

## CREDITOR INFO JULY 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.

### **Icelandair Group's EBITDA in Q2 improves between years**

Icelandair Group performance in the second quarter of 2015 was good, with EBITDA at USD 50.3 million, up by USD 5.0 million as compared to the results of the second quarter of 2014. The principal reason for the Company's success was the profitable growth in the Company's international flight operations. In addition, the fall in the price of fuel between years had a positive impact on the Company's results. Operation of other business activities of the Company was also successful in the quarter.

The Company's operations have been successful in the first six months of the year and trends in external conditions have been favourable since the publishing of Q1 Financial report in April. Updated projections now assume an average EUR/USD cross rate of 1.10 instead of 1.07, which will have a positive impact on our operations. The booking status for the coming months in international flight operations has strengthened beyond the Company's projections which, all other things being equal, will have a positive impact on performance in the second half of the year, in particular performance in the third quarter. EBITDA forecast for 2015 is now projected in the range of USD 180-185 million.

### **Equity ratio 36%**

Icelandair Group's balance sheet is strong, total assets amounted to USD 1.038.402 million and equity ratio at the end of the second quarter was 36%. Operating assets amounted to USD 336.8 million, increasing by USD 17.5 million from the beginning of the year. The equity ratio at the end of 2014 was 43%.

Interest-bearing liabilities amounted to USD 78.5 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 351.2 million at the end of the second quarter of 2015, compared to USD 283.3 million at the same time last year. Net interest-bearing debt was therefore negative in the amount of USD 272.7 million at the end of the quarter.

### **Strong cash position**

Icelandair Group's cash flow from operating activities came to USD 86.7 million in the second quarter of 2015, up by 3.0 million from the second quarter of 2014. Net cash used in financing activities amounted to USD 20.7 million, of that figure, repayments of long-term borrowings amounted to USD 2.8 million. Cash increased by 31.4 million over the quarter, the increase over the same period last year was USD 16.7 million. The positive currency effect on cash amounted to USD 0.8 million.

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

Prospects in Icelandair Group's international operations is positive. Operations in the first six months of the year were favourable, passenger numbers increased by 18% and the passenger load factor was favourable at 80.8% over the period.

The Company announced a change in focus this spring regarding its fleet of aircraft on international routes. In the spring of 2016 two B767-300 aircraft with seating capacities of 260 passengers will be added to the fleet. The new aircraft have a far greater range than the B757-200 aircraft, so their introduction will open opportunities for advances into new markets.

The purchase of three Q400 aircraft for the Group's regional flight operations has been finalised and the first aircraft is expected to fly in the Company's service in December 2015. Regional flight operations will have five aircraft in service after that, three Q400s and two Q200s. The five Fokker-50 aircraft currently owned by the company will be sold. The company sees opportunities for expanding into new markets and providing improved services to the current domestic market with the purchase.

Hotel operations have been successful this year and the Group's business operations in tourism-related services is showing success and growing as the number of passengers to Iceland increases and the Route Network grows. The prospects in cargo operations are favourable and an increase is anticipated between years in both imports and exports. Charter operations are also showing success and the project situation is good.

## FINANCIAL COVENANTS JUNE 30 2015

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### Equity ratio:

Equity	373.186
Total assets	1.038.402
Equity ratio	<b>36%</b>
Covenant, min	25%

### Cash level:

Cash and marketable securities TUSD	351.2008
Cash and marketable securities MUSD	<b>351</b>
Covenant, min MUSD	50

### Debt ratio:

EBITDA (12 mth.)	170.399
Interest bearing debt	78.499
Debt ratio	<b>0,46</b>
Covenant, max	3,50

### Debt ratio II:

EBITDAR (12 mth.)	206.973
Interest bearing debt and aircraft lease commitment	140.784
Debt ratio II	<b>0,68</b>
Covenant, max	4,00

### Unpledged fixed assets:

Unpledged fixed assets book value	304.352
Remaining outstanding principal	23.660
Ratio	<b>1286%</b>
Covenant, min	115%

## KEY FIGURES Q2 2015

USD thousands	Q2 2015	Q2 2014	YoY	6M 2015	6M 2014	YoY
<b>Operating results</b>						
Total income	294.212	297.793	-1%	480.287	489.070	-2%
EBITDAR	59.140	54.918	-	65.344	51.781	26%
EBITDA	50.265	45.240	-11%	47.997	31.936	50%
EBIT	28.393	25.850	-10%	9.114	-4.750	-
EBT	27.923	24.776	-13%	9.619	-8.586	-
Profit/loss for the period	22.365	22.393	0%	7.813	-4.328	-
<b>Balance sheet</b>						
Total assets	-	-	-	1.038.402	947.590	10%
Total equity	-	-	-	373.186	323.543	15%
Interest bearing debt	-	-	-	78.499	60.205	30%
Cash and marketable securities	-	-	-	351.208	283.287	24%
Net interest bearing debt	-	-	-	-272.709	-223.082	22%
<b>Cash flow</b>						
Working capital to/from operations	49.611	50.270	-1%	50.775	37.721	35%
Net cash from operating activities	86.724	83.625	4%	204.411	204.996	0%
Net cash used in investing activities	-34.559	-14.009	147%	-72.170	-47.955	50%
Net cash used in financing activities	-20.716	-52.916	-61%	-836	-82.054	-99%
Cash and cash equivalents end of period	314.903	266.993	18%	314.903	266.993	18%
<b>Key ratios</b>						
Equity ratio	-	-	-	36%	34%	5%
Current ratio	-	-	-	0,90	0,85	6%
CAPEX USD thousand	36.726	10.663	244%	63.073	41.601	52%
EBITDA ratio	17%	15%	-	10%	7%	-
<b>Traffic figures</b>						
International Flights						
Load Factor	81,8%	80,1%	1,8 ppt	80,8%	77,9%	2,9 ppt
ASK ('000.000)	3.008	2.626	15%	4.784	4.204	14%
Regional and Greenland Flights						
Load Factor	71,8%	69,6%	2,2 ppt	71,6%	70,0%	1,6 ppt
ASK ('000.000)	37	36	2%	65	65	-1%
Charter Flights						
Fleet Utilization	100,0%	92,0%	8,0 ppt	97,9%	90,4%	7,5 ppt
Sold Block Hours	5.838	4.551	28%	11.055	10.665	4%
Cargo						
ATK ('000)	64.783	57.225	13%	111.423	98.522	13%
FTK('000)	24.892	24.703	1%	49.400	48.988	1%
Hotels						
Sold Hotel Room Nights	64.373	62.188	4%	114.362	107.000	7%
Utilization of Hotel Rooms	77%	76%	0,9 ppt	76%	72%	4,0 ppt