

CREDITOR INFO AUGUST 2017

Welcome to the Icelandair Group Creditor Info

The Icelandair Group Creditor Info provides information to support analysis of the Company's credit. For further information please visit the section Investors on our website www.icelandairgroup.is/investors/ where additional credit relevant information is available.

EBITDA USD 42.3 million in Q2 2017

Icelandair Group's EBITDA was 42.3 million USD and profit for the period amounted to USD 11 million.

The Company transported over one million passengers on international flights for the first time in the second quarter, an increase of 13% between years. The number of passengers on Air Iceland Connect grew somewhat between years and the growth in the Company's chartering and cargo operation has been satisfactory. The number of sold nights in the Company's hotels grew between years, but hotel room occupancy declined somewhat.

Equity ratio 34%

Total assets amounted to USD 1.5 billion at the end of the second quarter. Operating assets amounted to USD 642.8 million, increasing by USD 40.2 million from the beginning of the year. The Company's largest asset is its fleet of aircraft, which comprised 45 aircraft at the end of the quarter, of which 37 are owned by the Company.

Equity amounted to USD 516.7 million at the end of June, with the equity ratio at 34%.

Interest-bearing debt amounted to USD 284.7 million at the end of the quarter, as compared to USD 242.4 million at the beginning of the year. Payments on long-term debts amounted to USD 2.3 million in the second quarter. Cash and short term investment amounted to a total of USD 360.1 million at the end of the quarter, as compared to USD 250.1 million at the beginning of the year. Cash and short term investments in excess of interest-bearing debt therefore amounted to USD 75.4 million.

In October 2016, Icelandair Group issued an unsecured bond in the amount of USD 150 million. The bond was placed at a coupon of 3 month LIBOR + 3.5% with no LIBOR floor. In February, additional USD 40 million was issued with the same terms. The proceeds from the bond issue will be used to finance pre-delivery payments for new aircraft and for Icelandair Group general corporate purposes.

In May 2017, Icelandair, a subsidiary of Icelandair Group signed an agreement for sale and leaseback of four Boeing 737 Max aircraft. The Lessor is BOCOMM Leasing Aviation, a subsidiary of Bank of Communication in China. The lease period is eight years and eight months.

Cash flow and investments

Net cash from operating activities in the second quarter of 2017 amounted to USD 90.8 million, down by USD 28.8 million from the previous year.

Investments over the second quarter amounted to USD 37.6 million, of which the cost of engine overhauls for own aircraft amounted to USD 16.0 million. Investments in other operating assets amounted to USD 12.5 million and investments in aircraft and aircraft components, USD 7.1 million. Investments in long term cost and intangible assets amounted to USD 2.0 million.

Outlook for Icelandair Group hf.

The outlook for the Company's international flight operations remains unchanged. Competition remains fierce in the North Atlantic, and average air fares are expected to remain low. Bookings in July and August are favourable and in line with the increase in capacity between years. Sales and marketing activities are focused on the last four months of the year.

Measures launched at the beginning of the year and designed to improve efficiency and increase revenue in the Group's operations are proceeding according to plan. The Company's target is for these measures on the revenue and expenditure side to improve performance by USD 30 million per year when they are in full effect at the start of 2018.

The prospects for the Company's cargo operations in 2017 are favourable, despite the disruptive impact of the seamen's strike at the start of the year. Demand for imports has increased sharply and is expected to remain strong. The Company's charter operations continue successful, with 8-9 aircraft engaged in long term assignments, depending on season.

The ISK has strengthened substantially against the Company's principal business currencies. The effect of the strengthening is that the margin from the Company's tourist-related services has declined, notwithstanding the surge in the number of tourists visiting Iceland. Cancellations of the Company's hotel rooms are more frequent than at the same time last year, and in addition the demand for reservations at short notice has fallen. Sales in restaurant services have also fallen, and the same applies to the demand for tourist-related services.

The Company's EBITDA guidance for 2017 is USD 150-160 million, a slight increase from the April guidance.

Financial Covenants June 30 2017

Equity ratio:

Equity	516.727
Total assets	1.521.372
Equity ratio	34%
Covenant, min	25%

Cash level:

Cash and short term investment TUSD	360.092
Cash and short term investment MUSD	360
Covenant, min MUSD	50

Debt ratio:

EBITDA (12 mth.)	190.219
Interest bearing debt	284.659
Debt ratio	1,50
Covenant, max	3,50

Debt ratio II:

EBITDAR (12 mth.)	224.659
Interest bearing debt and aircraft lease commitment	334.253
Debt ratio II	1,49
Covenant, max	4,00

Unpledged fixed assets:

Unpledged fixed assets book value	635.658
Remaining outstanding principal	23.660
Ratio	2687%
Covenant, min	115%

Interest coverage ratio:

EBIT (12 mth.)	77.040
Net interest	7.327
Interest coverage ratio	10,5
Covenant, min	1,5

KEY FIGURES Q2 2017

USD thousands	Q2 2017	Q2 2016	YoY	6M 2017	6M 2016	YoY
Operating results						
Total income	368.887	331.355	11%	591.259	543.192	9%
EBITDAR	50.187	62.438	-	42.297	72.598	-
EBITDA	42.257	53.889	-	26.016	55.643	-
EBIT	11.407	30.691	-	-30.721	10.677	-
EBT	13.427	32.764	-	-30.175	11.480	-
Profit/Loss for the period	11.256	26.169	-	-23.639	9.173	-
Balance sheet						
Total assets	-	-	-	1.521.372	1.217.725	25%
Total equity	-	-	-	516.727	470.558	10%
Interest bearing debt	-	-	-	284.659	61.481	-
Cash and short term investment	-	-	-	360.092	287.612	25%
Net cash in excess of interest bearing debt	-	-	-	75.433	226.131	-
Cash flow						
Working capital from operations	39.565	57.310	-31%	24.010	60.333	-60%
Net cash from operating activities	90.801	119.636	-24%	216.298	268.428	-19%
Net cash used in investing activities	-51.297	-58.277	-12%	-127.079	-158.078	-20%
Net cash from/used in financing activities	-6.416	-28.500	-77%	17.104	-31.795	-
Cash and cash equivalents end of period	336.022	274.416	22%	336.022	274.416	22%
Key ratios						
Equity ratio	-	-	-	34%	39%	-5,0 ppt
Current ratio	-	-	-	0,85	0,72	18%
CAPEX USD thousand	37.649	100.325	-62%	84.928	157.043	-46%
EBITDA ratio	11,5%	16,3%	-4,8 ppt	4,4%	10,2%	-5,8 ppt
Traffic figures						
International Flights						
Load Factor	83,6%	81,1%	2,4 ppt	81,0%	80,5%	0,5 ppt
ASK ('000.000)	4.087	3.671	11%	6.653	5.812	14%
Regional and Greenland Flights						
Load Factor	66,2%	67,2%	-1,0 ppt	65,3%	69,0%	-3,7 ppt
ASK ('000.000)	52	48	9%	91	79	15%
Charter Flights						
Fleet Utilization	96,0%	100,0%	-4,0 ppt	96,2%	96,8%	-0,6 ppt
Sold Block Hours	6.584	5.547	19%	12.663	11.720	8%
Cargo						
FTK('000)	29.298	26.558	10%	54.226	53.068	2%
Hotels						
Sold Hotel Room Nights	73.764	67.994	8%	138.421	121.665	14%
Utilization of Hotel Rooms	77,1%	80,1%	-3,1 ppt	78,5%	77,8%	0,6 ppt