

CREDITOR INFO NOVEMBER 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 161.1 million in Q3 2017

Icelandair Group's EBITDA was USD 161.1 million and net profit amounted to USD 101 million in third quarter.

The Company's third quarter operations were successful and performance better than anticipated. The main reason was higher passenger revenue and favourable currency trends, which outweighed the negative fuel price trend. The Company's passenger numbers on international flights was just short of 1.5 million, a record number in a single quarter. The performance of our charter and cargo operations also exceeded expectations.

In light of the stronger third quarter performance and the fact that the outlook for the fourth quarter has also strengthened, the earnings guidance for 2017 were raised to USD 165-175 million.

Equity ratio 43%

Total assets amounted to USD 1.4 billion at the end of the third 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 618.6 million at the end of September, with the equity ratio at 43%.

Interest-bearing debt amounted to USD 284.0 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 2.4 million in the third quarter. Cash and short term investment amounted to a total of USD 264.1 million at the end of the quarter, as compared to USD 250.1 million at the beginning of the year. Net interest bearing debt amounted to USD 19.9 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, one to be delivered in 2018 and three in 2019. The Lessor is BOCOMM Leasing Aviation, a subsidiary of Bank of Communication in China. The lease period is eight years and eight months. Jolco financing process for the remaining two aircraft in 2018 is on good track.

Cash flow and investments

Net cash for use in operating activities in the third quarter of 2017 amounted to USD 19.7 million, up by USD 0.2 million from the previous year.

Investments over the third quarter amounted to USD 39.7 million, of which the cost of engine overhauls for own aircraft amounted to USD 15.9 million. Investments in other operating assets amounted to USD 14.0 million and investments in aircraft and aircraft components, USD 8.8 million. Investments in long term cost and intangible assets amounted to USD 0.9 million.

Outlook for Icelandair Group hf.

The outlook for the Company's flight operations remains unchanged. Competition remains fierce in the North Atlantic, and pressure on average air fares continues. The Company has shown that with its flexibility and financial strength it is well positioned to weather fluctuations in its operating environment.

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.

Icelandair's flight schedule in 2018, as measured in available seat kilometres, is set to expand by 11% over this year's schedule. The number of passengers in 2018 is projected at 4.5 million, up by four hundred thousand from the current year. Early next year, Icelandair will introduce three new 160-seat Boeing 737 MAX 8 aircraft, bringing the number of aircraft in use to 33 next summer, 26 of the type Boeing 757 and 4 of the type Boeing 767-300, in addition to the new 737s.

The outlook for the Company's cargo operations in the remaining months of the year is favourable. Demand for imports to Iceland has increased and is expected to remain strong. At the same time, freight operations across the North Atlantic between North America and Europe have increased. The Company's charter operations continue successful, with 8-9 aircraft engaged in a range of assignments, depending on season.

The strengthening of the Icelandic króna in 2017 against the Company's principal trading currencies between years has resulted in declining margins from the Company's tourist-related services in Iceland despite the sharp increase in the number of tourists visiting Iceland. The demand for tourist related services and hotel accommodation has declined over the year. As a result of the strong Icelandic króna, tourists are now spending less time in Iceland than before and are more reluctant to travel around the country. This trend has had a negative impact on the Company's catering operations.

The updated EBITDA guidance for the year is now USD 165-175 million, which represents an increase of USD 15 million from the projection that was announced on 27 July 2017, concurrently with the interim report for the second quarter. The increase is a result of the favourable performance in the third quarter, in addition to the improved performance prospects for the fourth quarter.

Financial Covenants September 30 2017

Equity ratio:

Equity	618.552
Total assets	1.445.042
Equity ratio	43%
Covenant, min	25%

Cash level:

Cash and short term investment TUSD	264.077
Cash and short term investment MUS\$	264
Covenant, min MUS\$	50

Debt ratio:

EBITDA (12 mth.)	189.566
Interest bearing debt	283.961
Debt ratio	1,50
Covenant, max	3,50

Debt ratio II:

EBITDAR (12 mth.)	225.764
Interest bearing debt and aircraft lease commitment	335.033
Debt ratio II	1,48
Covenant, max	4,00

Unpledged fixed assets:

Unpledged fixed assets book value	637.784
Remaining outstanding principal	23.660
Ratio	2696%
Covenant, min	115%

Interest coverage ratio:

EBIT (12 mth.)	71.718
Net interest	6.947
Interest coverage ratio	10,3
Covenant, min	1,5

KEY FIGURES Q3 2017

USD thousands	Q3 2017	Q3 2016	YoY	9M 2017	9M 2016	YoY
Operating results						
Total income	536.030	485.910	10%	1.127.289	1.029.102	10%
EBITDAR	171.460	170.355	1%	213.757	242.953	-12%
EBITDA	161.097	161.749	0%	187.113	217.392	-14%
EBIT	126.806	132.127	-4%	96.085	142.804	-33%
EBT	127.094	130.825	-3%	96.919	142.305	-32%
Profit/Loss for the period	101.339	102.765	-1%	77.700	111.938	-31%
Balance sheet						
Total assets	-	-	-	1.445.042	1.184.019	22%
Total equity	-	-	-	618.552	582.885	6%
Interest bearing debt	-	-	-	283.961	60.373	-
Cash and short term investment	-	-	-	264.077	194.570	36%
Net interest bearing debt	-	-	-	19.884	-134.197	-
Cash flow						
Working capital from operations	171.740	161.169	7%	195.750	221.502	-12%
Net cash to/from operating activities	-19.749	-19.933	-1%	196.549	248.495	-21%
Net cash used in investing activities	-53.154	-63.695	-17%	-180.233	-221.773	-19%
Net cash used in/from financing activities	-2.399	-2.289	5%	14.705	-34.084	-
Cash and cash equivalents end of period	260.130	191.397	36%	260.130	191.397	36%
Key ratios						
Equity ratio	-	-	-	43%	49%	-6,2 ppt
Current ratio	-	-	-	0,99	0,81	22%
CAPEX USD thousand	39.700	46.632	-15%	124.628	203.675	-39%
EBITDA ratio	30,1%	33,3%	-3,2 ppt	16,6%	21,1%	-4,5 ppt
Traffic figures						
International Flights						
Load Factor	86,2%	85,7%	0,6 ppt	83,4%	82,8%	0,5 ppt
ASK ('000.000)	5.454	4.889	12%	12.108	10.701	13%
Regional and Greenland Flights						
Load Factor	70,9%	70,3%	0,6 ppt	67,8%	69,6%	-1,8 ppt
ASK ('000.000)	75	72	4%	165	150	10%
Charter Flights						
Fleet Utilization	100,0%	100,0%	0,0 ppt	97,4%	95,2%	2,2 ppt
Sold Block Hours	7.240	6.315	15%	19.903	18.035	10%
Cargo						
FTK('000)	32.085	25.760	25%	86.310	78.828	9%
Hotels						
Sold Hotel Room Nights	99.653	102.624	-3%	238.074	224.289	6%
Utilization of Hotel Rooms	88,7%	90,5%	-1,8 ppt	82,4%	83,2%	-0,7 ppt