



**ICELANDAIR GROUP HF**  
**PRESENTATION OF Q2 2014 RESULTS | 31 JULY 2014**



# FINANCIAL RESULTS

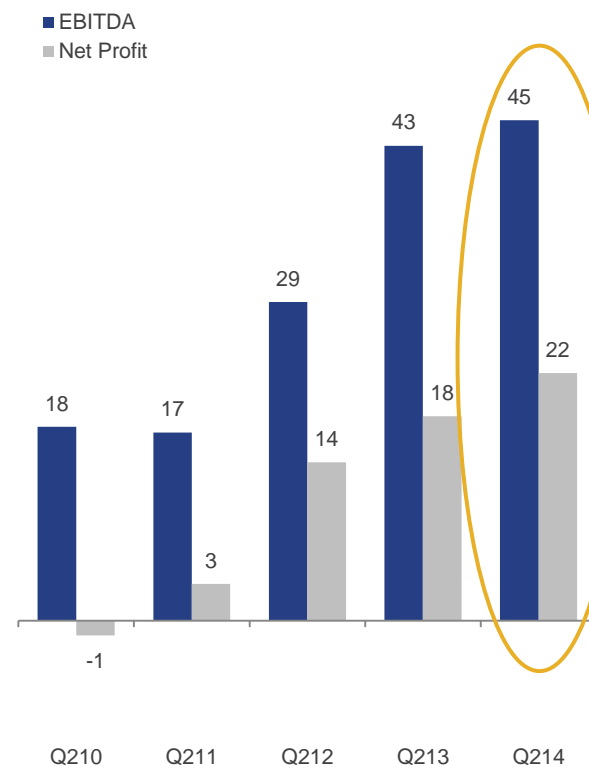
BOGI NILS BOGASON | CFO

# INCOME STATEMENT Q2

USD thousand	Q2 2014	Q2 2013	% Chg.
<b>Operating Income</b>	<b>297.8</b>	<b>265.6</b>	<b>12%</b>
Salaries and related expenses	77.4	63.5	22%
Aircraft fuel	74.6	64.4	16%
Aircraft lease	7.0	8.5	-17%
Aircraft handling, landing and comm.	22.2	19.5	14%
Aircraft maintenance expenses	16.7	19.3	-13%
Other expenses	54.5	47.4	15%
<b>EBITDA</b>	<b>45.2</b>	<b>42.9</b>	-
<b>EBIT</b>	<b>25.9</b>	<b>24.8</b>	-
<b>EBT</b>	<b>24.8</b>	<b>23.3</b>	-
<b>Profit from continuing operations</b>	<b>19.8</b>	<b>18.5</b>	-
<b>Profit for the period</b>	<b>22.4</b>	<b>18.5</b>	-
<b>EBITDA ratio</b>	<b>15.2%</b>	<b>16.2%</b>	<b>-1.0 ppt</b>
<b>EBITDAR</b>	<b>54.9</b>	<b>54.6</b>	-
<b>EBITDAR ratio</b>	<b>18.4%</b>	<b>20.6%</b>	<b>-2.1 ppt</b>

## EBITDA and net profit (like-for-like\*)

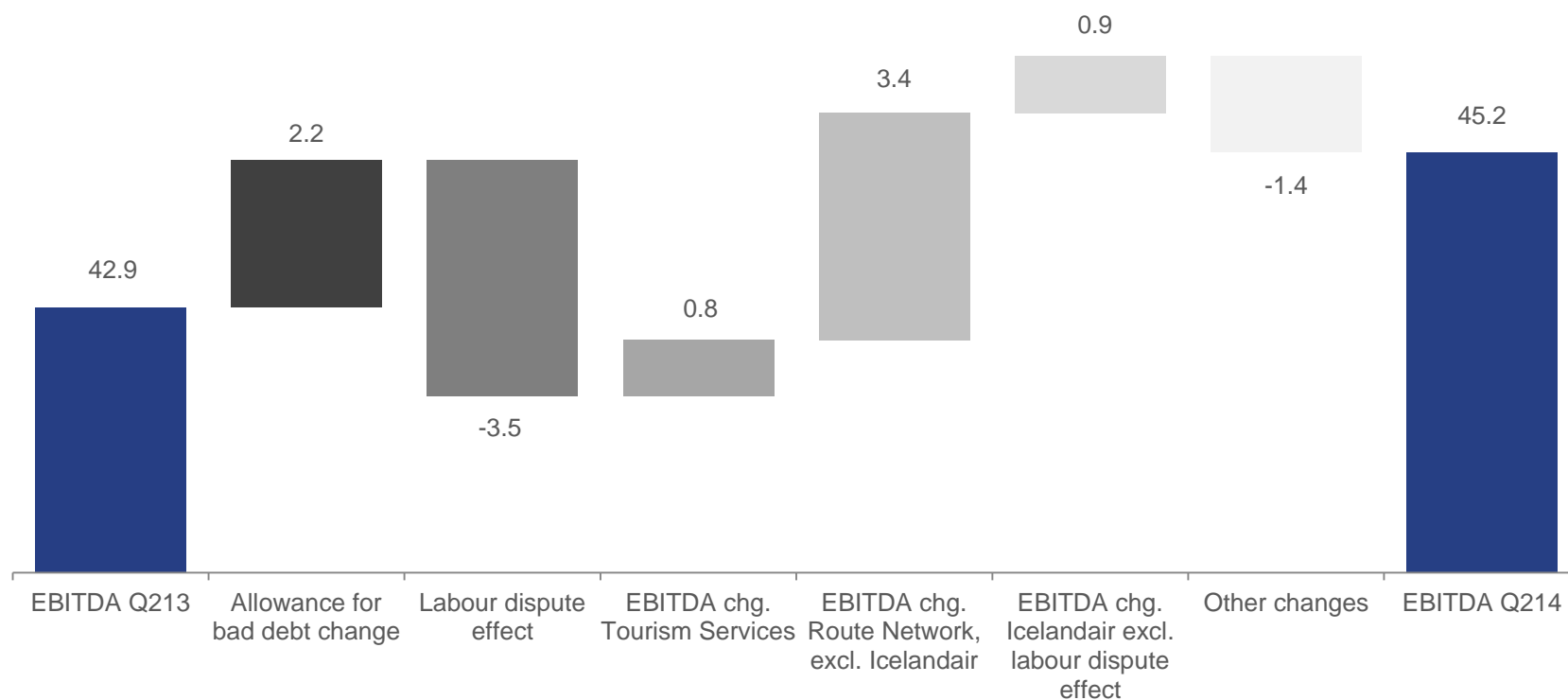
USD million



\* not incl. figures for Bluebird in 2010

# MAIN CHANGES IN EBITDA

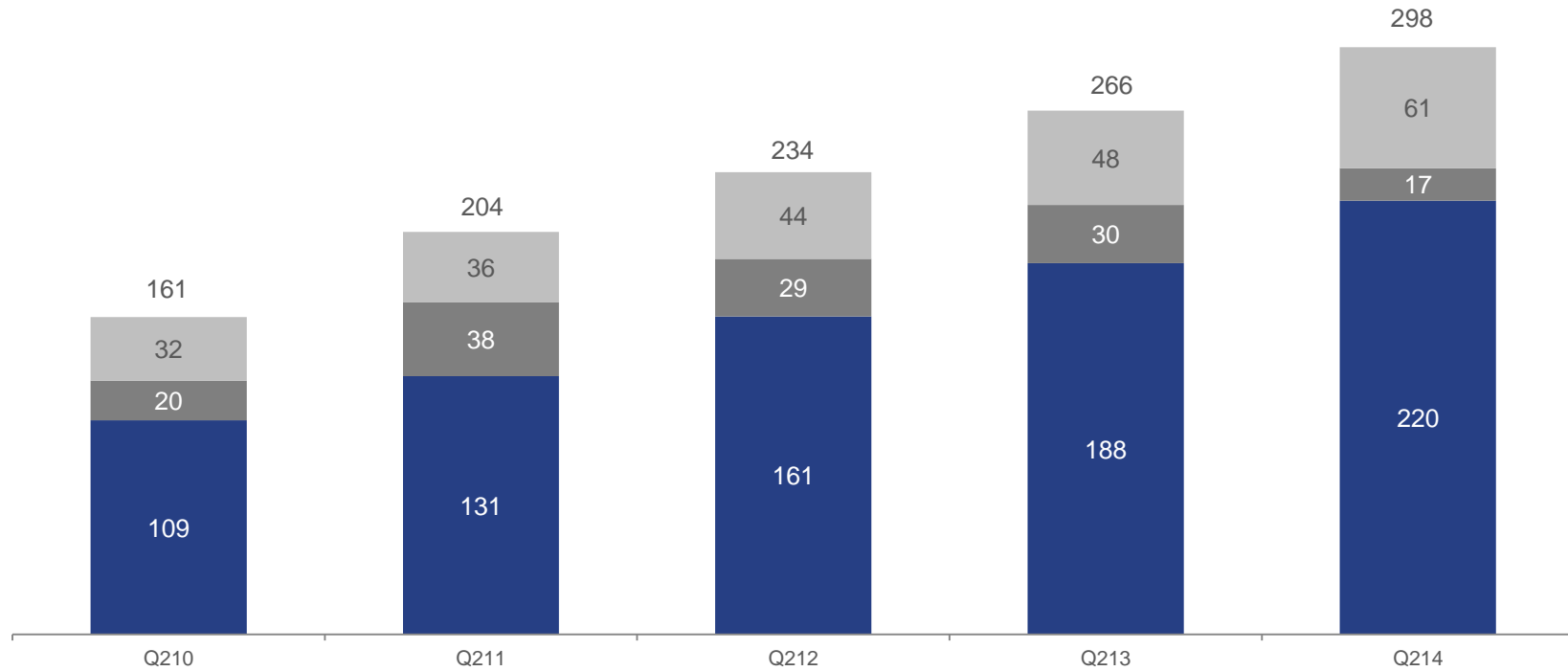
Q214 VS Q213 IN USD MILLIONS



# REVENUE INCREASED BY 12% FROM LAST YEAR

Operating revenue (like-for-like)\*  
in USD million

■ Other revenues ■ Aircraft and aircrew lease ■ Transport revenue

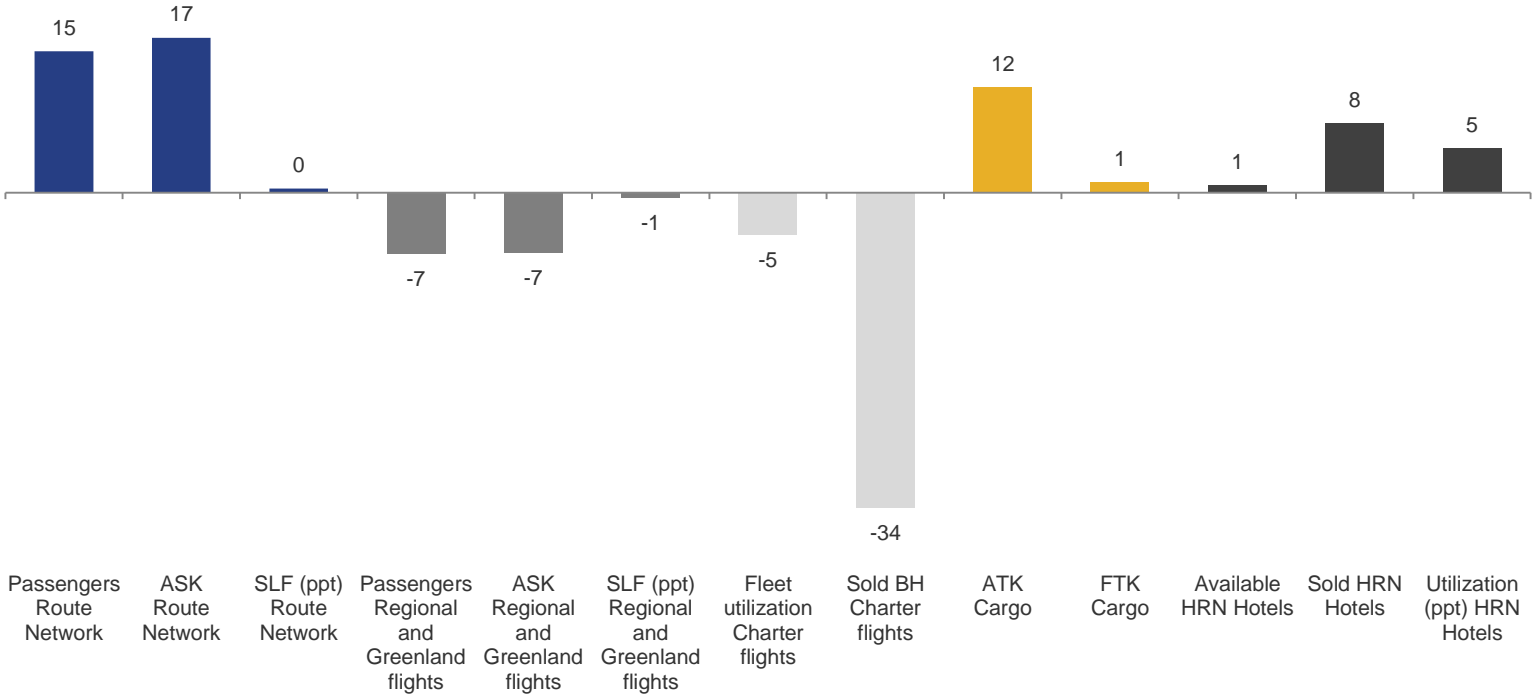


\* not incl. figures for Bluebird in 2010



# TRAFFIC DATA IN Q2

Year-on-year change in %

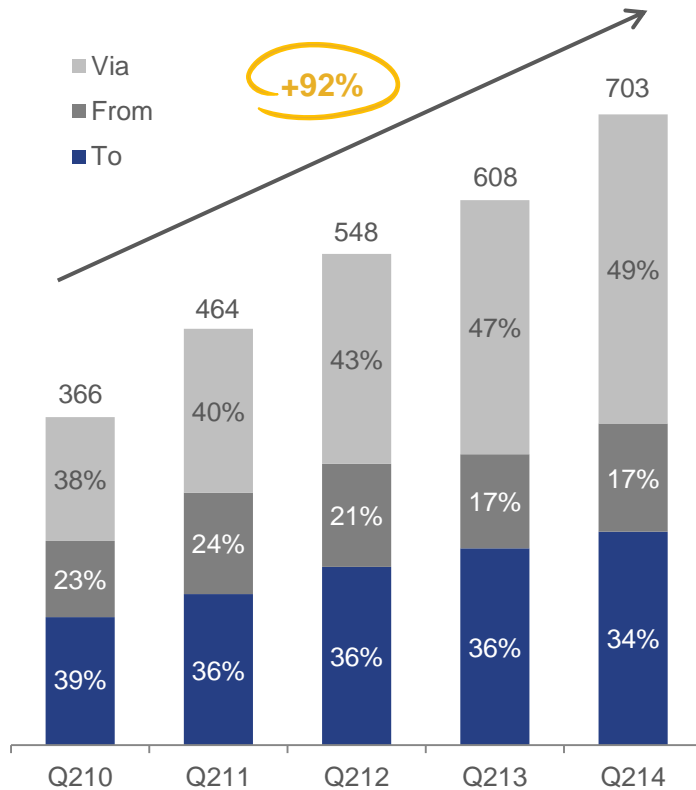


# 703 THOUSAND PASSENGER CARRIED IN Q2 2014

## INTERNATIONAL ROUTE NETWORK

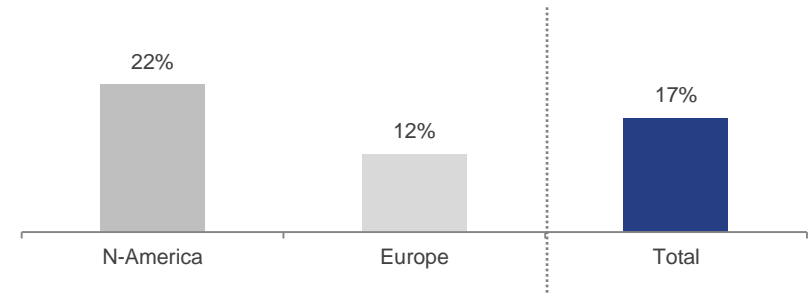
### Passengers and passenger mix

Route Network in thousands



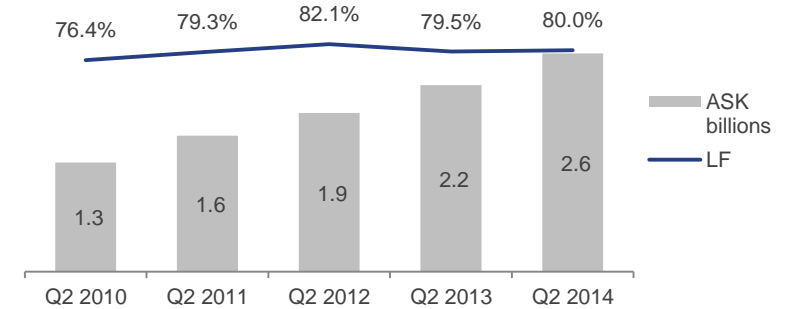
### Changes in Available Seat Kilometers (ASK)

Route Network YoY in %



### Available seat kilometers (ASK) and Load factor (LF)

Route Network Q1 2010-Q1 2014



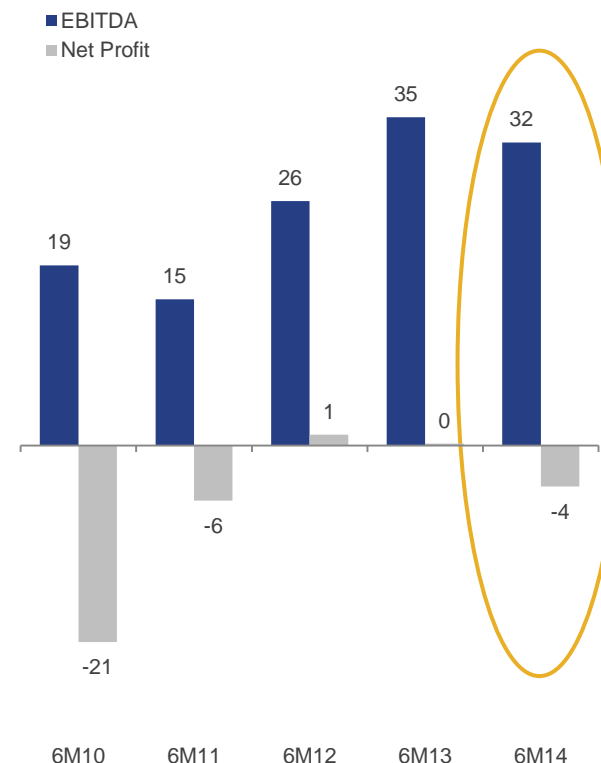
\* not incl. figures for Bluebird in 2010

# INCOME STATEMENT JANUARY - JUNE

USD thousand	6M 2014	6M 2013	% Chg.
<b>Operating Income</b>	<b>489.1</b>	<b>438.6</b>	<b>11%</b>
Salaries and related expenses	138.3	115.8	19%
Aircraft fuel	122.6	108.0	13%
Aircraft lease	13.0	18.1	-28%
Aircraft handling, landing and comm.	36.6	32.2	14%
Aircraft maintenance expenses	37.8	37.7	0%
Other expenses	108.8	92.2	18%
<b>EBITDA</b>	<b>31.9</b>	<b>34.6</b>	-
<b>EBIT</b>	<b>-4.8</b>	<b>1.8</b>	-
<b>EBT</b>	<b>-8.6</b>	<b>0.4</b>	-
<b>Loss / Profit from continuing operations</b>	<b>-6.9</b>	<b>0.2</b>	-
<b>Loss / Profit for the period</b>	<b>-4.3</b>	<b>0.2</b>	-
<b>EBITDA ratio</b>	<b>6.5%</b>	<b>7.9%</b>	<b>-1.4 ppt</b>
<b>EBITDAR</b>	<b>51.8</b>	<b>58.7</b>	-
<b>EBITDAR ratio</b>	<b>10.6%</b>	<b>13.4%</b>	<b>-2.8 ppt</b>

## EBITDA and net profit (like-for-like\*)

USD million



\* not incl. figures for Bluebird in 2010



# BALANCE SHEET

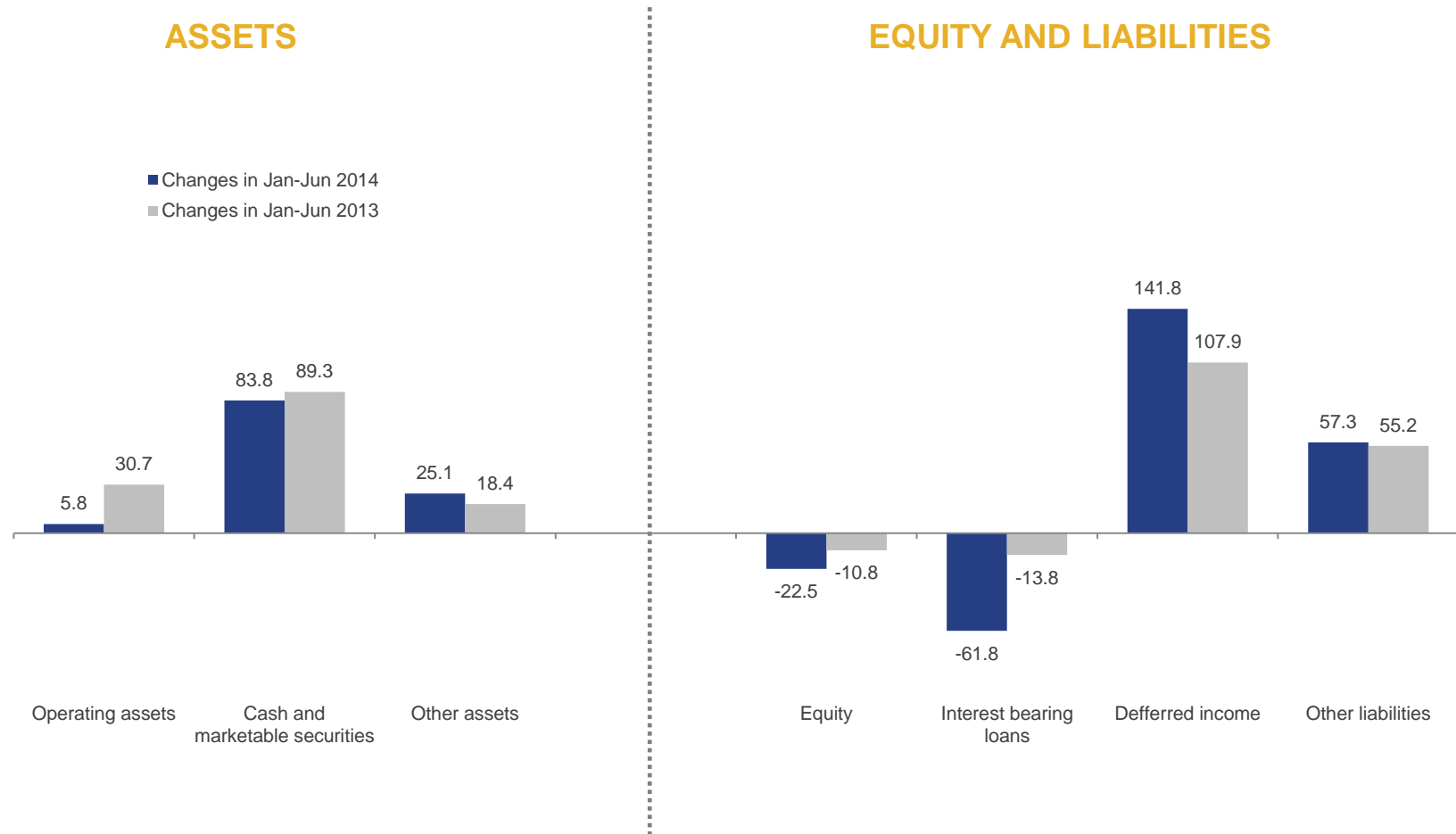
EQUITY RATIO 34%

USD million	30.06 2014	31.12 2013
<b>Assets</b>		
Operating Assets	303.7	299.2
Intangible assets	179.3	179.7
Other non-current assets	19.7	18.1
<b>Total non-current assets</b>	<b>502.8</b>	<b>497.0</b>
Other current-assets	161.5	136.4
Marketable securities	16.3	8.0
Cash and cash equivalents	267.0	191.5
<b>Total current assets</b>	<b>444.8</b>	<b>335.9</b>
<b>Total assets</b>	<b>947.6</b>	<b>832.9</b>

USD million	30.06 2014	31.12 2013
<b>Equity and liabilities</b>		
<b>Stockholders equity</b>	<b>323.5</b>	<b>346.1</b>
Loans and borrowings non-current	46.6	78.5
Other non-current liabilities	52.1	51.7
<b>Total non-current liabilities</b>	<b>98.7</b>	<b>130.2</b>
Loans and borrowings current	13.7	43.5
Trade and other payables	216.4	159.5
Deferred income	295.3	153.5
<b>Total current liabilities</b>	<b>525.4</b>	<b>356.6</b>
<b>Total equity and liabilities</b>	<b>947.6</b>	<b>832.9</b>
Equity ratio	34%	42%
Current ratio	0.85	0.94
Net interest bearing debt	-223.1	-77.5
Interest bearing debt	60.2	122.0

# BALANCE SHEET CHANGES

TOTAL ASSETS UP BY USD 114.7 MILLION FROM YEAR-END 2013



# CASH FLOW

## NET CASH FROM OPERATIONS USD 83.6 MILLION

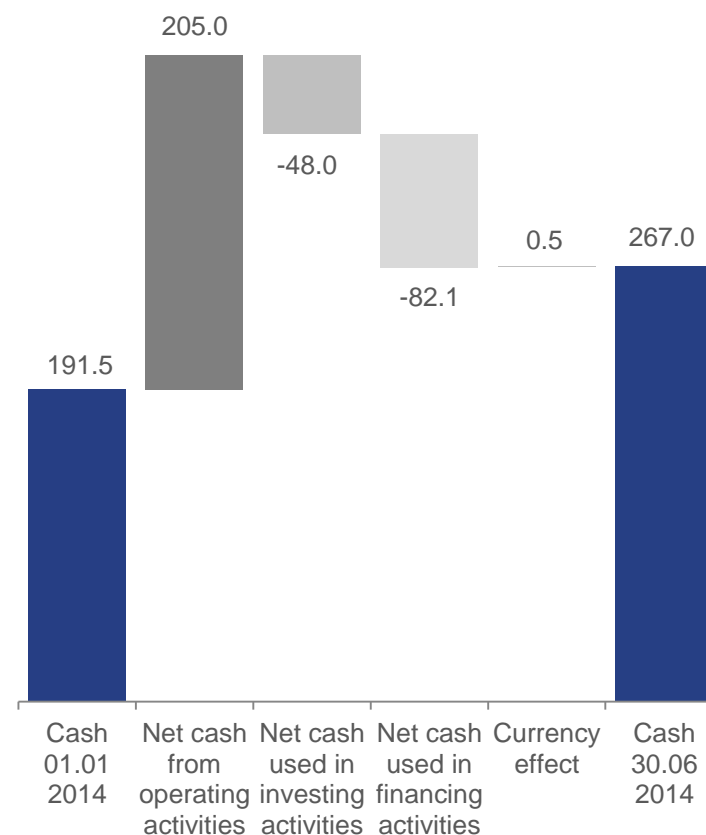
USD million	Q2 2014	Q2 2013
Working capital from operations	50.3	48.2
Net cash from operating activities	83.6	106.4
Net cash used in investing activities	-14.0	-15.5
Net cash used in financing activities	-52.9	-15.7
<b>Increase in cash and cash equivalents</b>	<b>16.7</b>	<b>75.3</b>
Effect of exchange rate fluctuations on cash held	0.1	0.1
Cash and cash equivalents at the beginning of the period	250.2	144.0
<b>Cash and cash equivalents at 30 June</b>	<b>267.0</b>	<b>219.3</b>

### Comments

- | Total Capex in Q2 2014 USD 10.7 million
- | Dividend payment USD 19.0 million
- | Repayment of long term loans USD 33.9 million

### Changes in Cash in January - June 2014

USD million



# JET FUEL HEDGING POSITION

Fuel hedge positions end of June  
Icelandair Group total

Period	Estimated usage (tons)	Option volume	Swap volume	Total swap and option contracts	% hedged	Av. Hedge price USD	Bought call strike	Sold put strike
Jul 14	31,333	4,000	11,400	15,400	49%	977	1,000	924
Aug 14	31,312	9,000	6,400	15,400	49%	970	1,000	928
Sep 14	26,087	8,000	5,200	13,200	51%	997	1,000	932
Oct 14	20,839	6,000	4,200	10,200	49%	990	1,000	937
Nov 14	17,639	3,000	5,200	8,200	46%	972	990	908
Dec 14	16,393	3,000	5,200	8,200	50%	964	1,000	932
Jan 15	13,958	3,000	3,000	6,000	43%	947	1,000	929
Feb 15	12,029	0	2,000	2,000	17%	960		
Mar 15	16,147	0	3,000	3,000	19%	993		
Apr 15	17,204	0	0	0	0%	0		
May 15	23,730	0	0	0	0%	0		
Jun 15	29,232	0	0	0	0%	0		
<b>Total</b>	<b>255,903</b>	<b>36,000</b>	<b>45,600</b>	<b>81,600</b>	<b>32%</b>	<b>-</b>	<b>-</b>	<b>-</b>

# OUTLOOK

BJÖRGÓLFUR JÓHANSSON | PRESIDENT AND CEO

# WAGE AGREEMENTS

## **Icelandic Airline Pilots Association**

Wage agreement  
valid until  
30 September 2014

## **Icelandic Cabin Crew Association**

Wage agreement  
valid until  
31 August 2015

## **Icelandic Aircraft Maintenance Technicians Association**

Wage agreement  
valid until  
31 August 2017



# OUTLOOK IN MAIN BUSINESSES

## Route Network

The outlook has improved since the labour disputes with unions in May and June

Slow down of bookings in May and June has largely recovered

Booking outlook for the remainder of the year in line with capacity increase

## Regional & Greenland

The domestic operation facing a challenging environment

Demand from Icelanders not recovered since 2008

Efforts being made to increase the number of foreign tourist on domestic flights

## Charter

Prospects for the charter operations favourable

Six aircraft assigned in charter projects

The Company has withdrawn from freight charter operations

## Cargo

Improved results in cargo operations

Two cargo aircraft used on scheduled routes

Additionally the cargo operations has 38 destinations in Europe and N-America through the international passenger network

## Hotels

The booking status for the summer is good, but bookings are arriving with shorter notice than in recent years

Icelandair Hotel Reykjavik Marina is currently being enlarged. The new hotel extension will open in May 2015

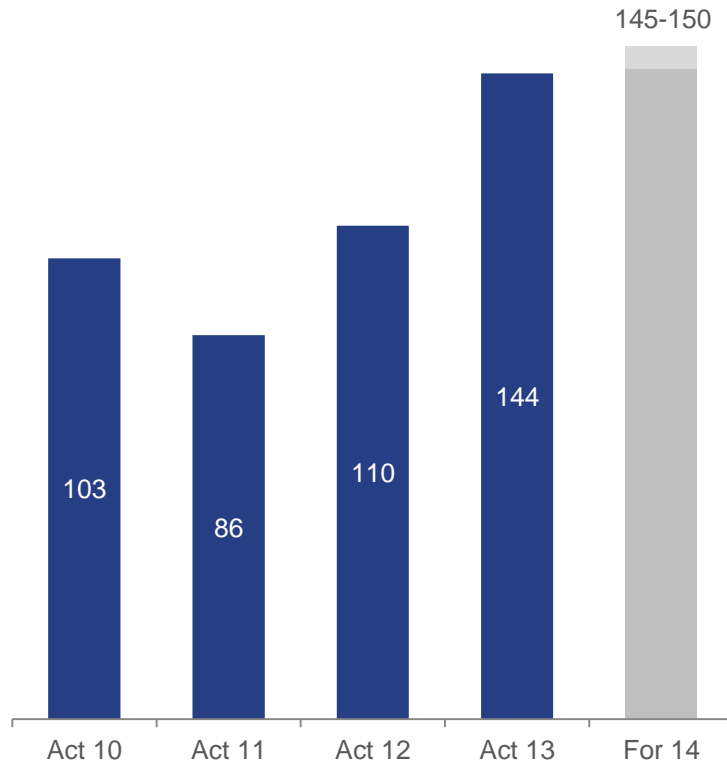
New hotel opened downtown Reykjavik in 2016

# EBITDA FORECAST

UP TO USD 145-150 MILLION

## EBITDA development

2010-2014 in USD million



### Assumptions:

- | EUR/USD exchange rate 1.35
- | Fuel price (excluding hedging): USD 978/ton in July and 1,000/ton for the period August-December

- | Prospects in international flights better than in spring and early summer during the labour dispute
- | Booking status in the international flight operation for the remainder of the year in line with the capacity increase
- | Operations in tourist-related services are showing good results
- | Prospects for cargo and charter operation favourable
- | The improved collecting on claims in charter operations is a significant factor in the increased EBITDA forecast

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