

## CREDITOR INFO APRIL 2015

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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 2015 results surpassed projections**

Icelandair Group performance in the first quarter of 2015 surpassed the Group's projections and significantly exceeded the results of the first quarter of 2014. The principal explanation lies in the substantial increase in the number of passengers on international flight routes, favourable passenger load factor and efficient utilisation of hotel rooms. Lower fuel prices also had a significant impact on the comparison between years.

The EBITDA forecast for 2015 is projected in the range of USD 160-165 million. The strengthening of the US dollar has a negative impact on the Company's results, particularly over the peak season, as the majority of the Company's revenues is in European currencies. The forecast does not take into account the uncertainty in the Icelandic labour market, which could significantly impact the Company's results.

### **Equity ratio 34%**

Icelandair Group's balance sheet is strong, total assets amounted to USD 993.0 million and equity ratio at the end of the first quarter was 34%. Operating assets amounted to USD 325.8 million, increasing by USD 6.5 million from the beginning of the year. Dividend approved at the annual general meeting was entered under liabilities and as a reduction in equity, the dividend amounted to USD 0.50 per share, for a total of USD 17.9 million. The equity ratio at the end of 2014 was 43%.

Interest-bearing liabilities amounted to USD 80.8 million, as compared to USD 61.9 million at the beginning of the year. The reason for the increase is a bond issued at the beginning of the year in the amount of USD 23.7 million. Cash and marketable securities totalled USD 321.9 million at the end of the first quarter of 2015, compared to USD 259.8 million at the same time last year. Net interest-bearing debt was therefore negative in the amount of USD 241.2 million at the end of the quarter.

### **Icelandair Group cash position is strong**

Icelandair Group's cash flow from operating activities came to USD 117.7 million in the first quarter of 2015, down by 3.7 million from the first quarter of 2014. Net cash used in financing activities amounted to USD 19.9 million, of that figure, repayments of long-term borrowings amounted to USD 3.8 million. Cash increased by 100.0 million over the quarter, the increase over the same period last year was USD 58.7 million. The negative currency effect on cash amounted to USD 2.1 million.

### **New Aircraft Types to be added to the Fleet of Icelandair Group Subsidiaries**

The Company recently announced a change in focus regarding its fleet of aircraft.

All five Fokker 50 aircraft that Air Iceland operates will be sold and three Bombardier Dash Q400 will replace them. Air Iceland operates two Bombardier Q200 so in total the airline will operate five aircraft. The Q400s will seat 70 passengers as compared to the 50 seat capacity of the Fokker 50 aircraft. The airline's operations will be simplified and optimised as number of aircraft decrease and

synergies will increase as all aircraft will be from the same manufacturer. Air Iceland sees opportunities in new markets and aims to increase the number of foreign tourists on board its aircraft going forward.

In the autumn of 2015 two B757-200 charter aircraft seating 183 passengers will be returned and replaced by two B767-300 aircraft seating 260 passengers. The high passenger load factor on many of the Company's routes year-round in addition to limits on slot availability at some airports, makes the introduction of larger aircraft a feasible option. The new aircraft will begin flying in the Route Network in the spring of 2016. The new aircraft have a far greater range than the B757-200 aircraft and their introduction will create new opportunities and markets.

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### Equity ratio:

Equity	335.616
Total assets	992.963
Equity ratio	<b>34%</b>
Covenant, min	25%

### Cash level:

Cash and marketable securities TUSD	321.943
Cash and marketable securities MUSD	<b>322</b>
Covenant, min MUSD	50

### Debt ratio:

EBITDA (12 mth.)	165.374
Interest bearing debt	80.787
Debt ratio	<b>0,49</b>
Covenant, max	3,50

### Debt ratio II:

EBITDAR (12 mth.)	202.751
Interest bearing debt and aircraft lease commitment	149.177
Debt ratio II	<b>0,74</b>
Covenant, max	4,00

### Unpledged fixed assets:

Unpledged fixed assets book value	291.612
Remaining outstanding principal	23.660
Ratio	<b>1233%</b>
Covenant, min	115%

## KEY FIGURES Q1 2015

USD thousands	Q1 2015	Q1 2014	YoY
<b>Operating results</b>			
Total income	186.075	191.277	-3%
EBITDAR	6.204	-3.137	-
EBITDA	-2.268	-13.304	83%
EBIT	-19.279	-30.600	37%
EBT	-18.304	-33.362	45%
Loss for the period	-14.552	-26.721	46%
<b>Balance sheet</b>			
Total assets	992.963	927.291	7%
Total equity	335.616	298.722	12%
Interest bearing debt	80.787	93.727	-14%
Cash and marketable securities	321.943	259.754	24%
Net interest bearing debt	-241.156	-166.027	45%
<b>Cash flow</b>			
Working capital from/to operations	1.164	-12.549	-109%
Net cash from operating activities	117.687	121.371	-3%
Net cash used in investing activities	-37.611	-33.946	11%
Net cash used in financing activities	19.880	-29.138	-168%
Cash and cash equivalents end of period	282.655	250.213	13%
<b>Key ratios</b>			
Equity ratio	34%	32%	1,6 ppt
Current ratio	0,84	0,81	4%
CAPEX USD thousand	26.347	30.938	-15%
EBITDA ratio	-1%	-7%	5,7 ppt
<b>Traffic figures</b>			
International Flights			
Load Factor	79,2%	74,3%	4,9 ppt
ASK ('000.000)	1.776	1.579	12%
Regional and Greenland Flights			
Load Factor	71,4%	70,5%	0,9 ppt
ASK ('000.000)	28	30	-4%
Charter Flights			
Fleet Utilization	95,8%	92,2%	3,6 ppt
Sold Block Hours	5.217	6.113	-15%
Cargo			
ATK ('000)	46.641	41.297	13%
FTK('000)	24.127	24.285	-1%
Hotels			
Sold Hotel Room Nights	49.989	44.812	12%
Utilization of Hotel Rooms	75%	67%	7,8 ppt