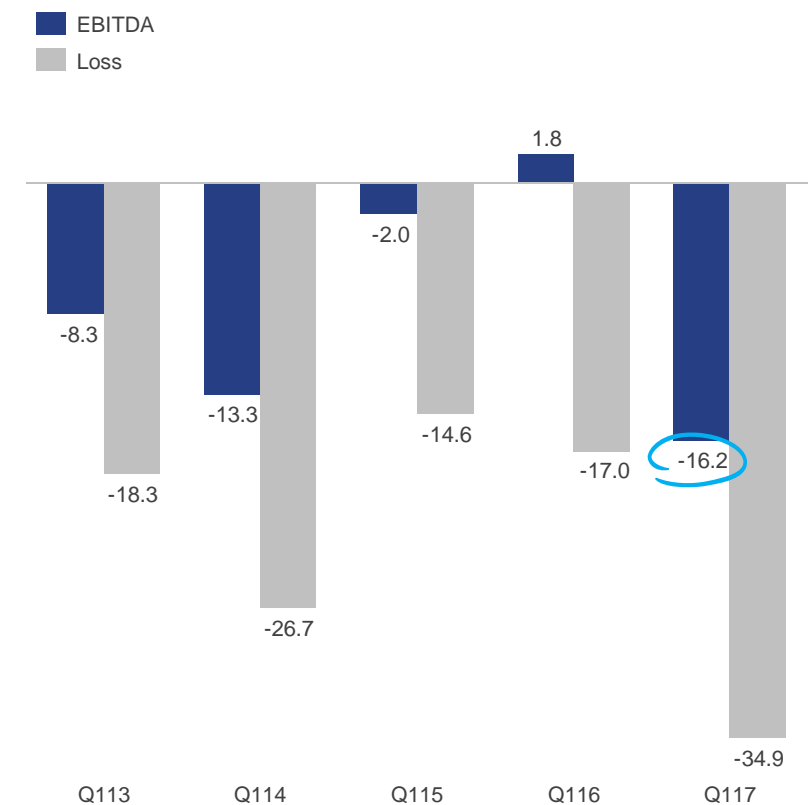
**Financials**  
**Bogi Nils Bogason, CFO**



# EBITDA negatively effected by low yields and unfavourable development of currency rates

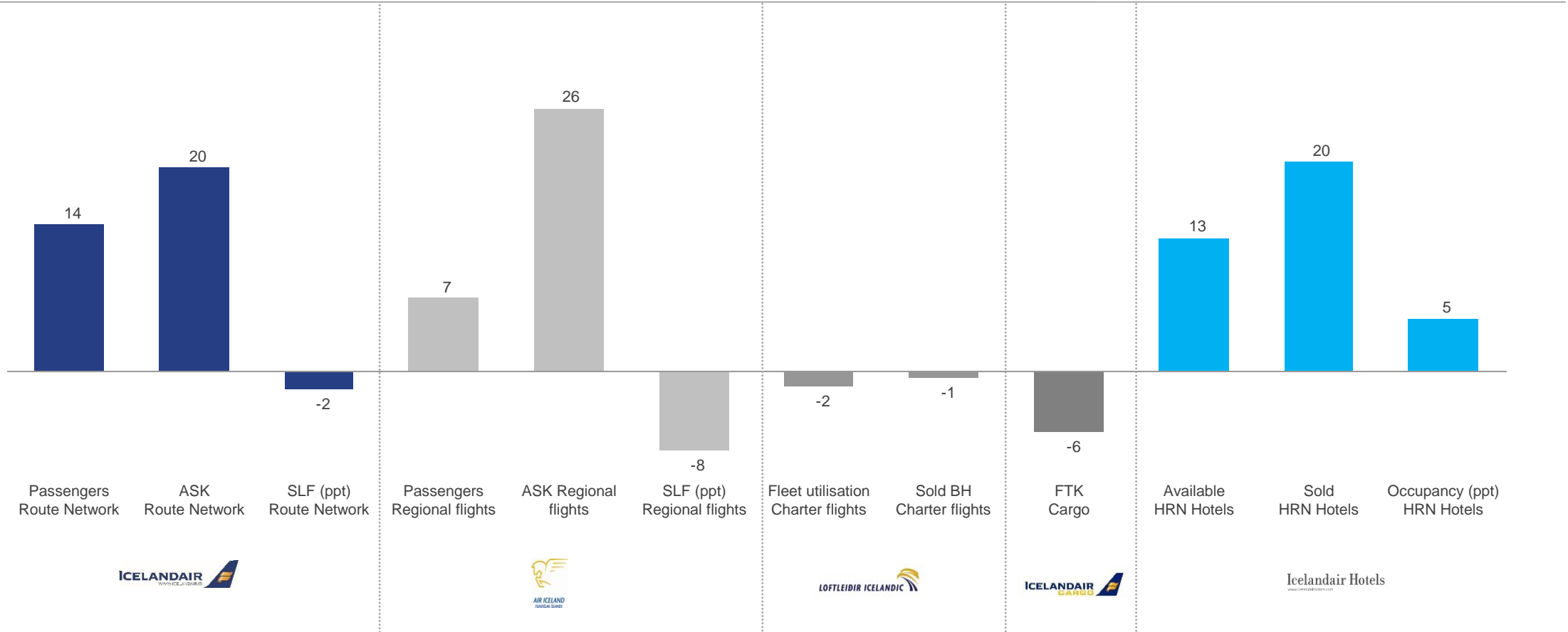
USD million	Q1 2017	Q1 2016	% Chg.
<b>Operating Income</b>	<b>222.4</b>	<b>211.8</b>	<b>5%</b>
Salaries and related expenses	86.3	70.8	22%
Aircraft fuel	37.9	34.1	11%
Aircraft and aircrew lease	5.6	5.4	3%
Aircraft handling, landing and comm.	20.3	19.6	3%
Aircraft maintenance expenses	17.8	21.0	-15%
Other expenses	70.8	59.1	20%
<b>Operating expenses</b>	<b>238.6</b>	<b>210.1</b>	<b>14%</b>
<b>EBITDA</b>	<b>-16.2</b>	<b>1.8</b>	<b>-</b>
<b>EBIT</b>	<b>-42.1</b>	<b>-20.0</b>	<b>-</b>
<b>EBT</b>	<b>-43.6</b>	<b>-21.3</b>	<b>-</b>
<b>Loss for the period</b>	<b>-34.9</b>	<b>-17.0</b>	<b>-</b>
<b>EBITDA ratio</b>	<b>-7.3%</b>	<b>0.8%</b>	<b>-8.1 ppt</b>
<b>EBITDAR</b>	<b>-7.9</b>	<b>10.2</b>	<b>-</b>
<b>EBITDAR ratio</b>	<b>-3.5%</b>	<b>4.8%</b>	<b>-8.3 ppt</b>

EBITDA and Loss | USD million

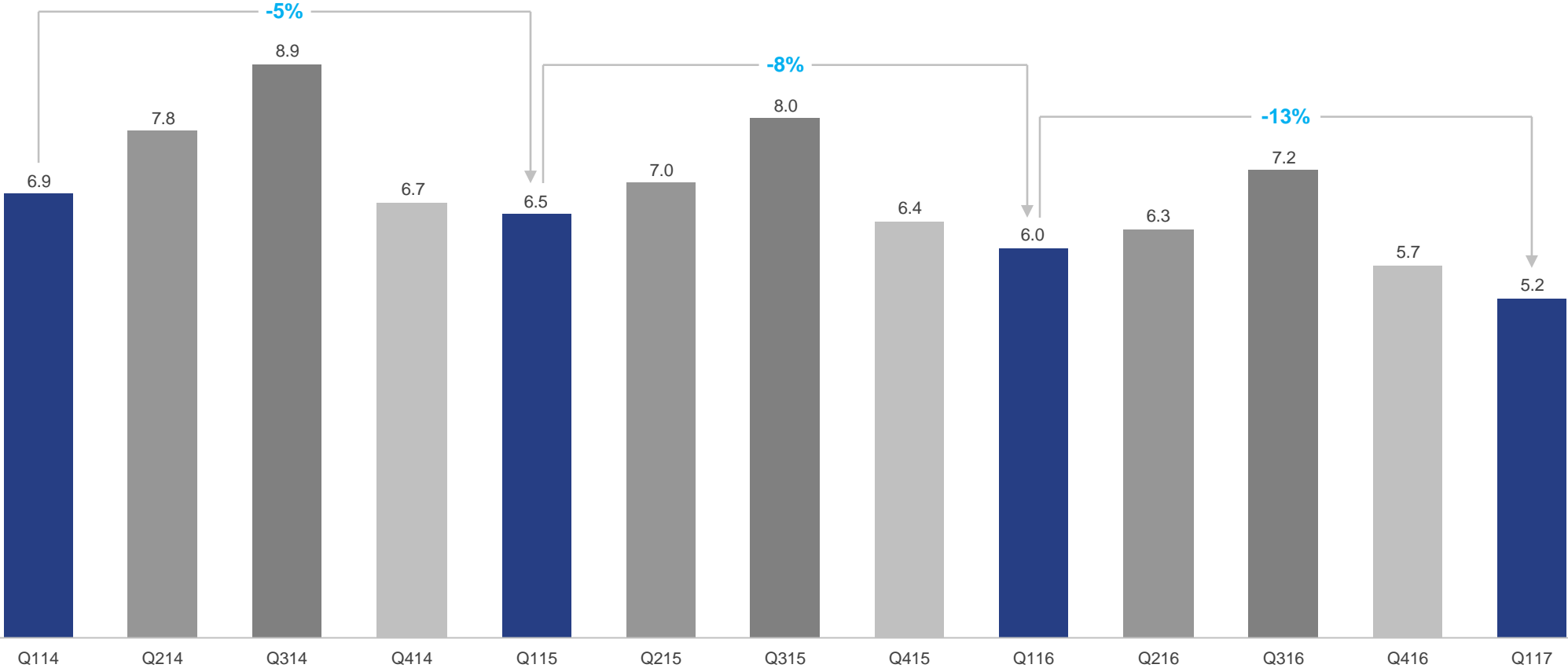


# Increased capacity in our flight operation and good occupancy in the hotel operation

Year-on-year change in %



# Yields have been declining in recent years and the decrease in Q1 from last year is 13%



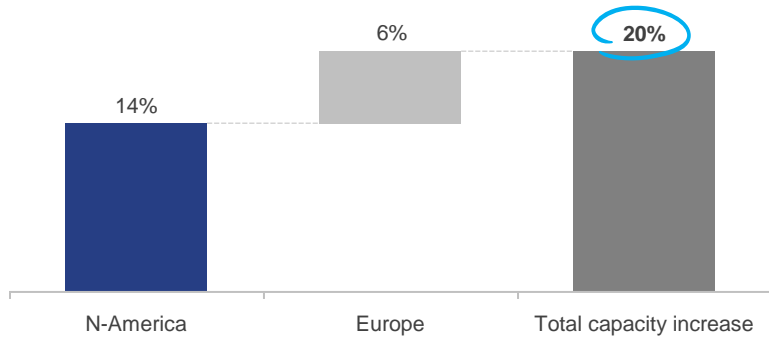
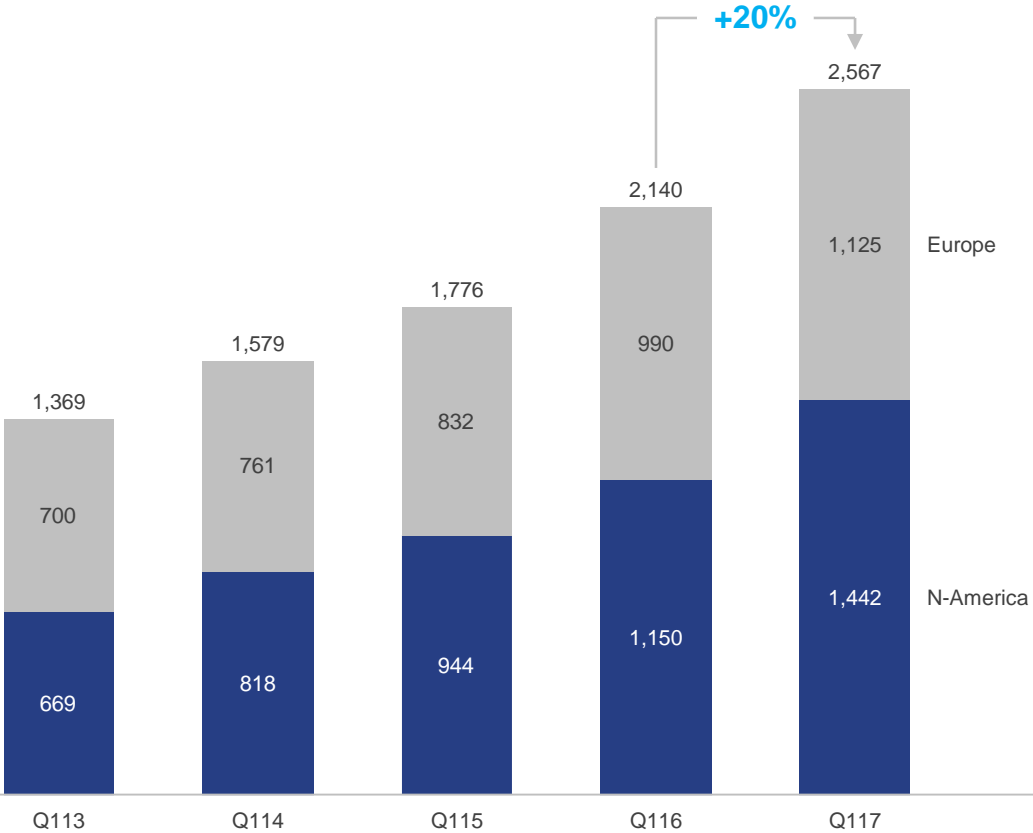
Absolute figures show yield as passenger revenues / total available seat kilometres (ASK) per US Cent

# Capacity increase in the Route Network was 20% between years with the largest proportion coming from increased flights to N-America

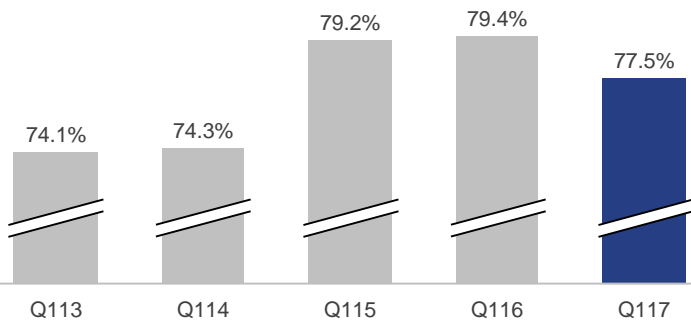


Available seat km (ASK) in millions | 2013-2017

Breakdown of capacity increase | Q117 vs Q216

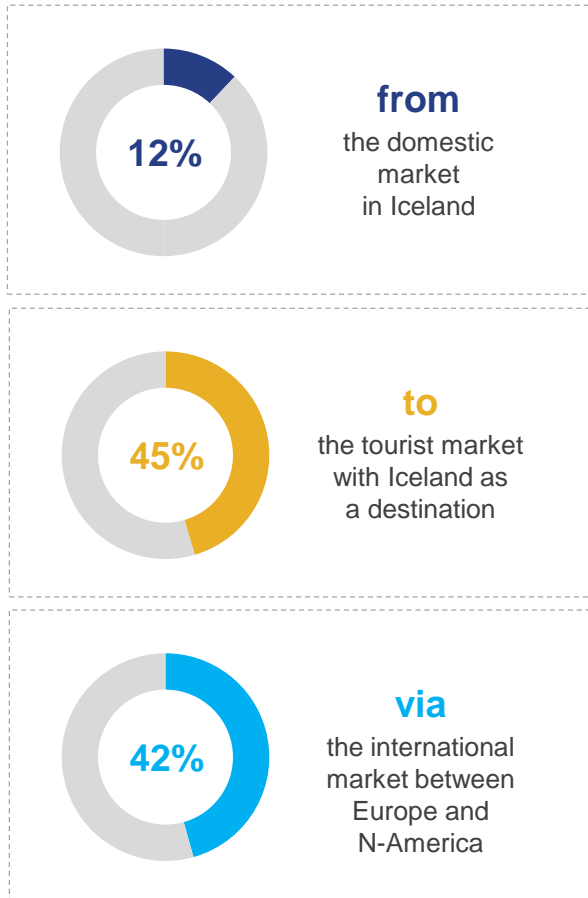


Load factor in Q1 | 2013-2017



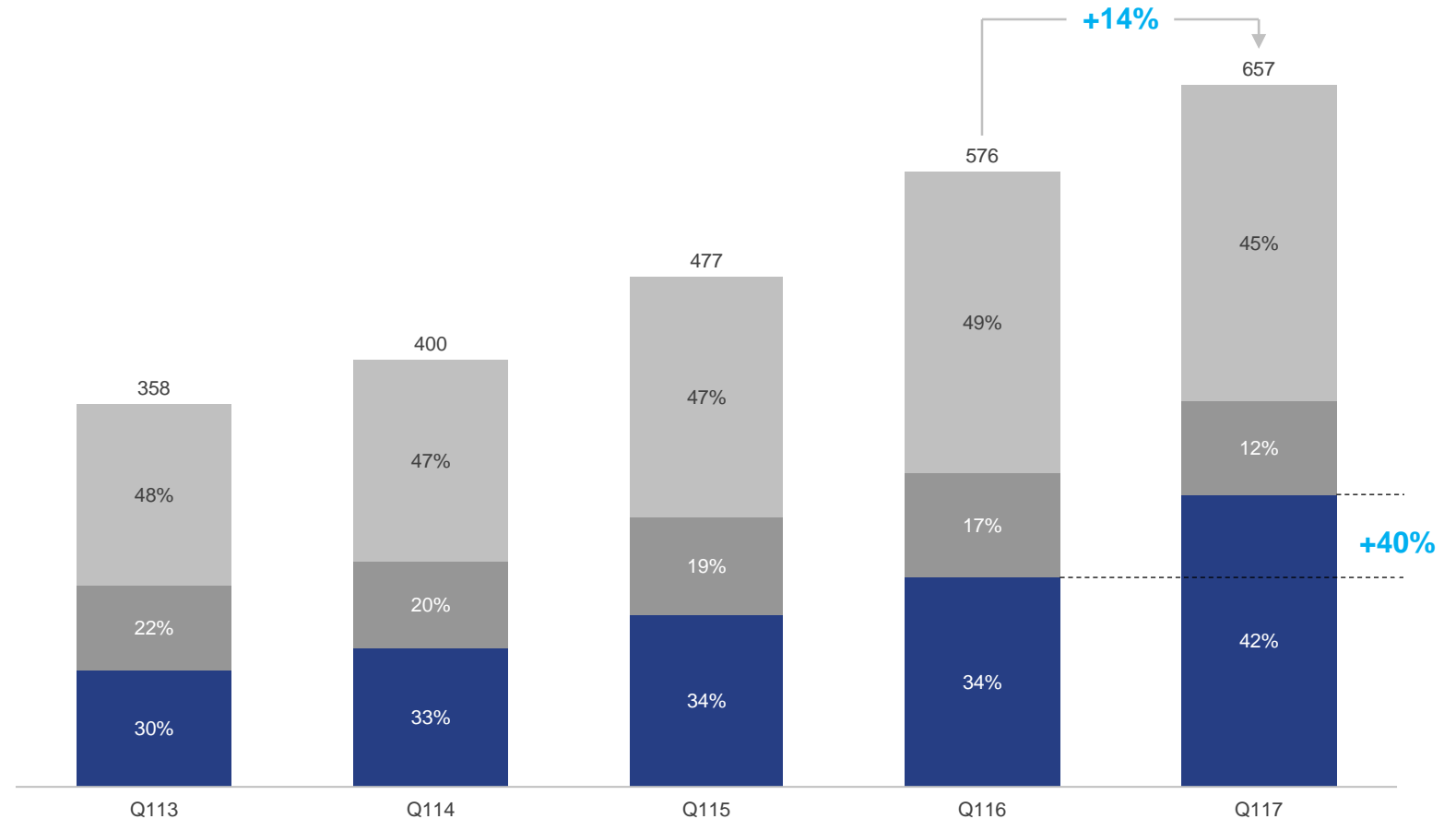
Absolute figures in millions.

# Passenger increase was 14% between years with the greatest increase on the via market



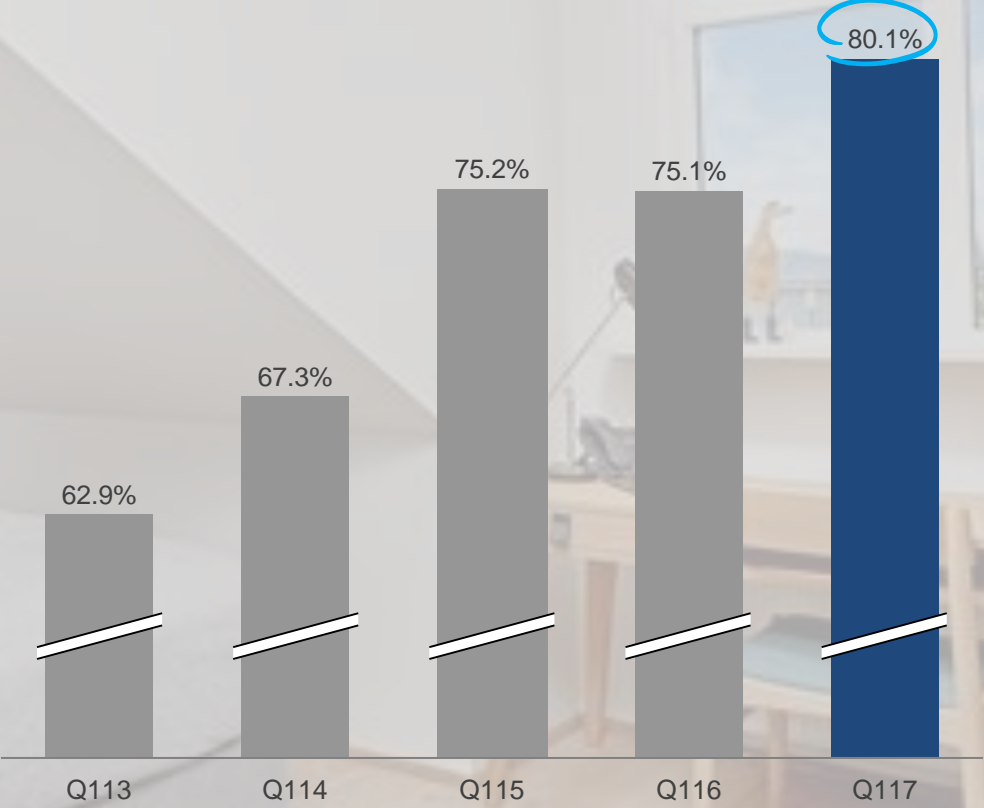
to from via

Absolute figures in thousands.



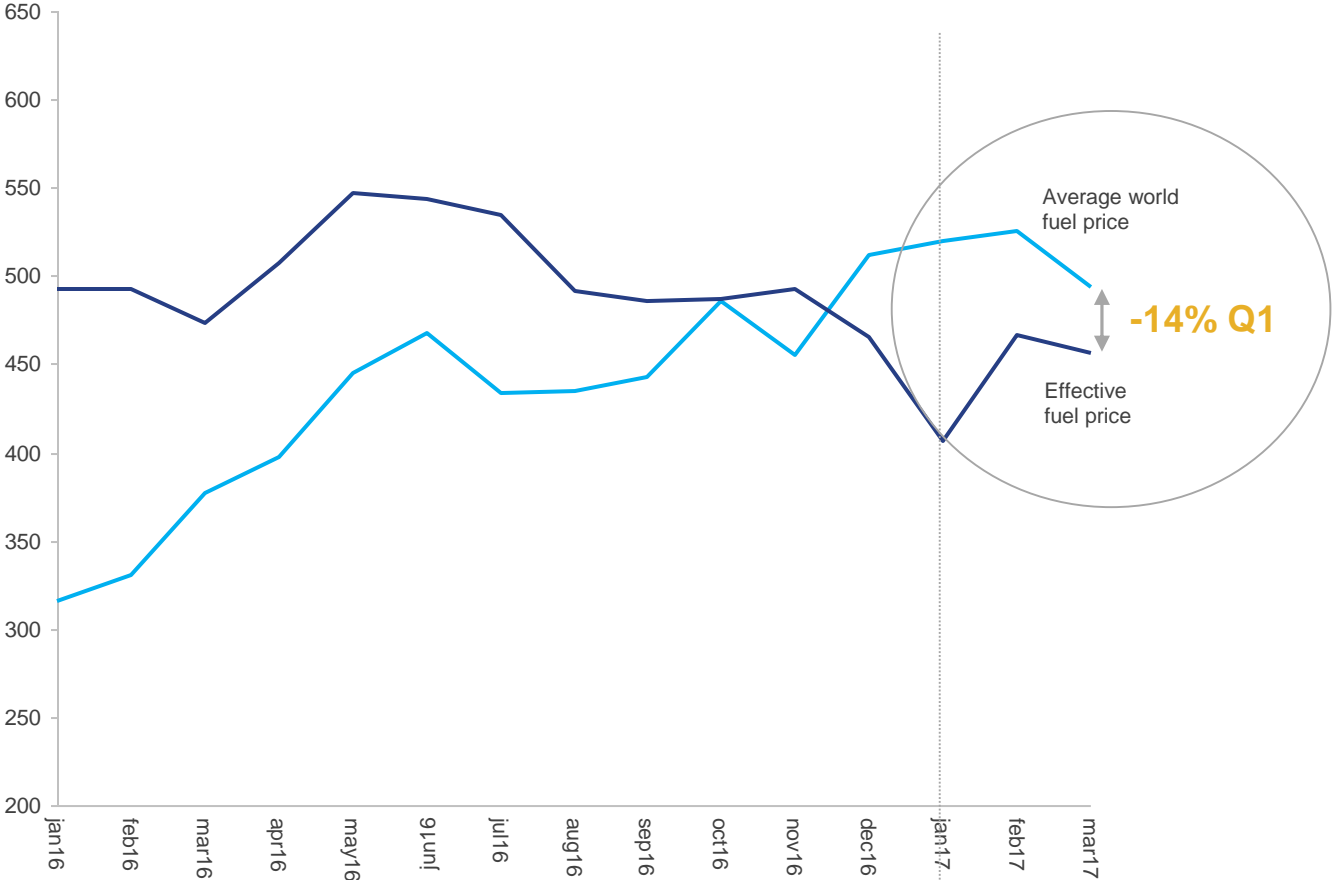


**Significant increase in hotel occupancy and revenue per available room increased between years**

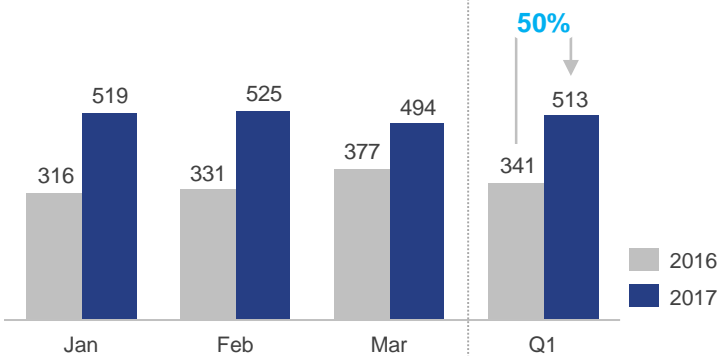


# Effective fuel price in Q1 2017 down by 9% between years

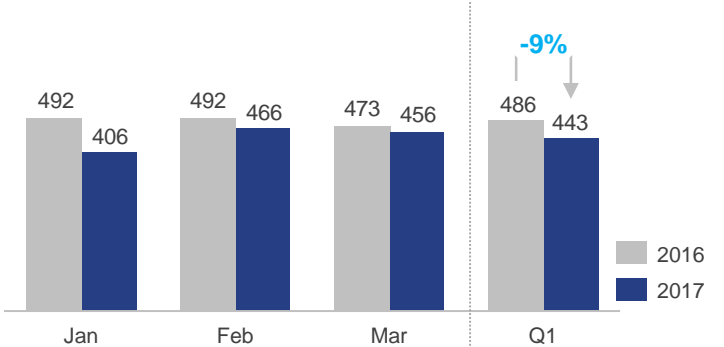
Average and effective fuel price per month | USD/tonne 2016-2017



Average world fuel price | 2017 vs 2016



Effective fuel price paid by Icelandair Group | 2017 vs 2016



# 59% of estimated usage for the next 12 months has been hedged at weighted average swap price of 517 USD/tonne

Period	Estimated usage (tons)	Swap volume	% hedged	Av. Swap price USD
Apr 17	26.412	19.550	74%	489
May 17	33.069	24.550	74%	493
Jun 17	46.659	26.550	57%	484
Jul 17	49.333	26.750	54%	500
Aug 17	49.059	26.750	55%	502
Sep 17	42.618	23.550	55%	538
Oct 17	31.076	17.550	56%	516
Nov 17	25.339	14.550	57%	547
Dec 17	24.123	15.550	64%	552
Jan 18	23.582	14.000	59%	549
Feb 18	21.358	12.000	56%	556
Mar 18	25.396	15.000	59%	544
<b>12 months</b>	<b>398.024</b>	<b>236.350</b>	<b>59%</b>	<b>517</b>
Apr 18	24.820	6.000	24%	546
May 18	32.428	3.000	9%	578
Jun 18	45.612	8.000	18%	548
Jul 18	47.934	4.000	8%	551
Aug 18	47.607	4.000	8%	565
Sep 18	41.518	0	0%	-
<b>13-18 months</b>	<b>239.919</b>	<b>25.000</b>	<b>10%</b>	<b>554</b>

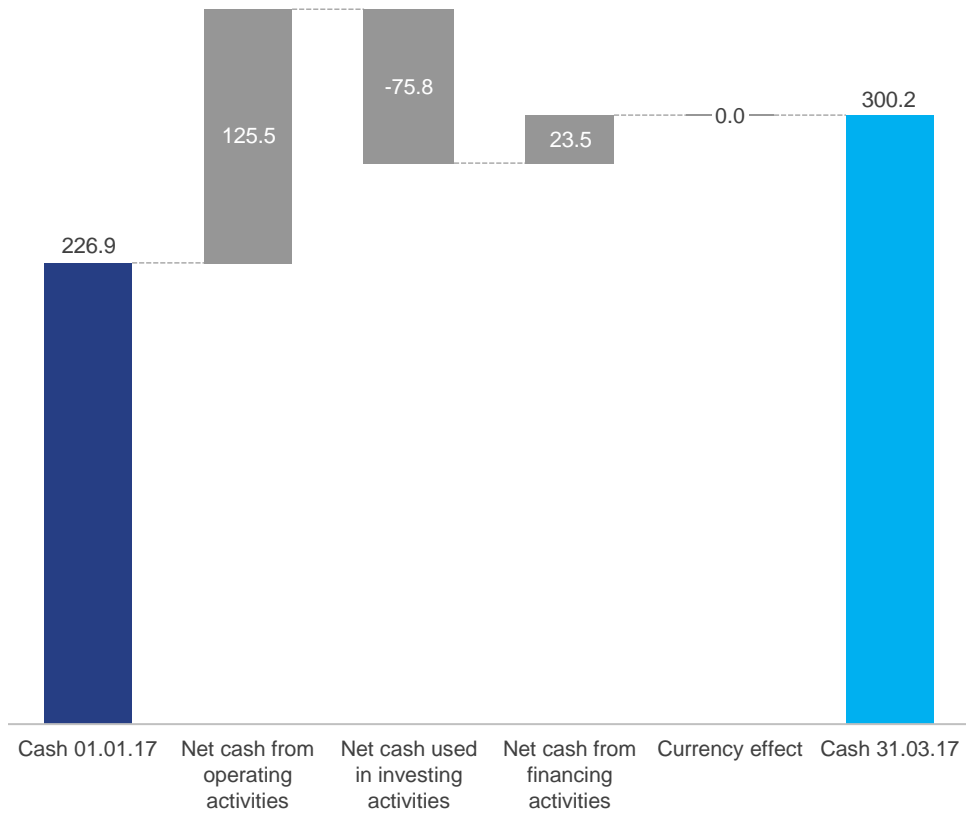
12m  
weighted  
swap price  
USD 517

13-18m  
weighted  
swap price  
USD 554

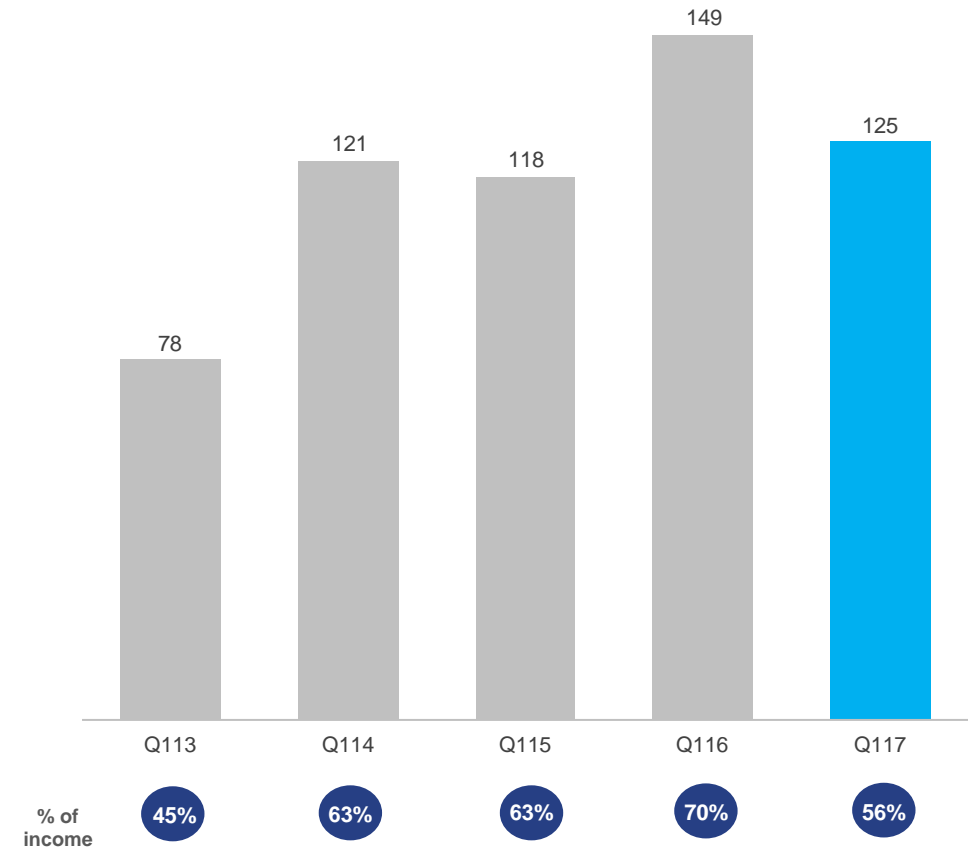
\* weighted average price

# Net cash from operating activities strong in Q1

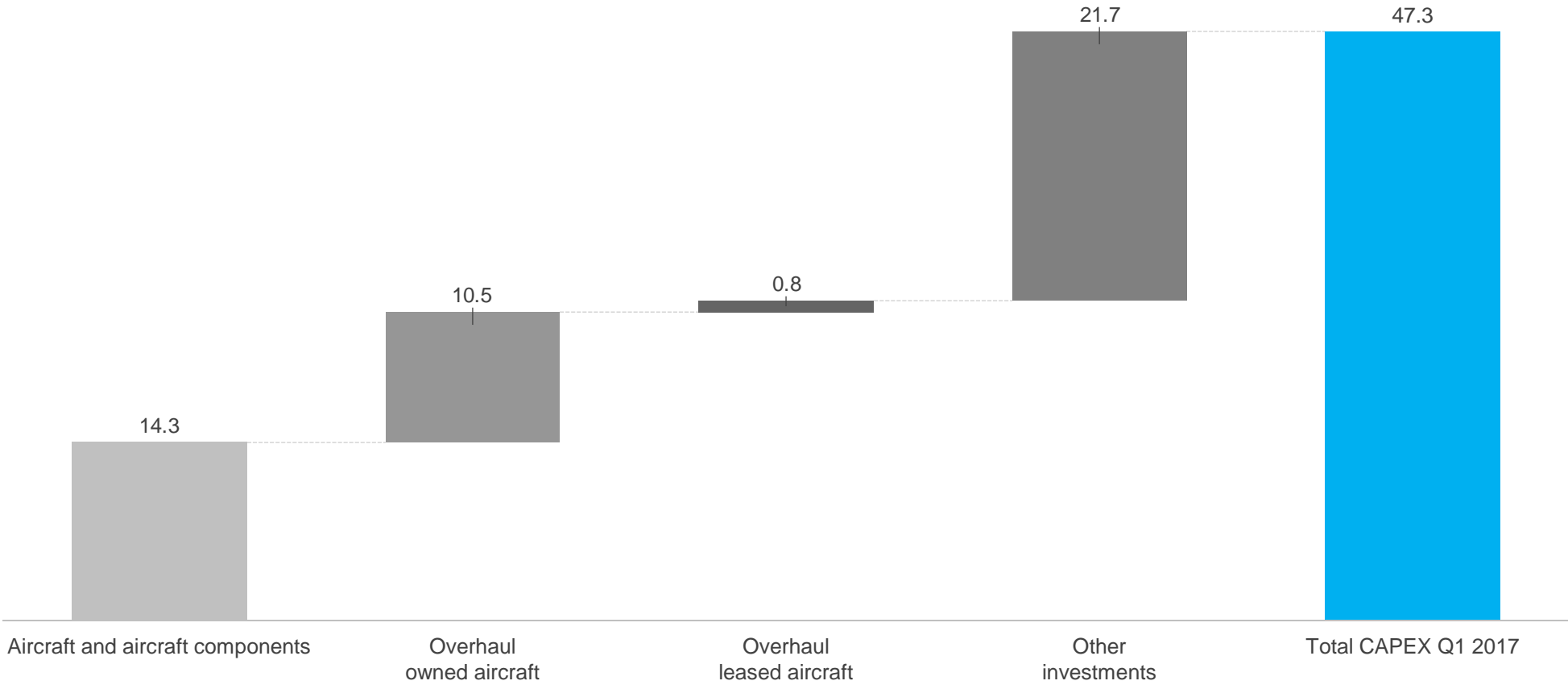
Changes in cash Q1 2017 | USD million



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



# Investments in Q1 2017: USD 47.3 million



# Equity ratio at 36% and cash in excess of interest bearing debt amounts to USD 42.3 million

USD million	31.03 2017	31.12 2016	31.03 2016
<b>Assets</b>			
Operating Assets	620.7	602.6	456.6
Intangible assets	177.0	174.7	173.9
Other non-current assets	74.3	97.7	55.1
<b>Total non-current assets</b>	<b>872.0</b>	<b>875.0</b>	<b>685.6</b>
Other current-assets	220.9	167.4	165.3
Short term investments	22.7	23.2	59.9
Cash and cash equivalents	300.2	226.9	241.8
<b>Total current assets</b>	<b>543.7</b>	<b>417.5</b>	<b>467.0</b>
<b>Total assets</b>	<b>1,415.7</b>	<b>1,292.5</b>	<b>1,152.5</b>

Interest bearing debt  
USD 280.5m

Net cash  
USD  
42.3m

USD million	31.03 2017	31.12 2016	31.03 2016
<b>Equity and liabilities</b>			
<b>Stockholders equity</b>	<b>505.1</b>	<b>568.2</b>	<b>421.7</b>
Loans and borrowings non-current	233.7	196.7	52.6
Other non-current liabilities	59.7	71.5	43.0
<b>Total non-current liabilities</b>	<b>293.5</b>	<b>268.2</b>	<b>95.6</b>
Loans and borrowings current	46.8	45.7	10.3
Trade and other payables	221.4	210.5	280.2
Deferred income	349.1	199.9	344.7
<b>Total current liabilities</b>	<b>617.2</b>	<b>456.1</b>	<b>635.2</b>
<b>Total equity and liabilities</b>	<b>1,415.7</b>	<b>1,292.5</b>	<b>1,152.5</b>
Equity ratio	36%	44%	37%
Current ratio	0.88	0.92	0.74
Net cash	42.3	7.7	238.8
Interest bearing debt	280.5	242.4	62.9

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

**Outlook**

**Björgólfur Jóhannsson, President and CEO**



Icelandair Group announced in February a Group-wide project with the aim to improve profitability by **USD 30 million on annual basis** when the agenda is fully implemented in 2018

The following slides give insights into some of the initiatives

Icelandair Group  
Presentation of Q4 and 12M 2016 Results

Icelandair Group continues to have an ambitious agenda to improve profitability going forward

1. Icelandair will continue to adapt in an agile way to changes in the market and continually optimize future capacity based on market developments
2. We have set a goal of improving Icelandair Group's profitability by USD 30m on an annual basis when our agenda is fully implemented in 2018
3. Icelandair Group is constantly looking for opportunities to ensure profitable growth

Icelandair Group continues to have an ambitious agenda to improve profitability

We have set a goal of improving profitability by USD 30m on an annual basis when our agenda is fully implemented in 2018

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ICELANDAIR GROUP



**Icelandair will introduce changes to its fare structure later this year to with the aim to better reach certain customer segments and enhance the Company's visibility in Internet search engines thereby driving additional revenues**

**One row of seats will be added to the B757-200 passenger aircraft to increase seat availability and lower Icelandair's unit cost by 2-3%**



## Icelandair's sales network in Europe has been reorganized.

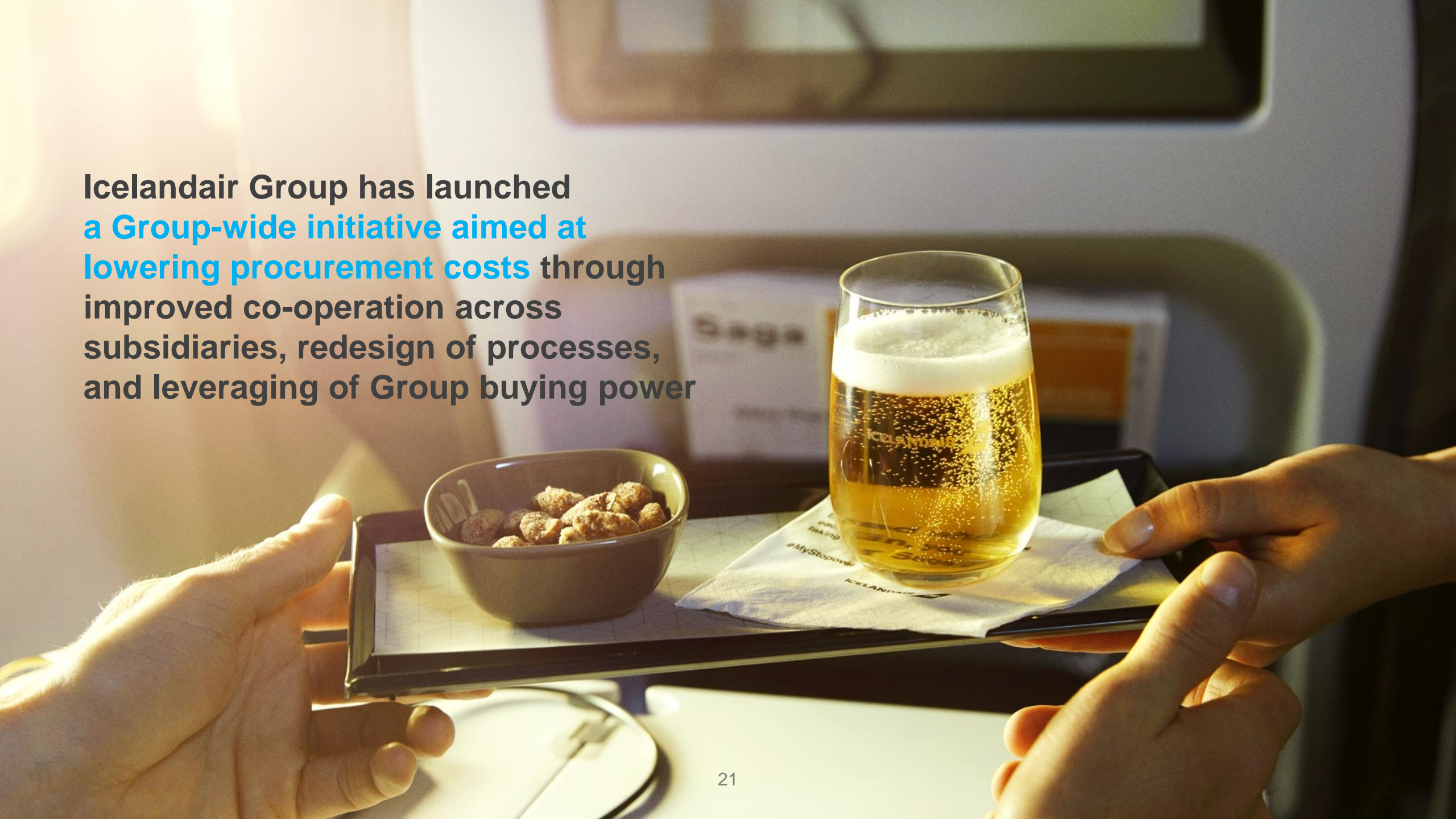
Sales operations have been consolidated resulting in closures of sales offices in Central Europe and Scandinavia



**All processes relating to aircraft and passenger handling at Keflavik airport are being reviewed and reorganized in co-operation with consultants from IATA. The changes are expected to deliver significant cost savings going forward.**




Icelandair Group has launched a **Group-wide initiative aimed at lowering procurement costs** through improved co-operation across subsidiaries, redesign of processes, and leveraging of Group buying power



Icelandair Cargo have increased utilisation of belly space in Icelandair passenger aircrafts while decreasing number of dedicated cargo flights. This has resulted in considerable cost savings already and more are expected later in the year.



A modern hotel bedroom with a large bed, a tufted ottoman, and a blue circular text overlay. The room features a large bed with a grey headboard, white linens, and a black and white patterned blanket. A tufted ottoman is positioned in the foreground. The room has a blue circular text overlay in the center-left. The background shows a window with grey curtains and a wall with vertical blue slats.

**Icelandair Hotels  
has started to reap  
benefits from a  
new revenue  
management  
system that is  
resulting in higher  
revenues per  
available room**

Iceland Travel is in the process of implementing a new booking and sales system that will enable the Company to automate a significant number of processes resulting in higher productivity going forward

## SEEKING ADVENTURE?

Discover a new world of majestic landscapes and enjoy the unspoiled colorful nature in Iceland.

What is your interest?

GO



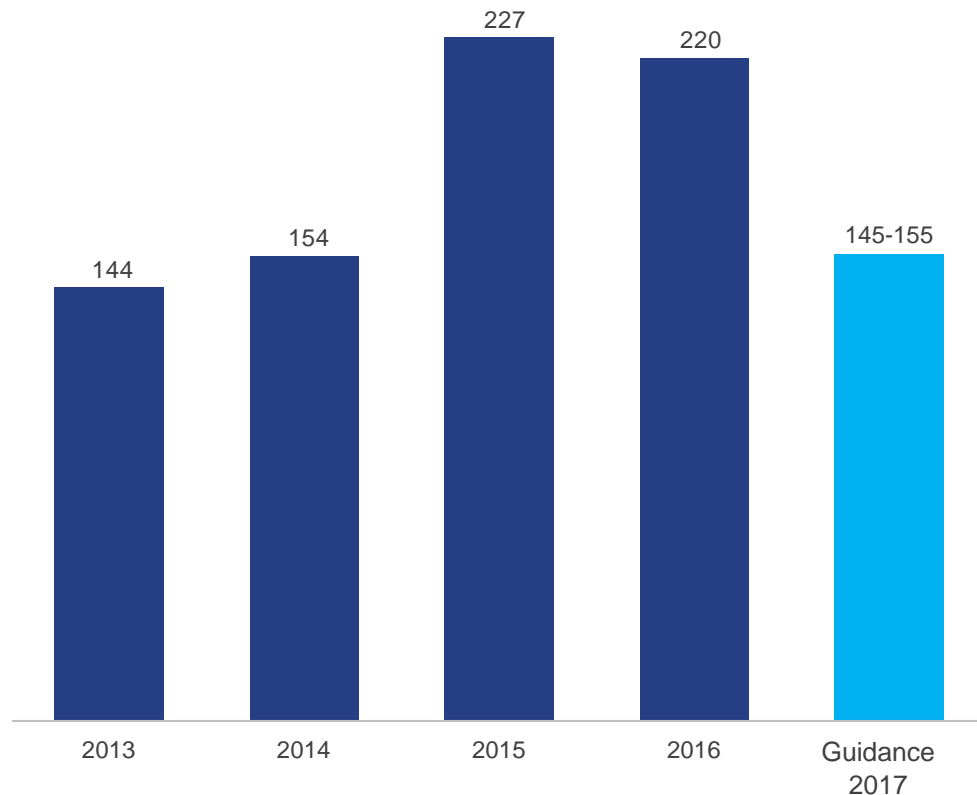
**Icelandair Group is on track to  
deliver on the USD 30 million goal** ✈️

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



# EBITDA guidance increased to USD 145-155 millions

## EBITDA development 2013-2017 in USD million



All figures in USD million.

### Main assumptions:

- | Challenging operating conditions in air transport services
- | Fierce competition and increased capacity on North Atlantic market resulting in a significant decrease in yields.
- | Booking status picking up in the international Route Network for Q2 and Q3 but continued yield pressure.
- | Good prospects in the hotel operation and occupancy expected to remain high.
- | ISK impacting tourism services in Iceland negatively. Outlook in other businesses of the Company is good.
- | Slight improvement in external factors: EUR/USD rate assumed 1.08 (1.06 Feb-guidance), ISK rate assumed 156 (160 Feb-guidance). Average fuel price (excluding hedging) 500 USD/ton (540 ton Feb-guidance) in April – December
- | Wage agreements with pilots and mechanics expiring later this year.
- | Icelandair Group has strong financial position to withstand these headwinds and seize opportunities

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