



**Mixed fleet strategy opens up new opportunities**  
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# Fleet planning is an important part of airline strategy

Fleet composition is a critical long-term strategic decision

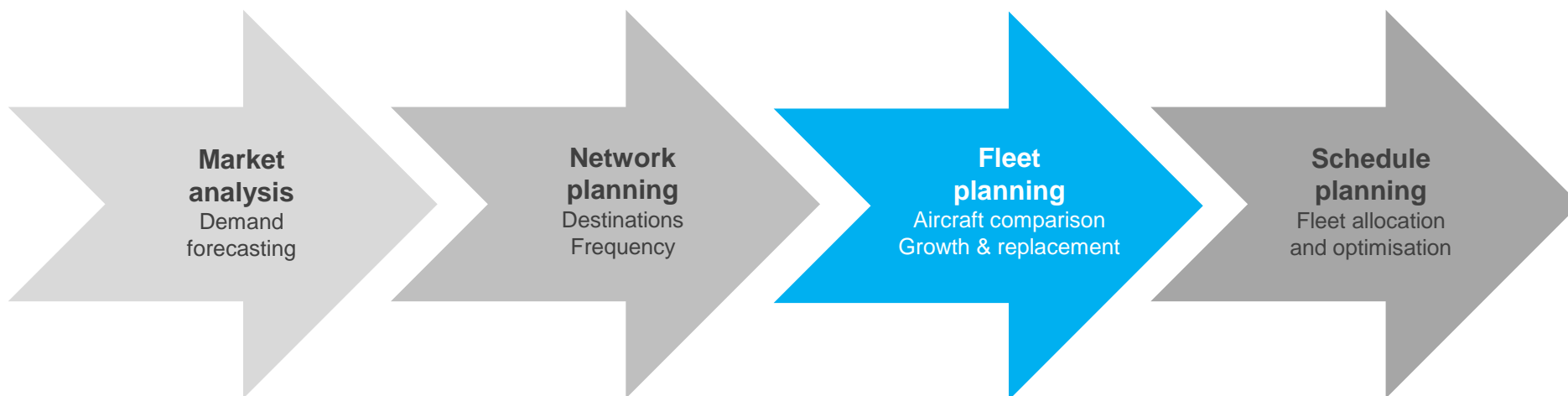
Defines the ability to serve specific markets

Different aircraft performance characteristics

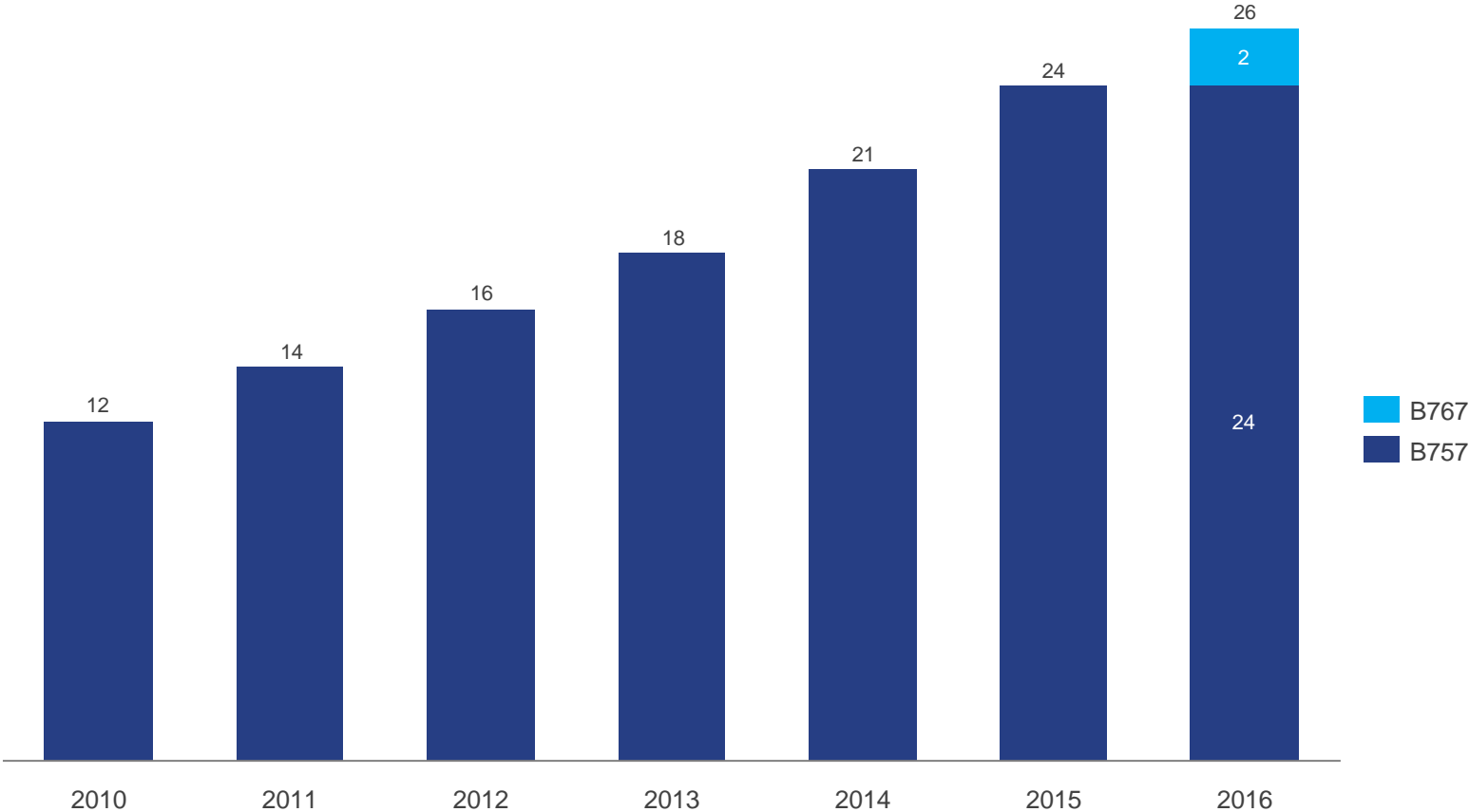
Decisions on fleet strategy affects profitability and financial position

Large Investment

# Fleet planning is a cross-functional effort

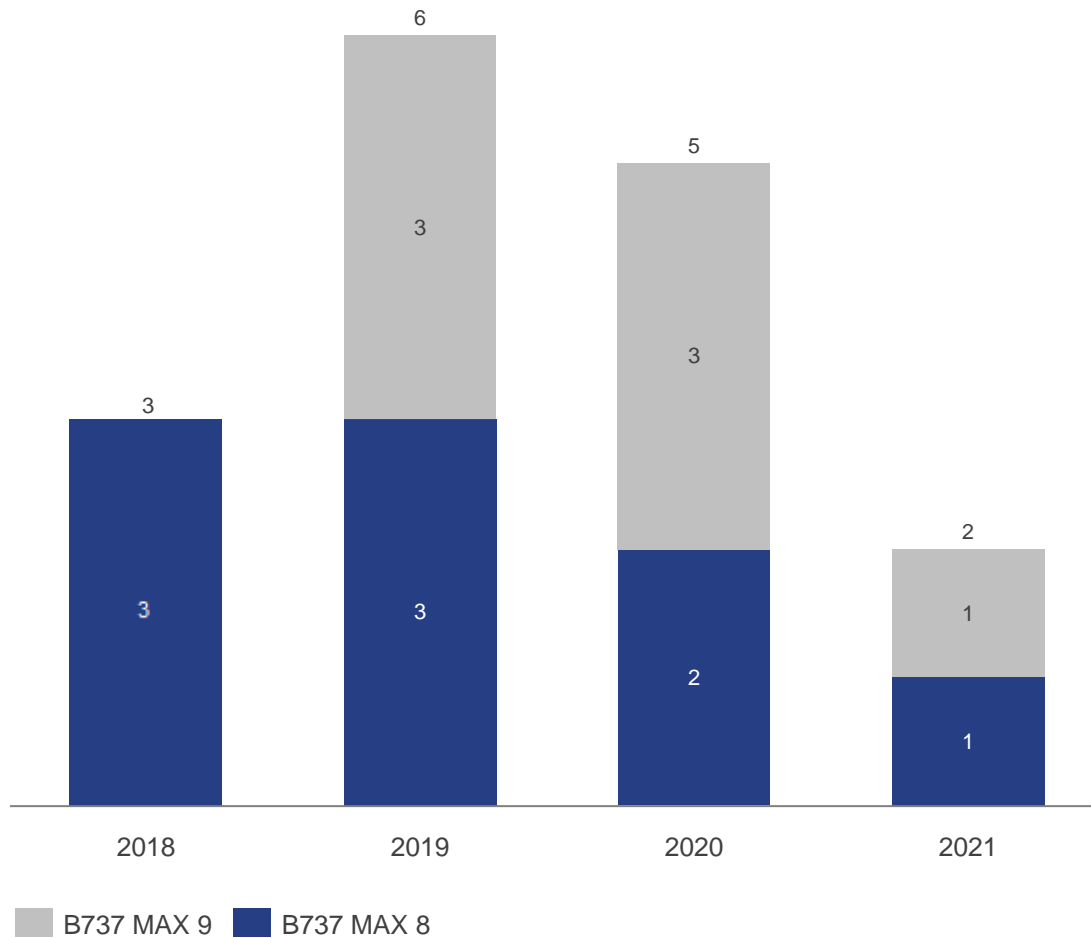


# Our fleet strategy is changing from single type to mixed fleet in 2016 onwards



Only aircraft serving Icelandair route network

# In 2018 B737 MAX will be added to the fleet



The total number of confirmed order for B737 MAX is 16 until 2021

# But why are we changing our fleet strategy?

## Seize new market opportunities

Increased value of mixed fleet as the network grows

Taking advantage of new aircraft technologies

Fleet renewal: Eventually replacing B757's

Increase in off-season tourism

Hedging towards fuel price volatility

## Various value capturing strategies with mixed fleet

- | Development of new markets with smaller aircraft
- | Improving profitability of existing „thinner“ routes (higher RASK)
- | Replace smaller A/C with larger as markets grow
- | Increase frequency on existing routes and take advantage of a „network effect“

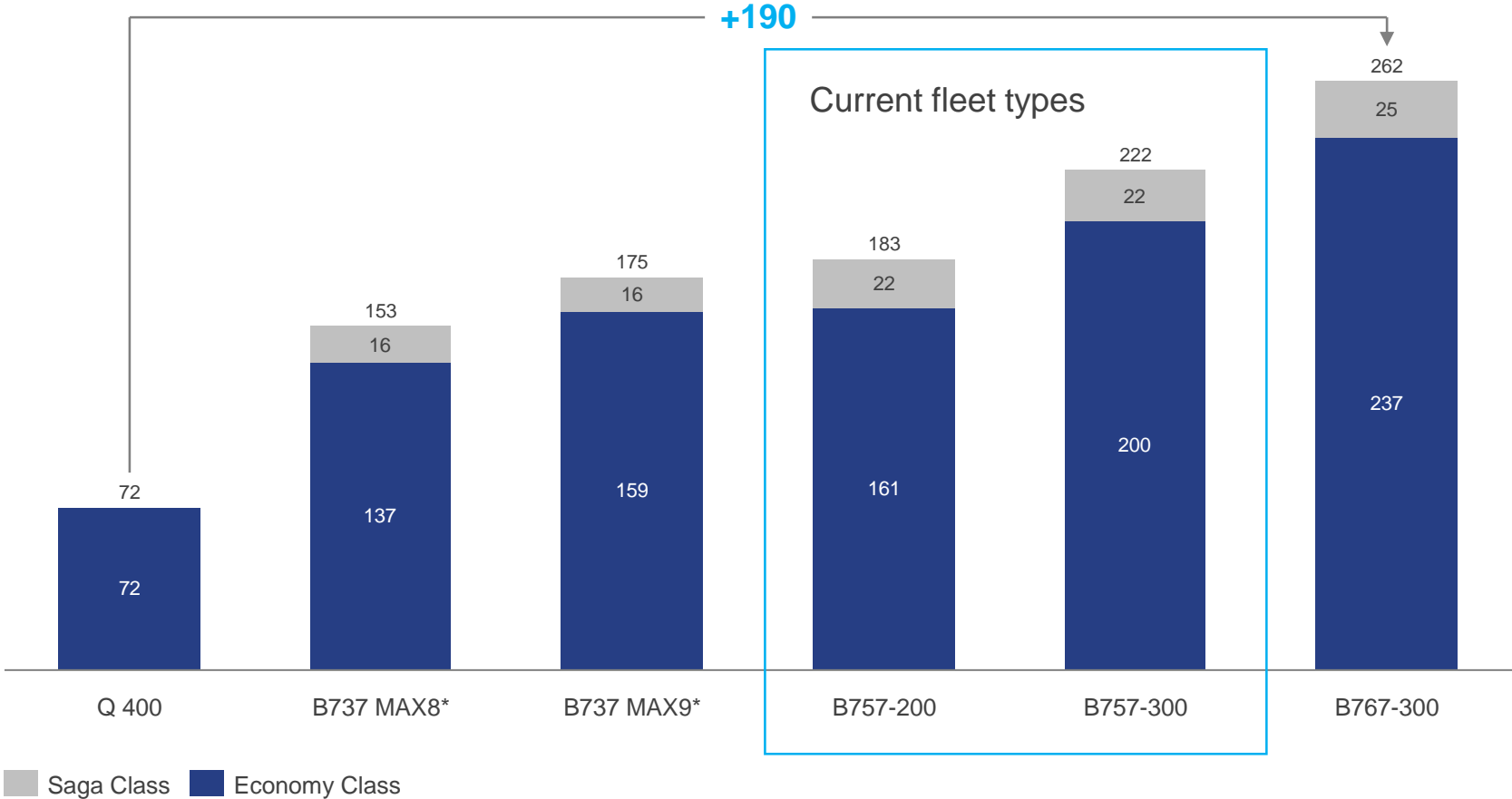
# New fleet at Air Iceland opens up new opportunities for Icelandair in 2016

- | The Q400 aircraft will be operated by Air Iceland on behalf of Icelandair
- | Aircraft type: Bombardier Q400
- | Number of seats: 72
- | Two cabins: Economy and Economy Comfort
- | Flights will be to Aberdeen in Scotland, a new destination in the Route Network
- | Great opportunities to connect this new market with 15 destinations in North America



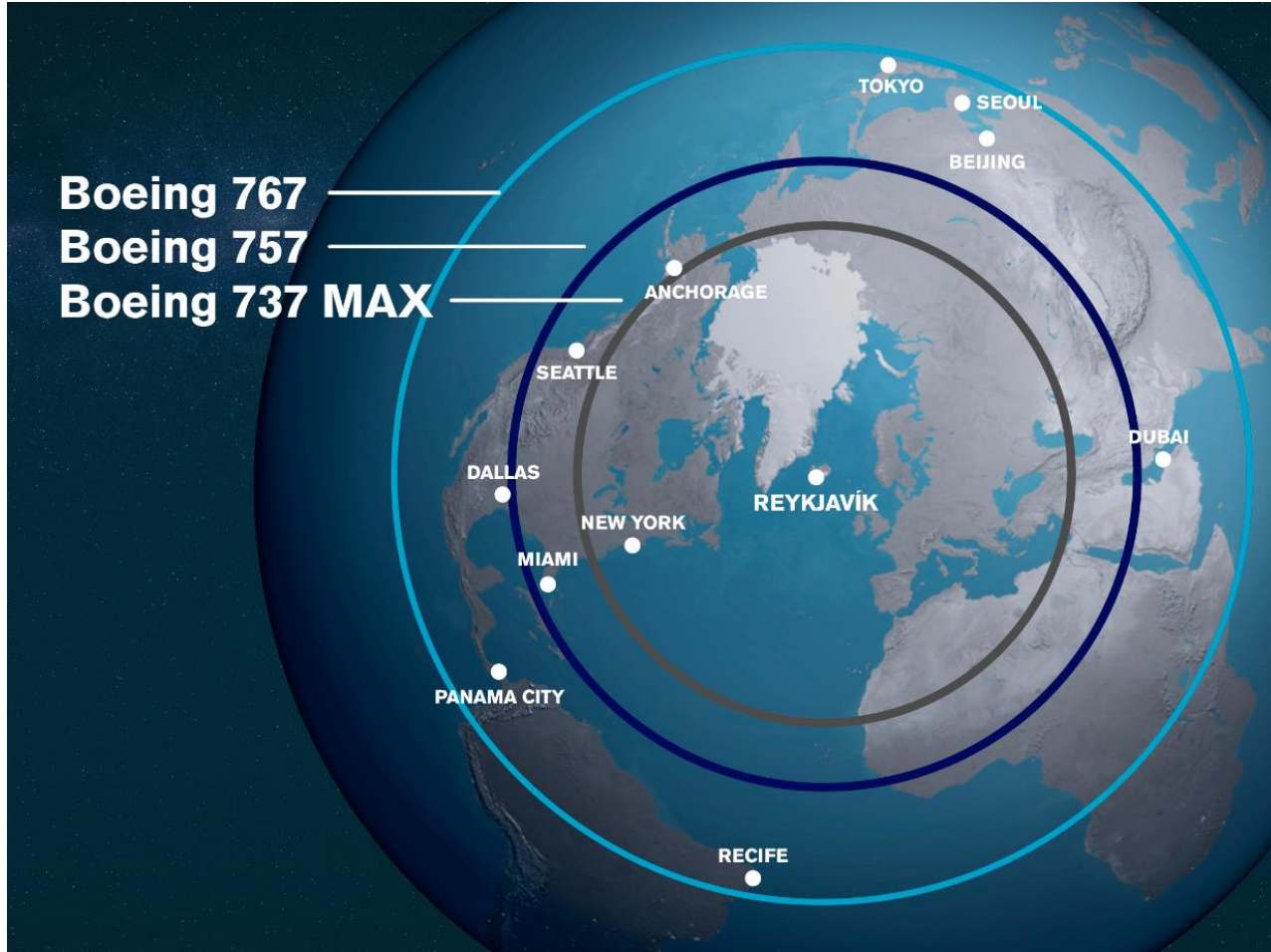


# The seat count will range from 72 to 262 seats in the future fleet of Icelandair

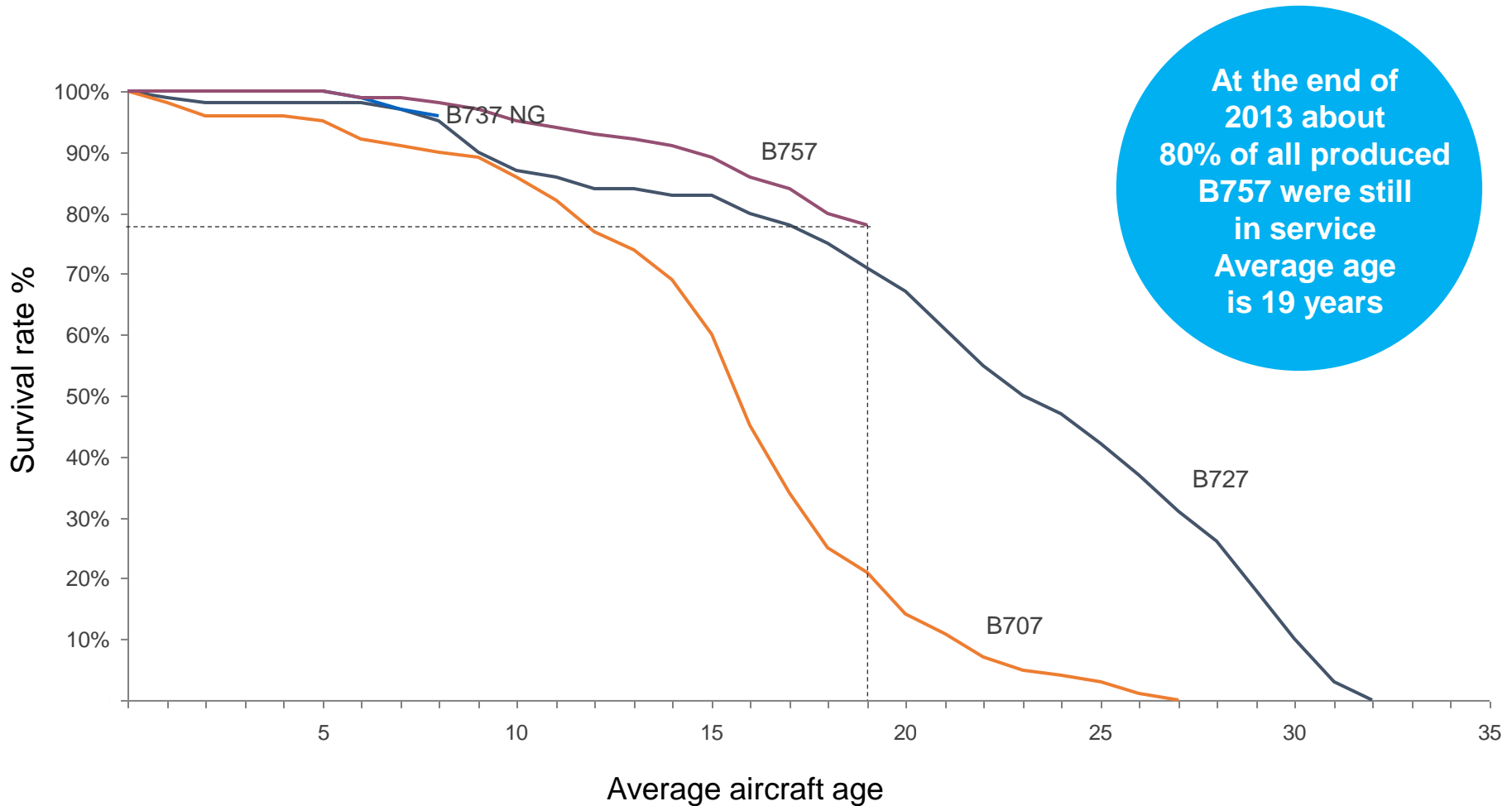


\* B737 MAX seat count is subject to change. Different seat layouts are being evaluated.

# Longer flight range and more diversified seat capacity opens up new markets



# B757 has proven to have a long expected economic life



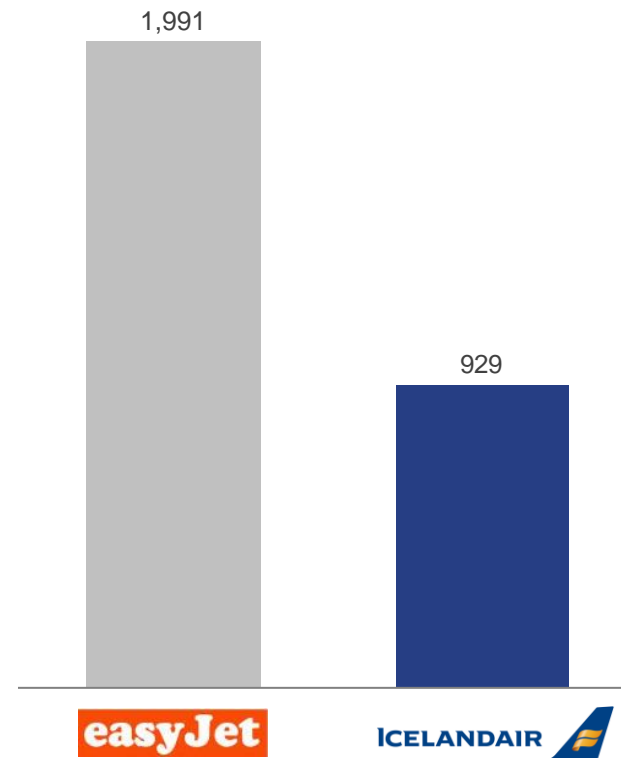
Source: Boeing

# Important to bear in mind that „economic life“ is determined by number of takeoffs (cycles)

Number of block hours



Number of takeoffs



Utilization of Icelandair passenger fleet in 2014. Easyjet figures from annual report 2014.

# Our fleet strategy is flexible and supports our future growth plans

## Likely fleet development until 2025

Keep all  
current B757  
until end  
of 2018

Continue to  
add a some  
B757 or B767  
in the coming  
years

Add  
737 MAX  
from 2018  
onwards

B737 MAX  
will be a  
replacement  
for some  
B757's

Keep some  
B757's until  
2025  
(e.g. for  
flights to US  
Midwest and  
West coast)