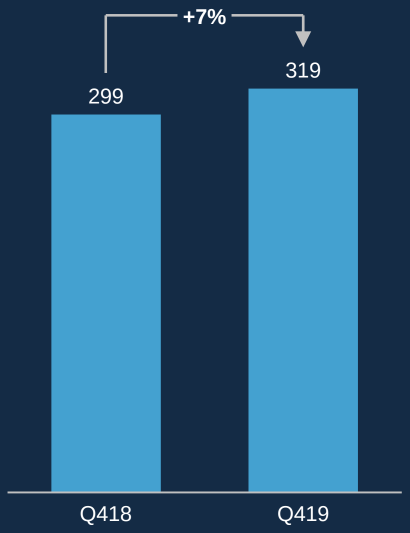
Q4 and 12M 2019 results

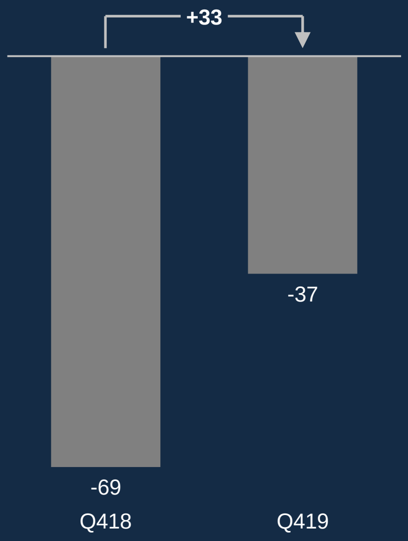
Highlights

Q4 2019

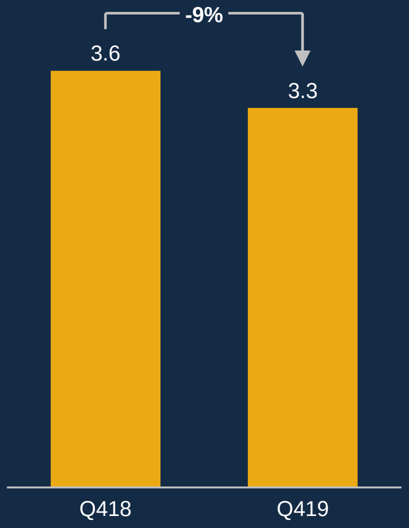
Revenues
Icelandair Group | USD million



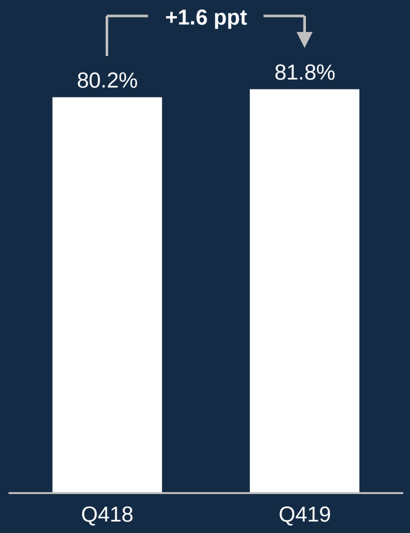
EBIT
Icelandair Group | USD million



Available seat km
Icelandair | billion



Load factor
Icelandair



Amounts in USD million

Highlights

Improved EBIT

Improved profitability of the route network by eliminating unsustainable capacity and increasing unit revenue

Flexible network

Focus on the markets to and from Iceland as a response to changes in the competitive environment – resulting in 25% increase in passengers to Iceland

Focus on profitability 2020

Clear focus on profitability and risk mitigation of extended MAX suspension

Financials

Eva Sóley Guðbjörnsdóttir
CFO Icelandair Group

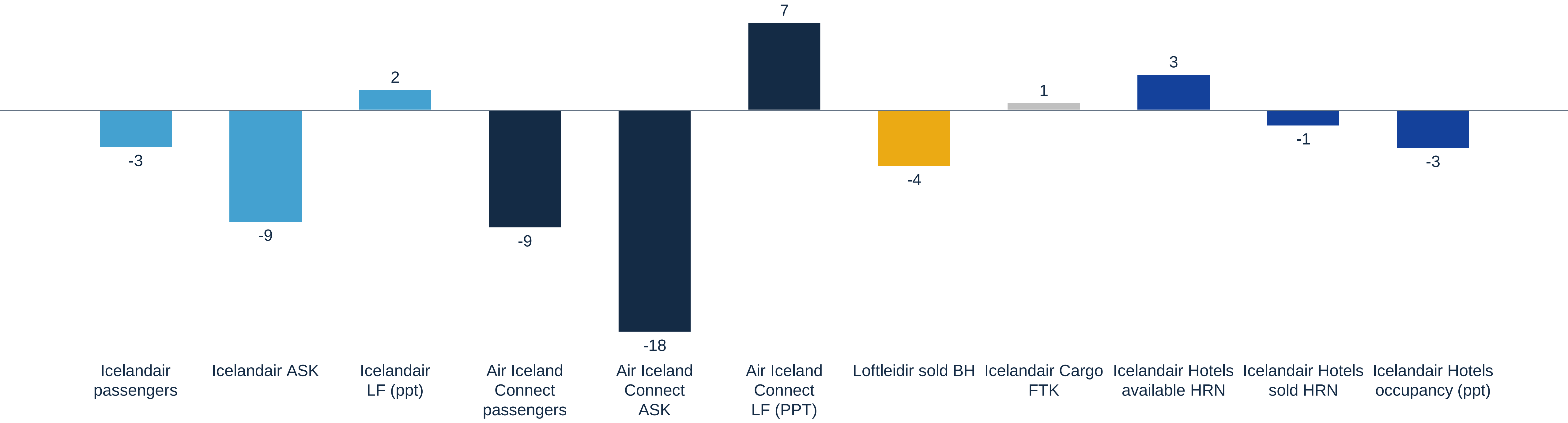
EBIT improved by USD 32.6 million

+ Rationalisation of the route network
+ Improved revenue management
+ Better utilisation of crews
+ Improved on-time performance
+ Better operational results in the domestic flight operations
+ Partial compensation from Boeing

USD million	Q4 2019	Q4 2018	% Chg.
Transport revenue	245,0	219,0	12%
Aircraft and aircrew lease	23,9	27,7	-14%
Other operating revenue	50,3	52,1	-4%
Operating Income	**319,2**	**298,8**	**7%**
Salaries and other personel expenses	123,0	126,9	-3%
Aviation expenses	130,3	133,2	-2%
Other operating expenses	71,1	73,6	-3%
Operating Expenses	**324,4**	**333,8**	**-3%**
Depreciation	31,4	34,3	-8%
EBIT	**-36,7**	**-69,3**	**-**
EBIT ratio	**-11,5%**	**-23,2%**	**11,7 ppt**
EBT	**-40,1**	**-69,7**	**-**
Net loss	**-29,9**	**-57,3**	**-**

Traffic data

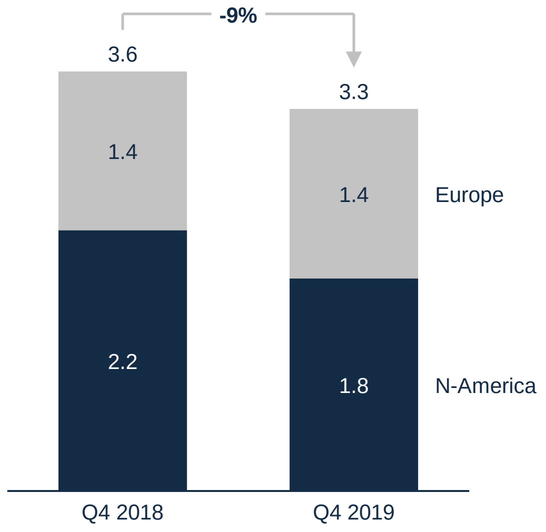
Overview changes from Q4 2018



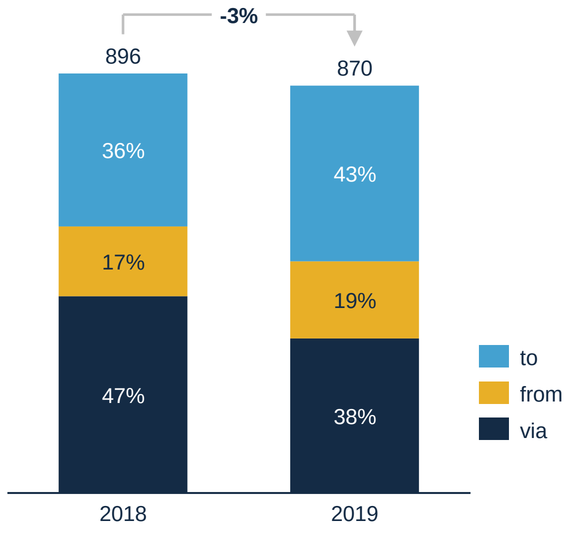
Rationalisation of the route network resulting in improved load factor

Passengers to Iceland up by 15%

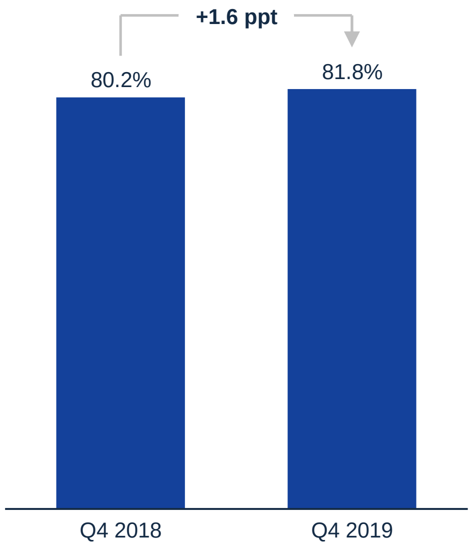
ASK in billions



No. of passenger in thousands



Load factor

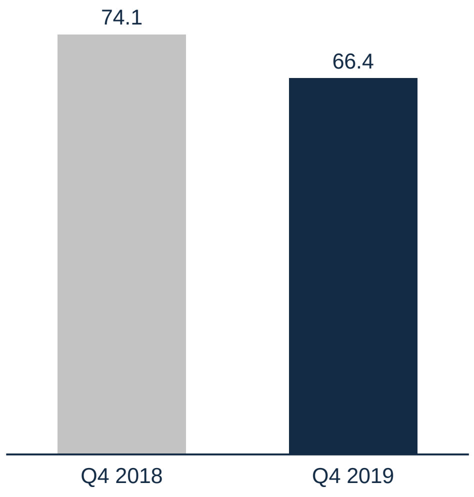


Fuel cost USD 66.4 million

Down by 10% compared to Q4 2018

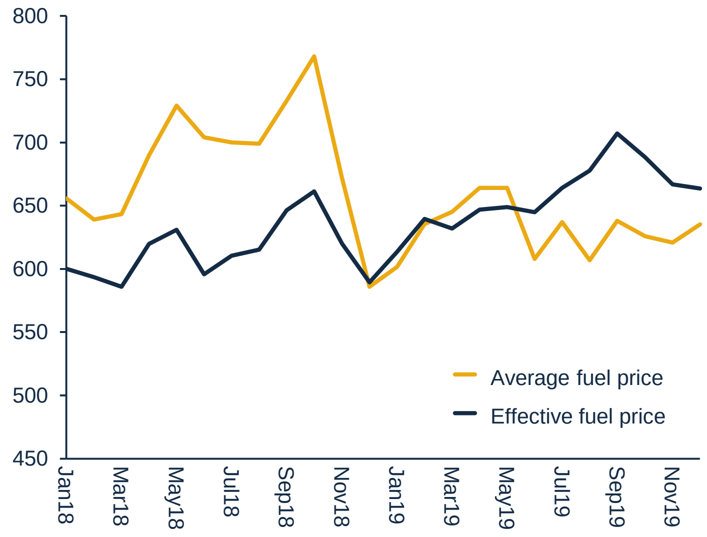
Fuel cost

USD million



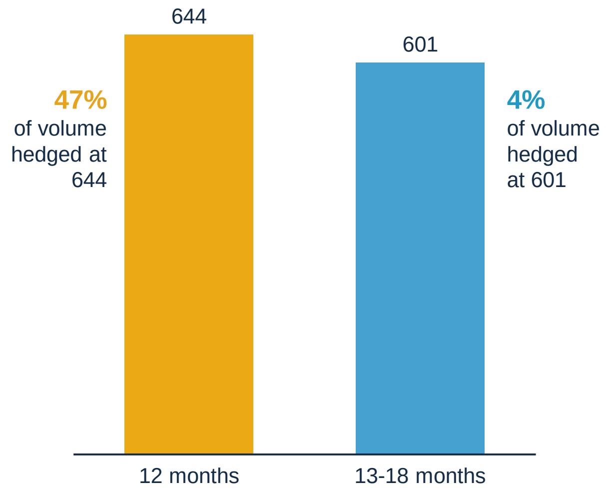
Av. and effective fuel price

USD/tonne



Forward price and % hedged

USD/tonne

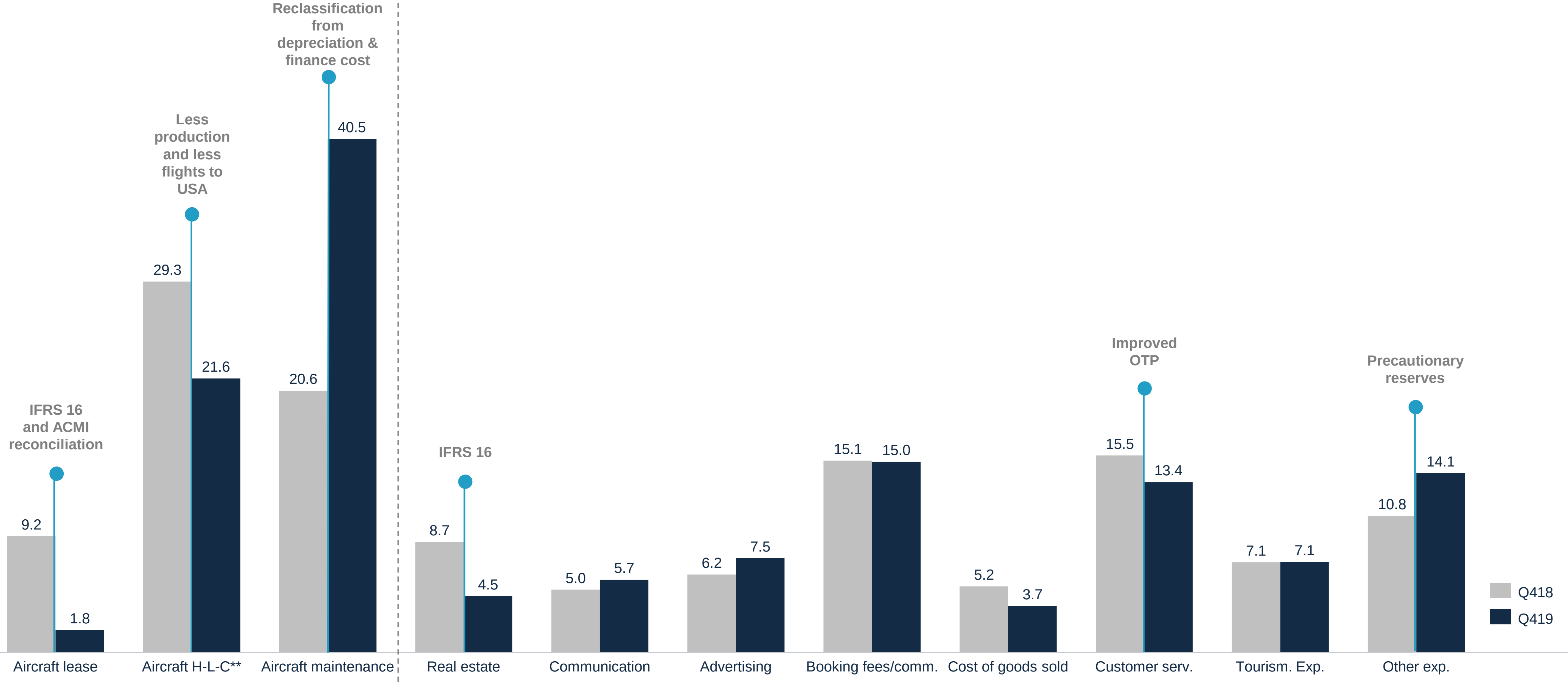


Aviation less fuel

+8%

Other expenses

-3%



* All figures are in USD millions
** H-L-C = Handling, Landing, Communication

Operational improvements in 2019

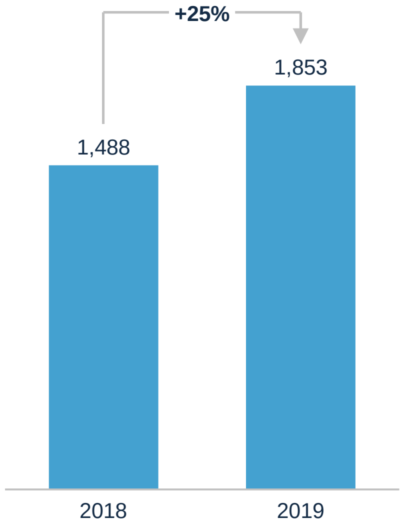
+ **Considerable underlying operational improvements**
+ **Unprecedented impact of the MAX suspension**
+ **Net MAX impact quantified to date on EBIT is around USD 100 million**

USD million	**12M 2019**	**12M 2018**	**% Chg.**
Transport revenue	1,159.5	1,093.3	6%
Aircraft and aircrew lease	91.6	120.1	-24%
Other operating revenue	253.3	297.1	-15%
Operating Income	**1,504.5**	**1,510.5**	**0%**
Salaries and other personell expenses	489.8	515.9	-5%
Aviation expenses	568.5	552.7	3%
Other operating expenses	308.2	365.5	-16%
Operating Expenses	**1,366.5**	**1,434.0**	**-5%**
Depreciation	177.3	133.4	33%
EBIT	**-39.3**	**-57.0**	**31%**
EBIT ratio	**-2.6%**	**-3.8%**	**1.2 ppt**
EBT	**-72.6**	**-67.8**	**-7%**
Net Loss	**-57.8**	**-55.6**	**-4%**

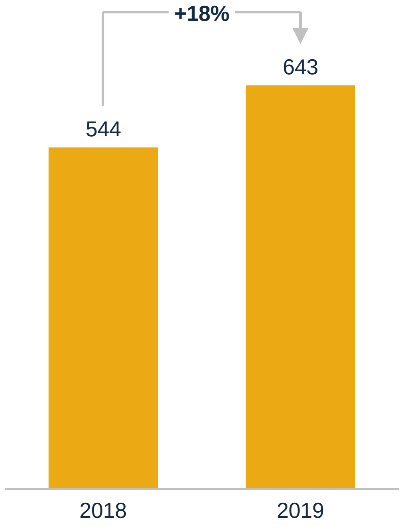
Flexible network resulted in 25% increase in passengers to Iceland

Changes in the competitive environment resulting in changed passenger mix

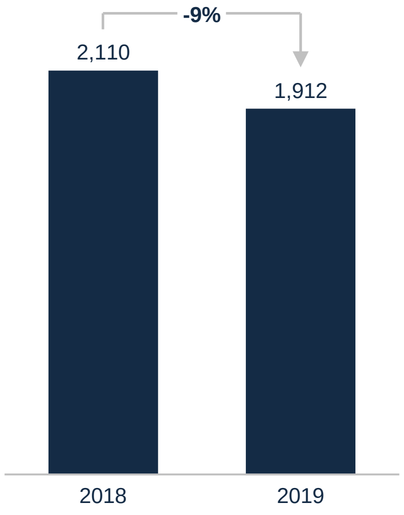
To market



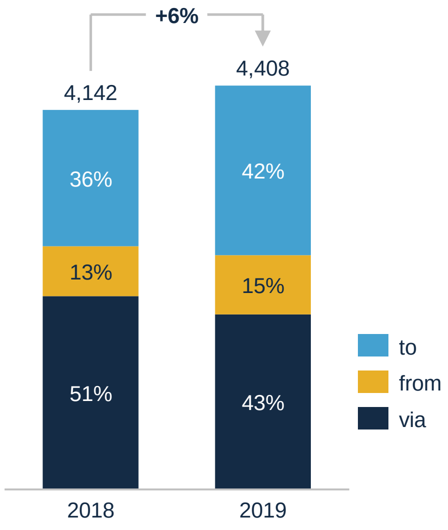
From market



Via market



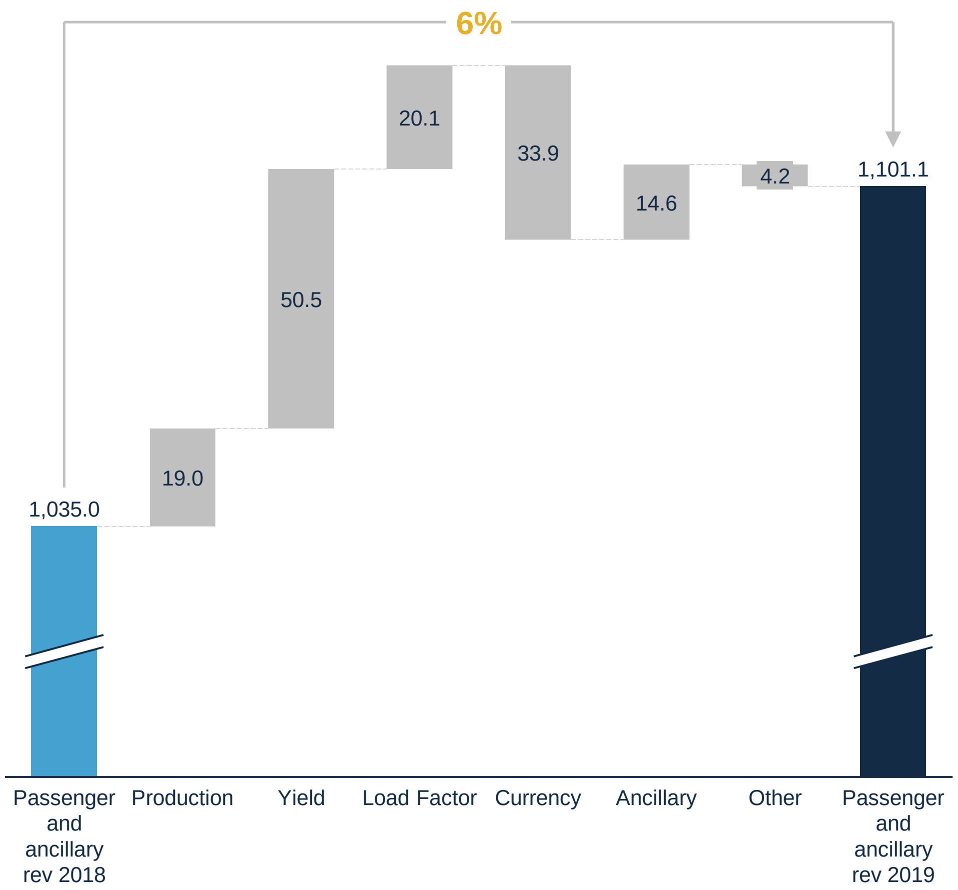
Passenger mix



Passenger and ancillary revenues USD 1.1 bn

- Improved yield and load factor resulted in USD 70.6 million increase
- Ancillary revenues at USD 25 per passenger

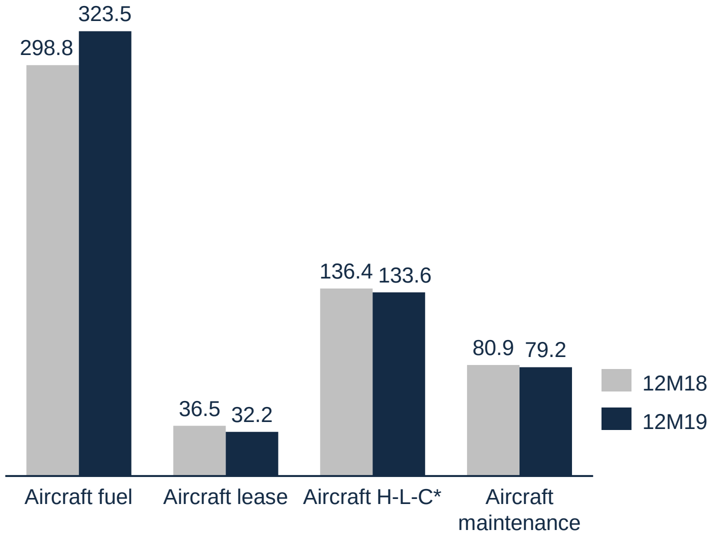
Overview of main changes
USD million



Aircraft replacement for MAX had negative effect on cost

Operated aircraft in 2019 not as efficient as MAX

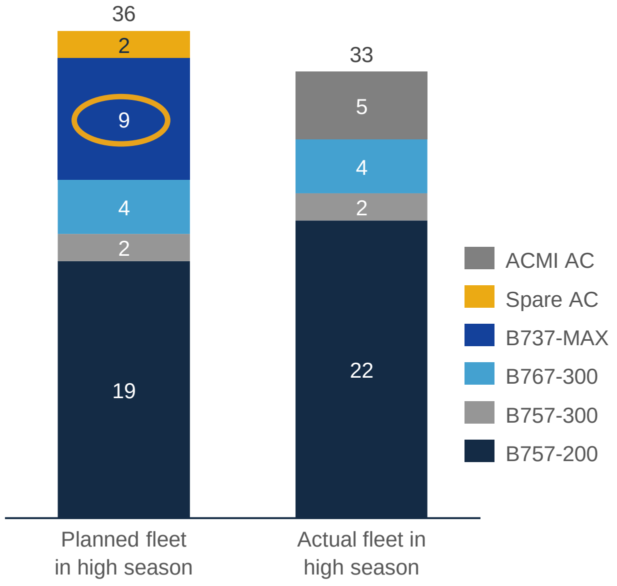
Aviation cost USD million



Disadvantage related to MAX suspension on aviation cost

+ Higher fuel burn
+ ACMI cost
+ Higher aircraft handling, landing fees and navigation cost due to less efficient aircraft
+ Higher maintenance cost than expected

Overview planned and actual fleet



* H-L-C = Handling, Landing, Communication

Other expenses decreased by 16% from 2018

Overview of other expenses in USD million

- Savings from improvement initiatives coming through in customer service costs, advertising and communication
- Lower expenses in tourism expenses reflected in lower revenues as well
- Real estate expenses lower due to the implementation of IFRS16

* All figures are in USD millions
** H-L-C = Handling, Landing, Communication

On-time performance improved significantly

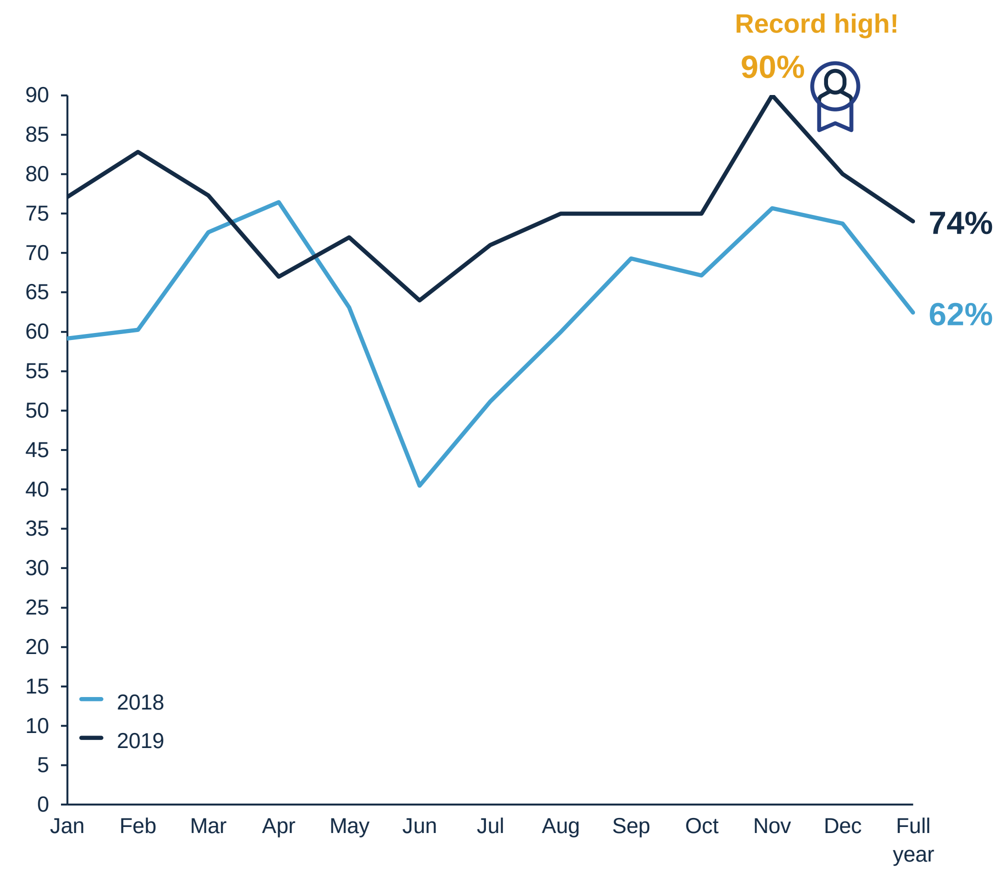
74% in 2019 vs 62% in 2018

Improvements estimated to have reduced cost by **USD 17 million** which is reflected in

+ fuel efficiency
+ improved utilisation of crew
+ reduced compensation cost
+ other cost resulting from disruptions in the route network

This progress was achieved despite the pressure on the route network and employees resulting from the MAX suspension

On-Time Performance
Per month and total year 2018-2019



Strong balance sheet

Assets USD million

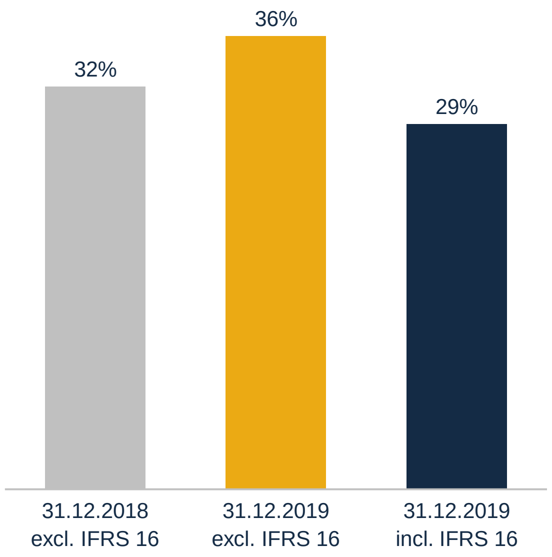
	31 Dec 2019	31 Dec 2018	Diff.
Operating assets	630.4	673.4	-43.0
Right-of-use assets	134.0	0.0	134.0
Intangible assets and goodwill	175.2	177.6	-2.3
Other non-current assets	75.5	43.6	31.9
Total non-current assets	**1,015.2**	**894.6**	**120.6**
Other current-assets	24.6	26.6	-2.0
Trade and other receivables	124.9	118.3	6.6
Assets classified as held for sale	276.9	125.2	151.7
Cash and cash equivalents	235.1	299.5	-64.4
Total current assets	**661.4**	**569.5**	**91.9**
Total assets	**1,676.6**	**1,464.1**	**212.5**

Equity and liabilities USD million

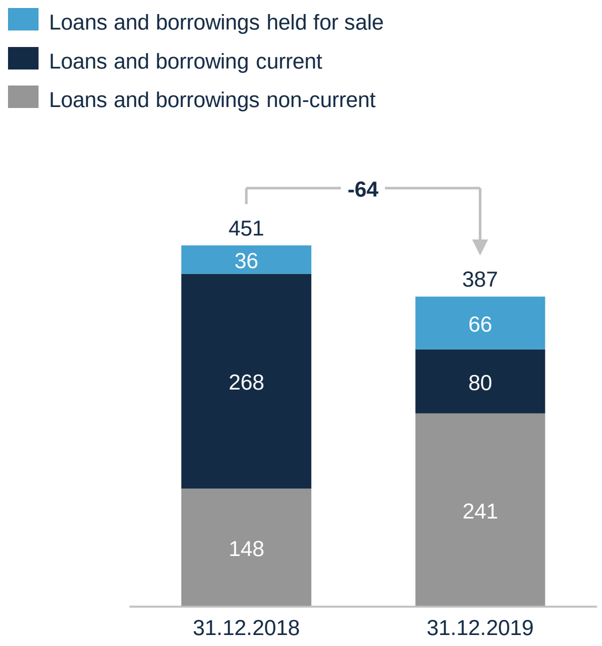
	31 Dec 2019	31 Dec 2018	Diff.
Stockholders equity	**482.5**	**471.4**	**11.1**
Loans and borrowings non-current	241.3	147.5	93.8
Lease liabilities	135.5	0.0	135.5
Other non-current liabilities	49.1	47.4	1.7
Total non-current liabilites	**425.9**	**194.9**	**231.0**
Loans and borrowings current	80.0	268.3	-188.3
Lease liabilities	23.0	0.0	23.0
Derivatives used for hedging	1.6	39.7	-38.1
Trade and other payables	221.0	222.8	-1.8
Liabilities classified as held for sale	238.7	52.2	186.5
Deferred income	204.0	214.9	-10.9
Total current liabilites	**768.2**	**797.8**	**-29.6**
Total liabilities	**1,194.1**	**992.7**	**201.4**
Total equity and liabilities	**1,676.6**	**1,464.1**	**212.5**

Interest bearing debt decreasing

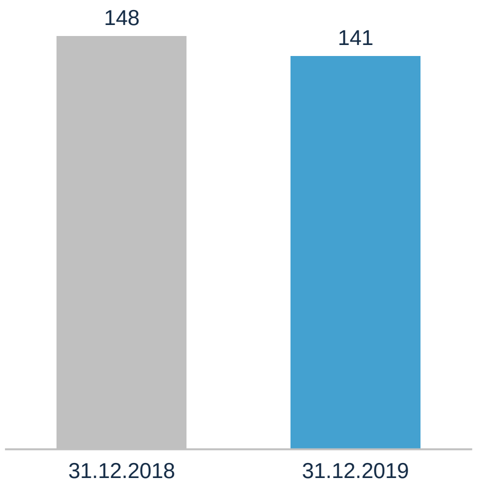
Equity ratio
Including and excluding IFRS16



Interest bearing debt excl. IFRS16
USD million



Net interest bearing debt excl. IFRS16
USD million



Strong liquidity

USD 302 million

Financing inflow in 2019:

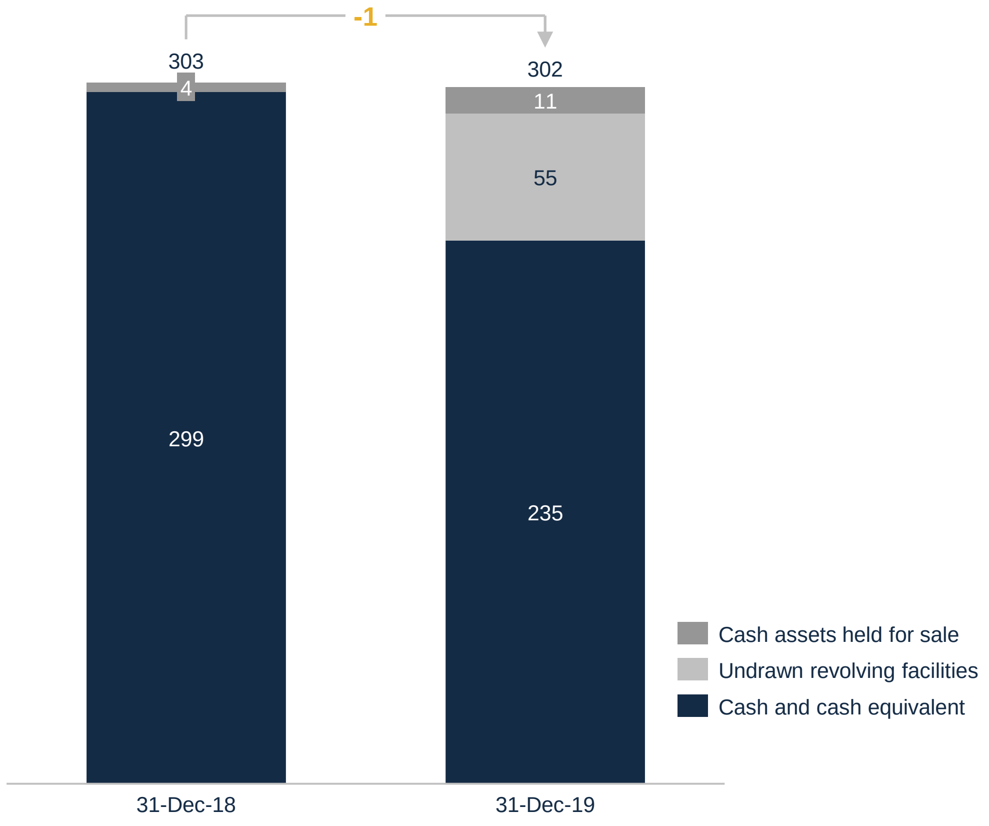
- **Q1:** Loan from domestic bank of USD 80 million
- **Q2**: Equity investment of PAR Capital of USD 47 million
- **Q4**: Refinancing of Icelandair Hotels of USD 28 million
- **Q4**: Loan from CIT of USD 65 million

Financing outflow in 2019:

- **H1**: Redemption of unsecured bonds USD 214 million

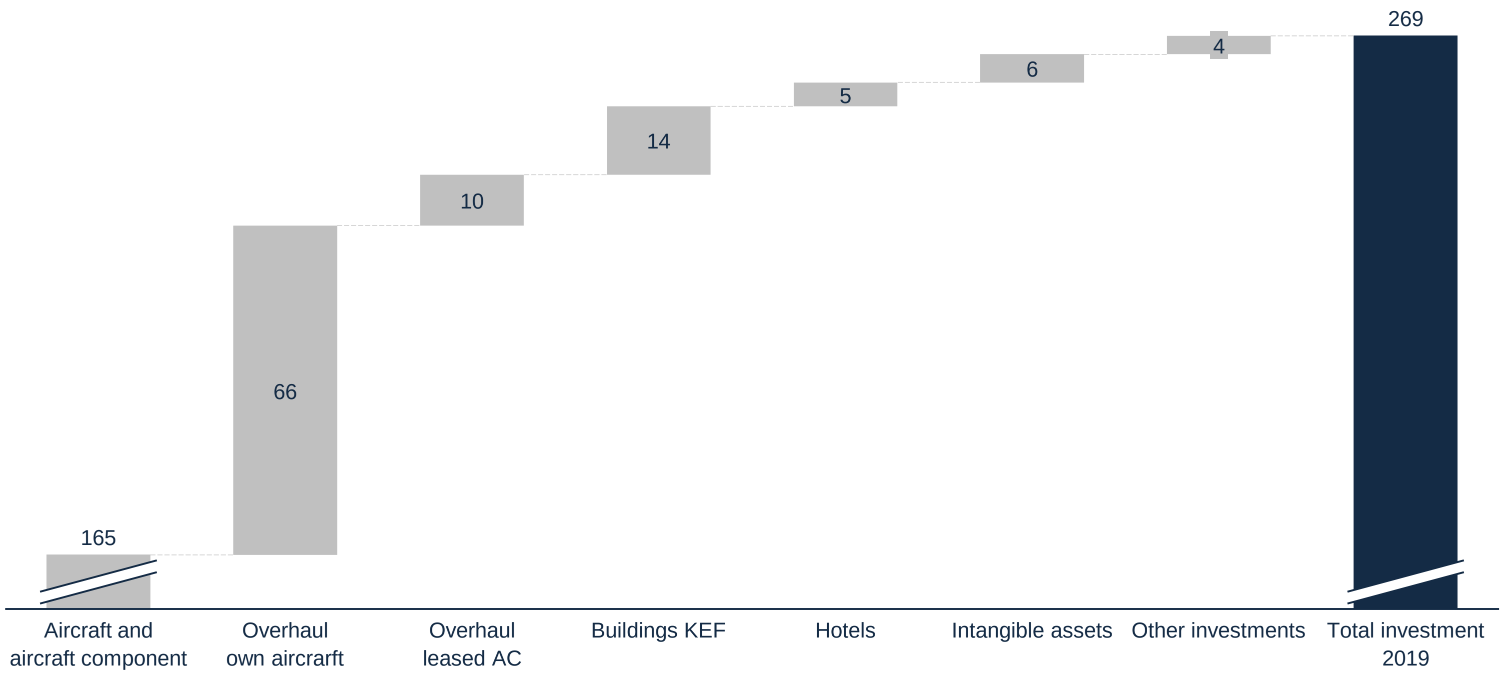
Investing activities in 2019:

- Net CAPEX of USD 269 million



Capex in 2019 USD 269 million

Guidance 2019 USD 270-280 million



+ Gross Capex USD 269.3 million
+ Sale of assets USD 155.1 million
+ Net capex USD 114.2 million

Outlook

Bogi Nils Bogason

President and CEO Icelandair Group

Key focus 2020
on profitability
and MAX risk mitigation

Flight schedule 2020

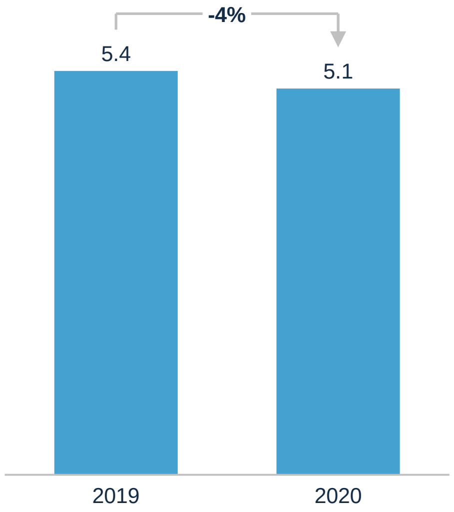
At a glance

31	**40**	**5.1m**	**4.2m**	**Barcelona**
33 2019	43 2019	5.4m 2019	4.4m 2019	
Number of aircraft	Number of destinations	Available seats	Number of passengers	New destination

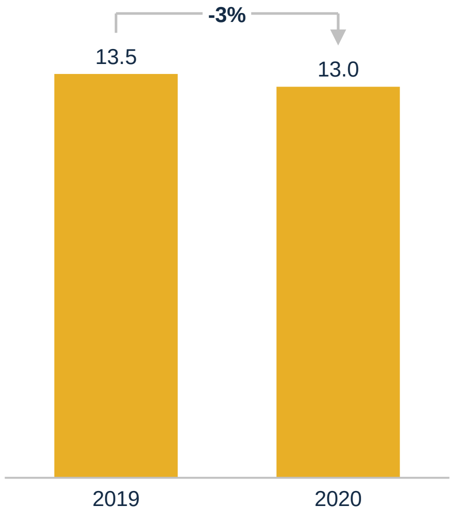
Improving profitability

With rationalisation of the route network and MAX risk mitigation

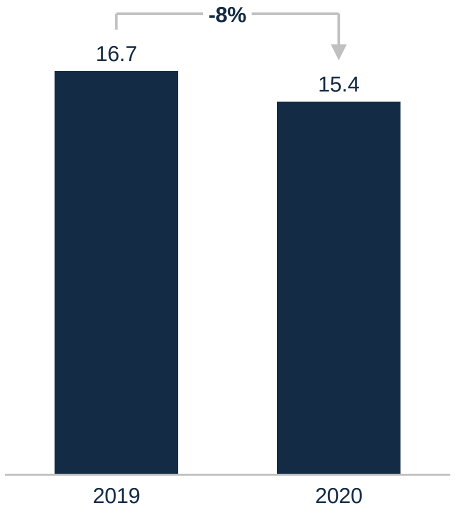
Available seats | millions



Trips | thousands



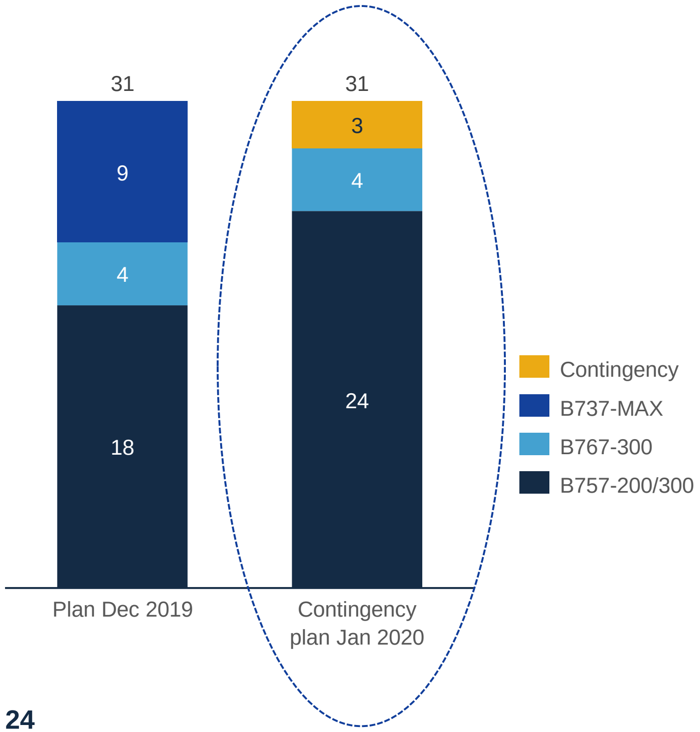
Available seat kilometers | billions



MAX not assumed in Icelandair's summer schedule

Minimal impact on flight schedule

Overview changes in fleet plans for 2020



- Three Boeing 737-800 aircraft leased and two Boeing 757-200 will re-enter the fleet for the summer
- Four Boeing 757-200 will be kept longer in operation than originally planned
- Leasing agreements made further in advance than in 2019 and on better terms
- Additional aircraft operated by Icelandair crew
- **Financial impact of this further suspension will be considerably less than in 2019**

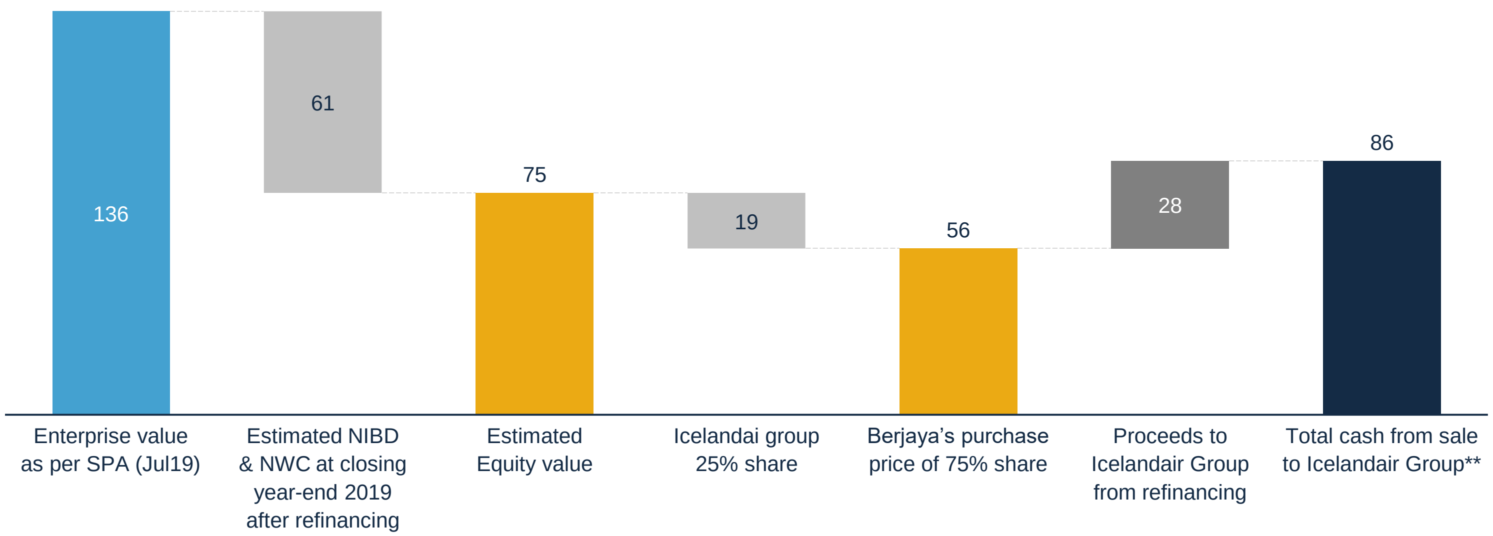
Long-term fleet strategy under review

Three scenarios under considerations

- **Maintain unchanged fleet strategy**
- **Airbus introduced in the fleet alongside the B737 MAX aircraft**
- **All Airbus fleet**

The sale of Icelandair Hotels and hotel real estates by 28 February 2020

Expected proceeds from the sale of 75% share in Icelandair Hotels in USD million

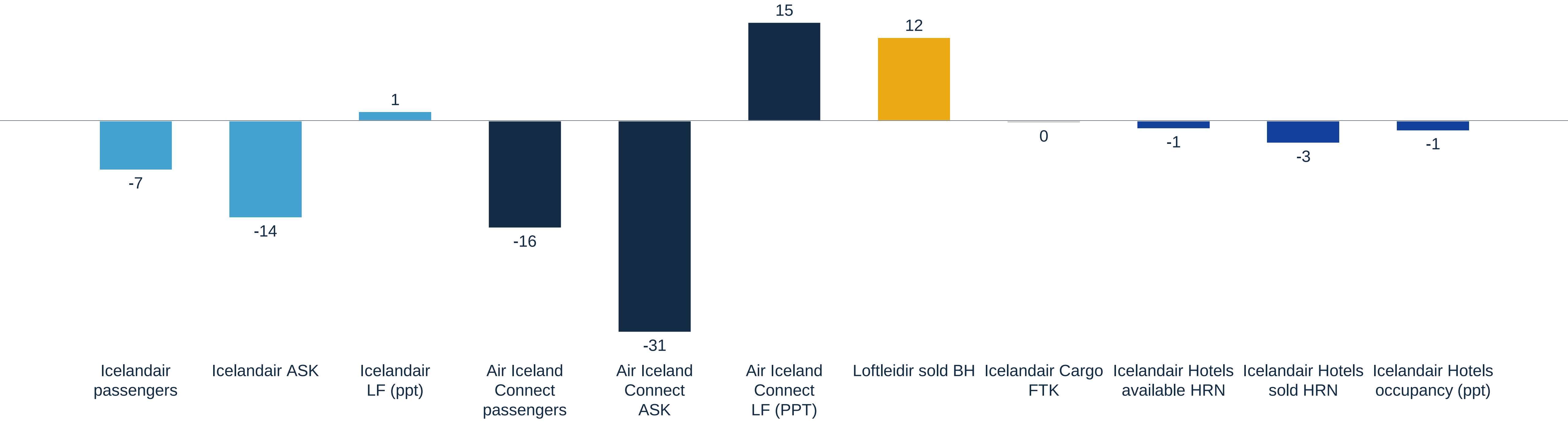


*Call and put agreement in place
** Without transaction cost and loan fees

- The completion date scheduled for 28 February 2020
- Cash to Icelandair Group post sale and refinancing of Icelandair Hotels will be around USD 86 million
  - USD 43 million received
- Estimated profit from the transaction around USD 25 million

Traffic data January 2020

Changes from previous year



Icelandair in 2020

Focus on profitability

- **Rationalisation of route network**
- **MAX risk mitigation**
- **On time performance**
- **Increasing unit revenues**
- **Operational efficiency**

Prospects for 2020

Other businesses

Prospects continue to be good.

Export expected to continue to grow. Some uncertainty remains regarding import and a slight decline is expected between years

The outlook is favourable and the project pipeline is strong.

Loftleidir holds 36% share in Cabo Verde Airlines – risk related to long-term financing of the company.

Successful turnaround in 2019 resulting from extensive actions taken.

Further improvements expected in 2020.

Vita is generating profit.

Similar outlook for 2020.

Moderate prospects for Iceland Travel in 2020.

Lower margins expected than in 2019.

Guidance 2020

Revenues excluding Icelandair Hotels 2019: USD 1,412m

Revenue change	EBIT %	Capex
-3% - 0%	3% - 5%	USD 260 – 280 million

Strong foundations…

Strong balance sheet

Clear strategy

Stable and efficient organisational structure

Flexible route network

Excellent employees

Still strong demand for Iceland as tourist destination

…to return to profitability and
create a platform for
sustainable profitable growth

Q&A

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