

## CREDITOR INFO MAY 2017

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### **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/](http://www.icelandairgroup.is/investors/) where additional credit relevant information is available.

### **Q1 2017 results in line with expectation**

Icelandair Group's results for the first quarter, were in line with the guidance presented in February. EBITDA was negative by USD 16.2 million and loss for the period amounted to USD 34.9 million.

Just short of 658 thousand passengers were transported on international flights, an increase of 14% from previous year. The hotel room occupancy was good, at 80.1%, up by 5.0 percentage points between years. The number of tourists visiting Iceland is still growing and record numbers are expected this year.

### **Equity ratio 36%**

Total assets amounted to USD 1.4 billion and equity ratio was 36% at the end of the first quarter. Icelandair Group's balance sheet is strong, operating assets amounted to USD 620.7 million, increasing by USD 18.1 million from the beginning of the year. The Company's largest asset is its fleet of aircraft, which comprised 48 aircraft at the end of the quarter, of which 40 are owned by the company.

Equity amounted to USD 505.1 million at the end of the first quarter, with the equity ratio at 36%. Repurchases of own shares were entered as a reduction in equity in the amount of USD 10.0 million, together with a dividend payment approved at the Company's annual general meeting in March. The dividend amounted to 0.10 US cents per share, for a total of 5.0 million.

Interest-bearing debt amounted to USD 280.5 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 3.7 million in the first quarter. Cash and short term investment amounted to a total of USD 322.9 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 42.3 million at the end of the quarter.

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 almost 9 years. Financing of other aircraft to be delivered in 2018 and 2019 is ongoing and progressing well.

### **Cash flow and investments**

Net cash from operating activities in the first quarter of 2017 amounted to USD 125.5 million, down by USD 23.3 million from the first quarter of 2016.

Investments over the first quarter amounted to USD 47.3 million, most of them relating to investments in aircraft equipment, including new seats and interior fittings.

### **Outlook for Icelandair Group hf.**

Fierce competition and increased capacity on North Atlantic market has resulted in a significant decrease in average air fares. Action has already been taken in the Group's operations which is expected to improve efficiency and increase revenue. 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 implementation of the measures is proceeding according to plan.

Prospects in other Icelandair Group operations are good. Hotel operations have seen extensive development in recent years and the outlook for operations in 2017 is favourable. The outlook for the Company's cargo operations in 2017 is favourable and increased demand is anticipated in both exports and imports. The principal emphasis will remain on transport in the cargo holds of passenger aircraft. In the course of this year two Boeing 767-300 wide-body jets will be added to the two existing aircraft of the same type in the Route Network, which will increase cargo hold capacity still further.

The Company's charter operations are returning success, with 8-9 aircraft engaged in long-term assignments, depending on season. Air Iceland will fly to two new destinations, Aberdeen in Scotland and Belfast in Northern Ireland, in partnership with Icelandair. As of February 2017 the Company is offering direct flights between Keflavik and Akureyri with links to international flights to and from Keflavik. In 2016 foreign tourists accounted for 18% of the total number of the domestic passengers. Demand for the Company's tourist-related services in Iceland is strong, but the significant strengthening of the ISK between years will have the consequence that the contribution margin from these operations will decline from last year's level.

The Company's EBITDA guidance for 2017 is USD 145-155 million, a slight increase from the February guidance.

**Financial Covenants March 31 2017**


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**Equity ratio:**

Equity	505.054
Total assets	1.415.728
Equity ratio	<b>36%</b>
Covenant, min	25%

**Cash level:**

Cash and short term investment TUSD	322.850
Cash and short term investment MUSD	<b>323</b>
Covenant, min MUSD	50

**Debt ratio:**

EBITDA (12 mth.)	201.850
Interest bearing debt	280.531
Debt ratio	<b>1,39</b>
Covenant, max	3,50

**Debt ratio II:**

EBITDAR (12 mth.)	236.909
Interest bearing debt and aircraft lease commitment	330.125
Debt ratio II	<b>1,39</b>
Covenant, max	4,00

**Unpledged fixed assets:**

Unpledged fixed assets book value	611.436
Remaining outstanding principal	23.660
Ratio	<b>2584%</b>
Covenant, min	115%

**Interest coverage ratio:**

EBIT (12 mth.)	96.323
Net interest	3.716
Interest coverage ratio	<b>25,9</b>
Covenant, min	1,5

**KEY FIGURES Q1 2017**

USD thousands	Q1 2017	Q1 2016	YoY
<b>Operating results</b>			
Total income	222.372	211.837	5%
EBITDAR	-7.890	10.160	-
EBITDA	-16.241	1.754	-
EBIT	-42.128	-20.014	-
EBT	-43.602	-21.284	-
Loss for the period	-34.895	-16.996	-
<b>Balance sheet</b>			
Total assets	1.415.728	1.152.537	23%
Total equity	505.054	421.742	20%
Interest bearing debt	280.531	62.928	-
Cash and short term investment	322.850	301.684	7%
Net cash in excess of interest bearing debt	42.319	238.756	-82%
<b>Cash flow</b>			
Working capital from operations	-15.555	3.023	-
Net cash from operating activities	125.497	148.792	-16%
Net cash used in investing activities	-75.782	-99.785	-24%
Net cash from/used in financing activities	23.520	-3.311	-
Cash and cash equivalents end of period	300.172	241.816	24%
<b>Key ratios</b>			
Equity ratio	36%	37%	-1,3 ppt
Current ratio	0,88	0,74	0,14
CAPEX USD thousand	47.280	56.718	-17%
EBITDA ratio	-7,3%	0,8%	-8,1 ppt
<b>Traffic figures</b>			
International Flights			
Load Factor	77,5%	79,4%	-1,9 ppt
ASK ('000.000)	2.567	2.140	20%
Regional and Greenland Flights			
Load Factor	64,1%	71,9%	-7,8 ppt
ASK ('000.000)	41	28	48%
Charter Flights			
Fleet Utilization	96,3%	97,8%	-1,5 ppt
Sold Block Hours	6.132	6.173	-1%
Cargo			
FTK('000)	24.927	26.510	-6%
Hotels			
Sold Hotel Room Nights	64.657	53.671	20%
Utilization of Hotel Rooms	80,1%	75,1%	5,0 ppt