

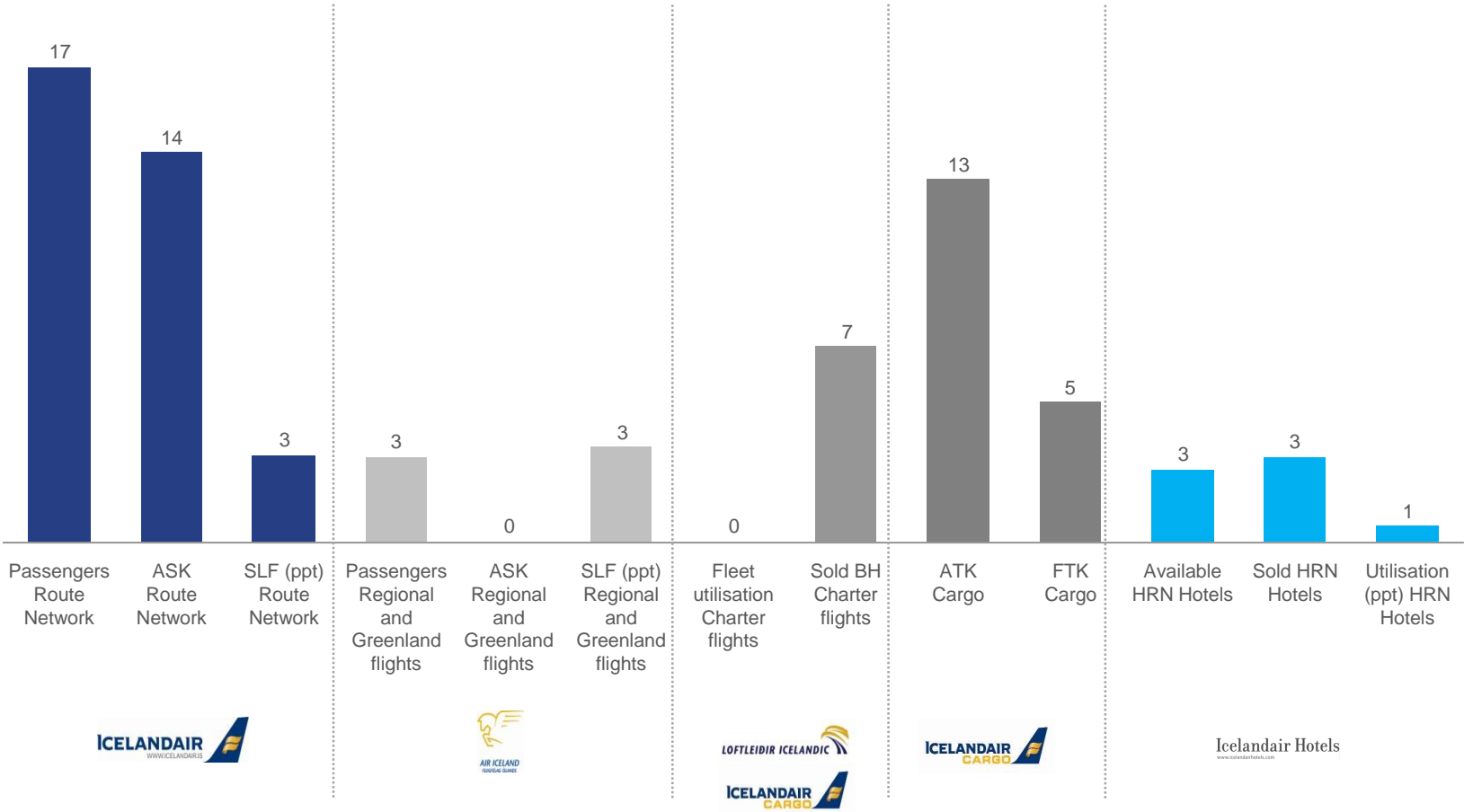


Strong financial position - foundation for further growth
Bogi Nils Bogason | CFO Icelandair Group



The load factor in our Route Network was 89.2% in August and increased by 3 percentage points between years

Year-on-year change in %



New strategy set in 2010 with five key points

#1 Focusing on the **Route Network** and **Tourism Services**

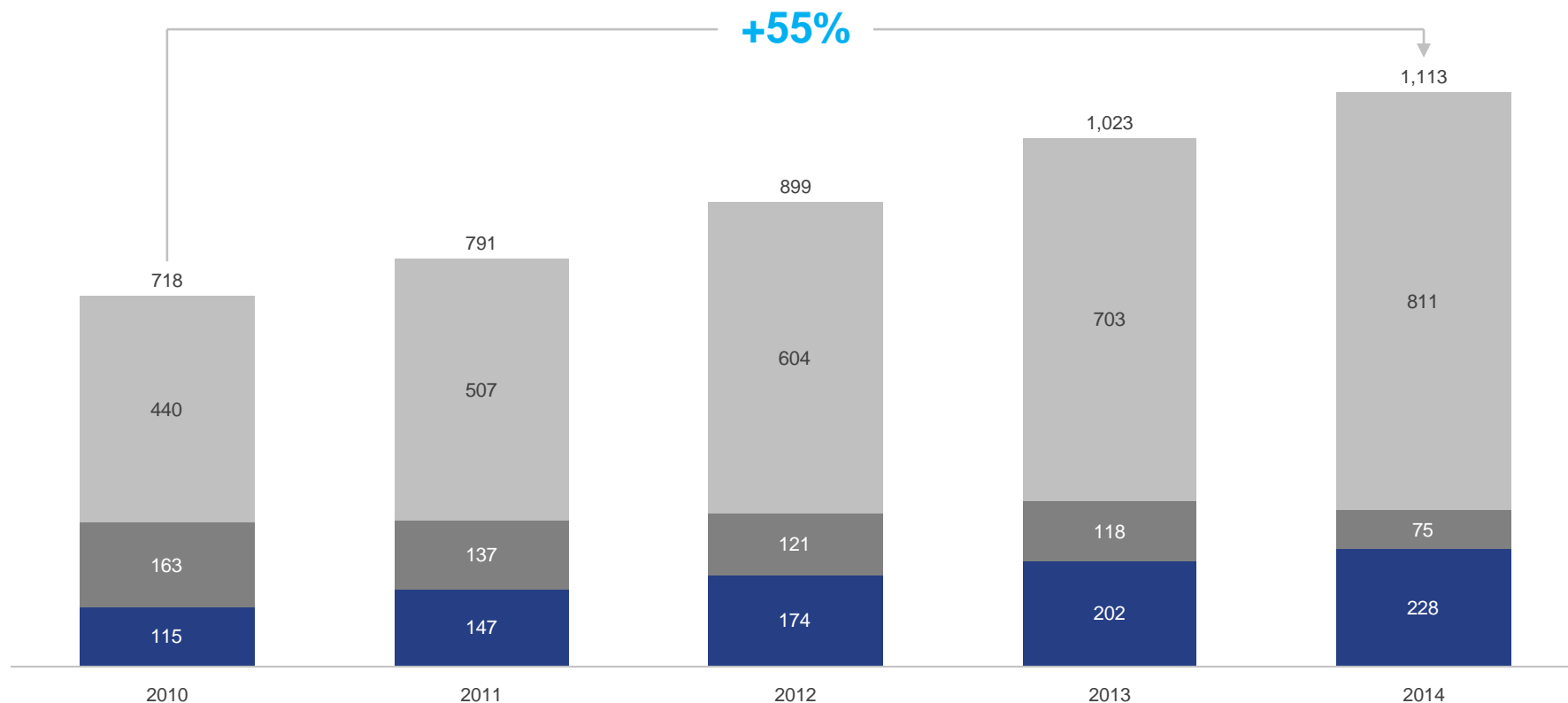
#2 **Reducing seasonality** in the Group's operations

#3 Focusing on **organic growth** and business development

#4 Achieving greater **synergies** between Group companies

#5 Improving efficiency with special emphasis on continuous **cost control**

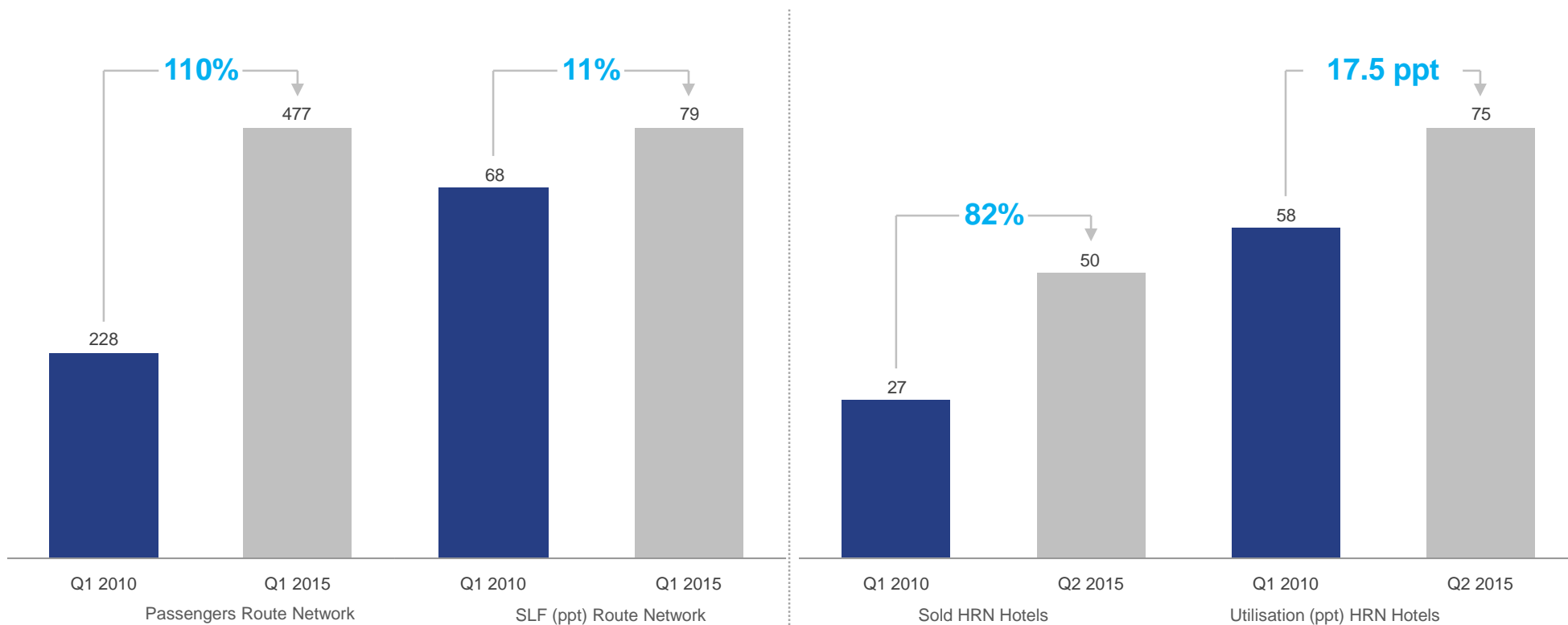
Execution of strategy that has delivered organic growth



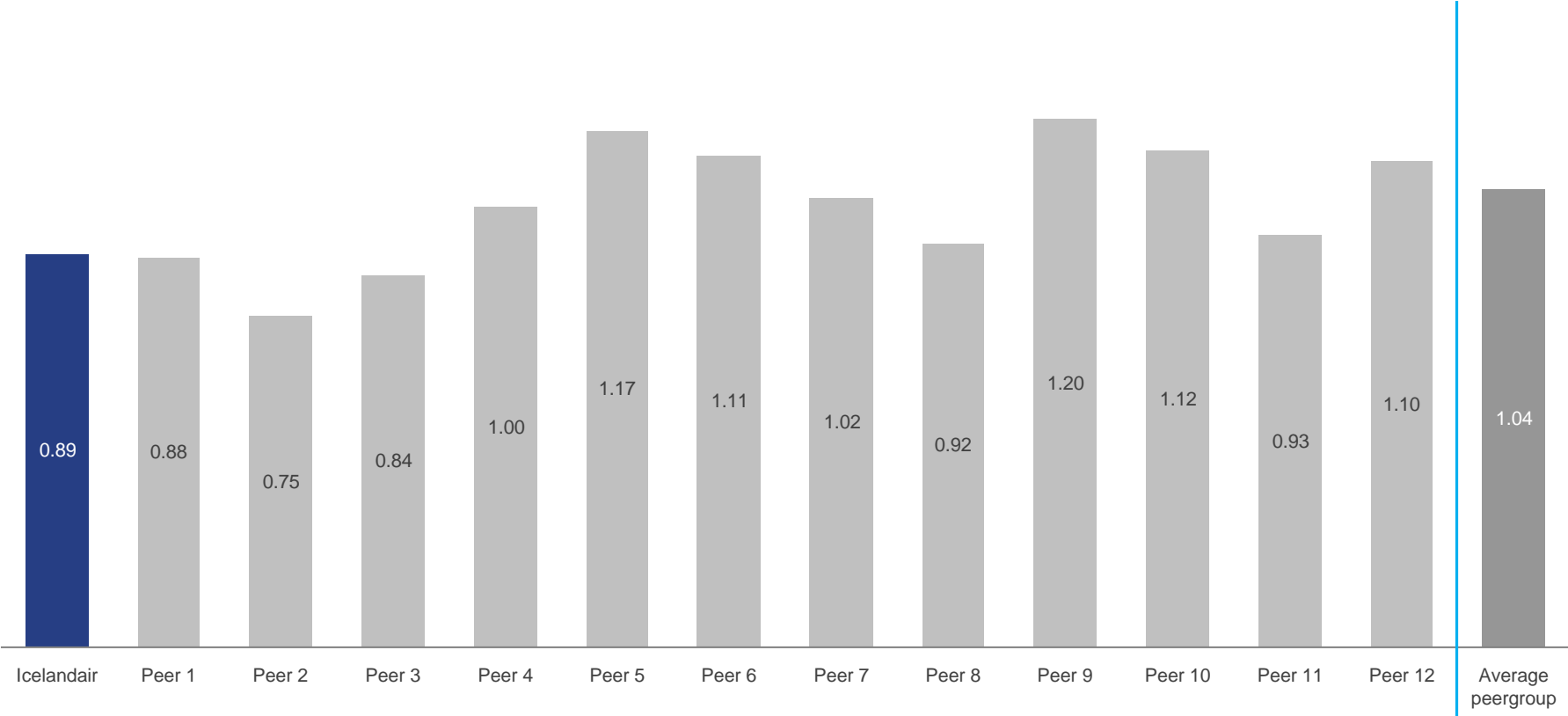
■ Transport revenue ■ Aircraft and aircrew lease ■ Other revenues

All figures in USD million.

Less seasonality – higher ROI

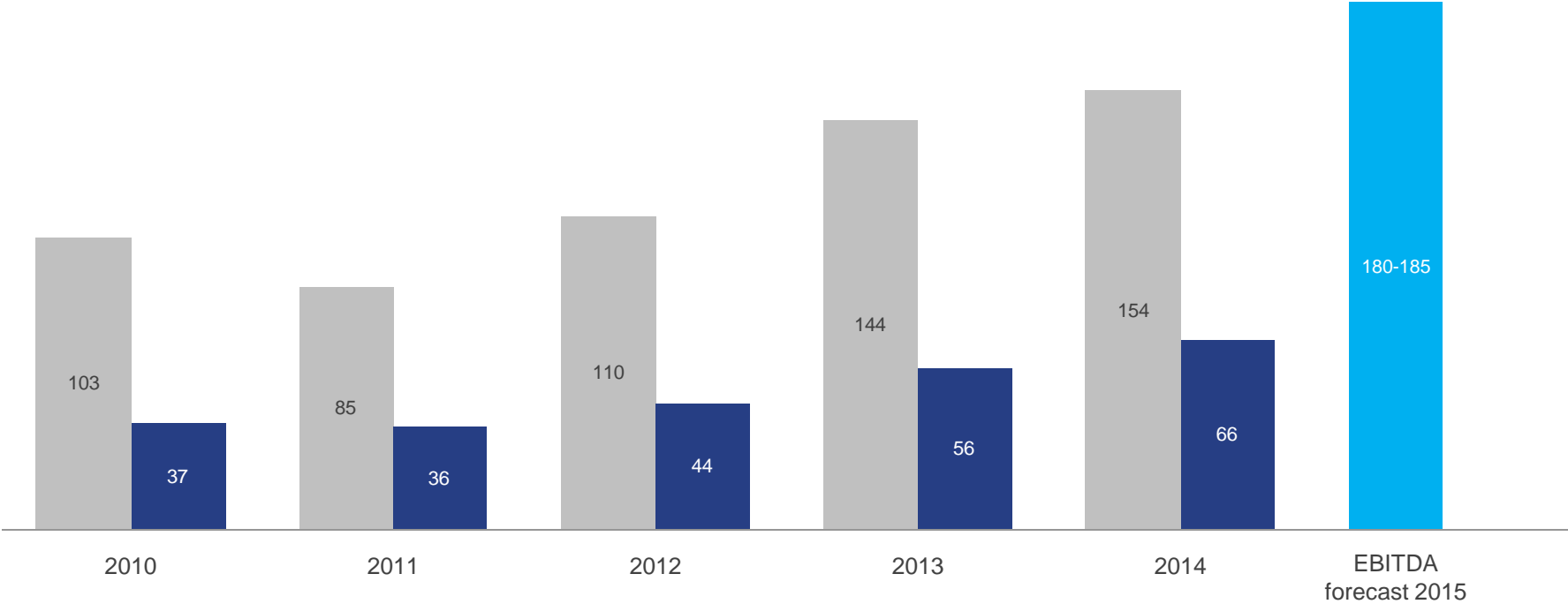


Our unit cost excluding fuel has decreased over the last five years and was in 2014 89% of what it was in 2010



Unit cost = EBIT cost / available seat km
Source: annual report of European and US airlines

The operations has been profitable and the forecast for 2015 indicates EBITDA in the range of USD 180-185 million



■ EBITDA ■ Net profit

All figures in USD million.

Cash flow has been strong with total aggregated net cash from operations from 2010 amounting to USD 1.1 billion

EBITDA
USD
643 million

Net profit
USD
248 million

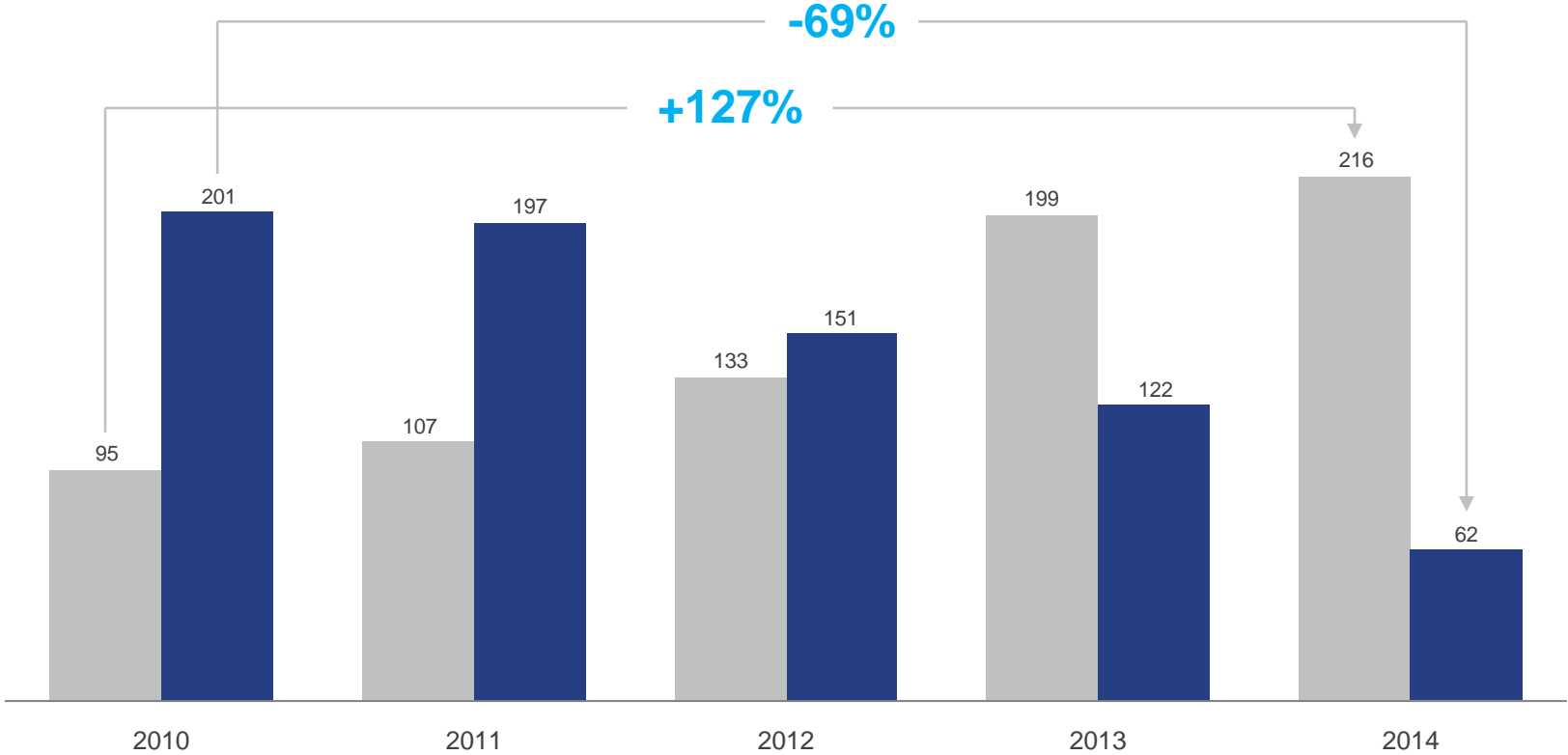
**Dividend
to shareholders**
USD
55 million

**Net cash
from operations**
USD
1.1 billion

**Total
investments**
USD
548 million

**Repayment
of borrowings**
USD
263 million

Cash and marketable securities have increased at the same time that interest bearing debt has decreased



■ Cash and marketable securities ■ Interest bearing debt

All figures in USD million.

Significant investments ahead which will change the balance sheet

New hotel
50% ownership

3
Q400

1
Boeing 767

2
Boeing 757

16
Boeing 737 Max

PDP
payments

Financial strategy

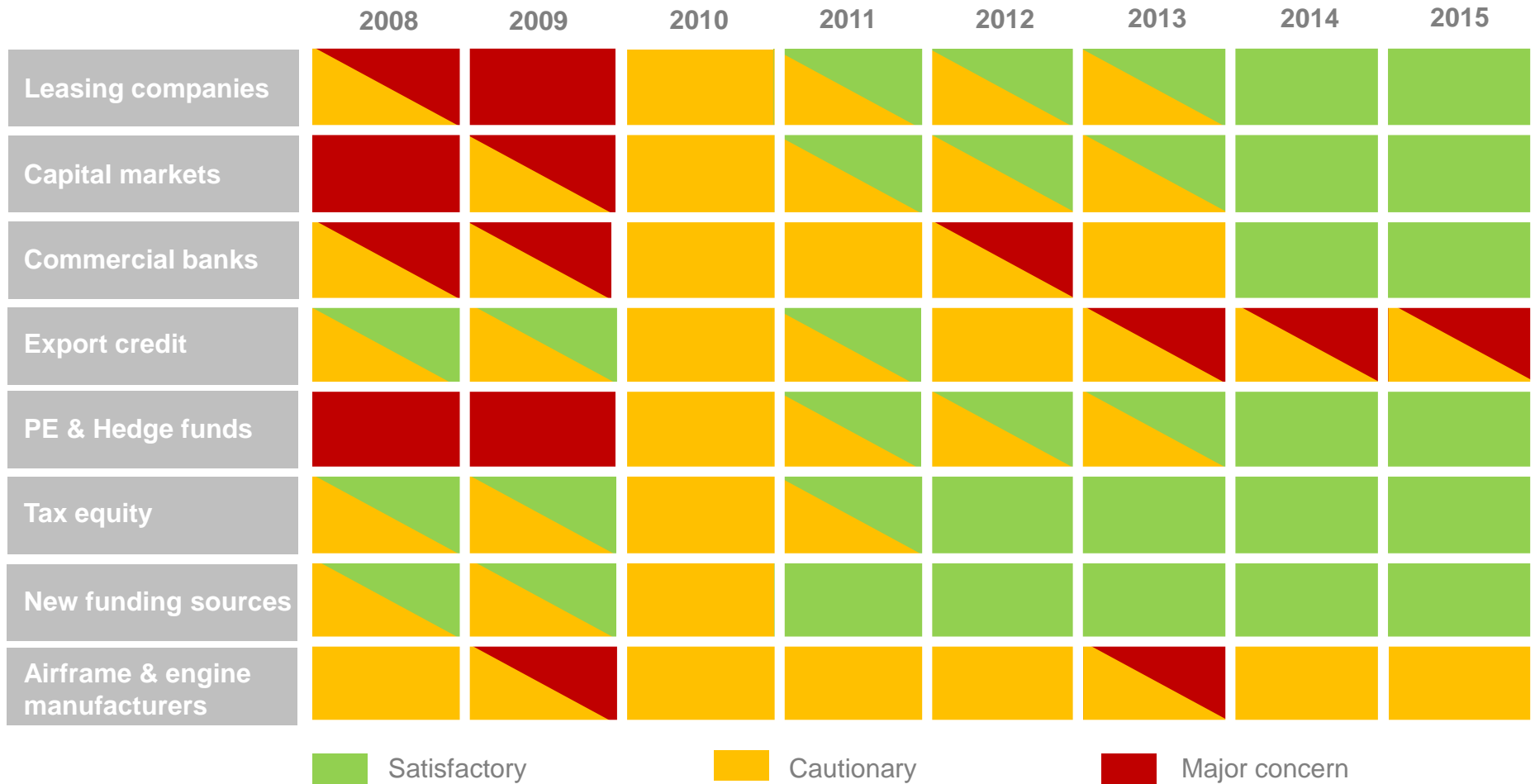
Equity ratio
no less
than
35%

On average have **three months cost as liquidity**
30% can be in the form
of unused
credit lines

The goal is to
pay **20-40% of annual
net profit** as
a dividend

Flexibility around
operational
assets

Healthy aircraft financing environment – broad liquidity – but there is some export credit uncertainty



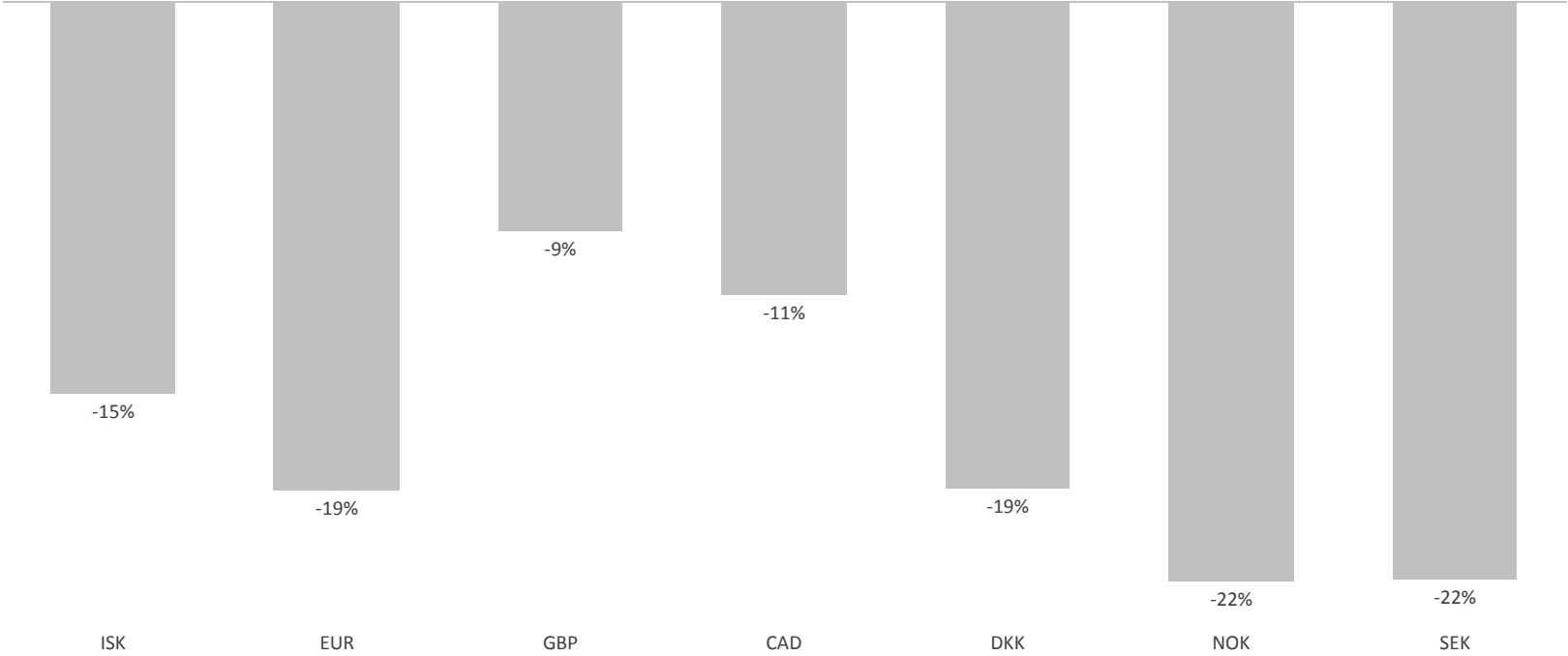
Source – the Boeing Company.

Current average world fuel price is low in historical perspective and has not been lower since 2009



Figures: USD/ton.

The USD has strengthen against most currencies as compared to 2014

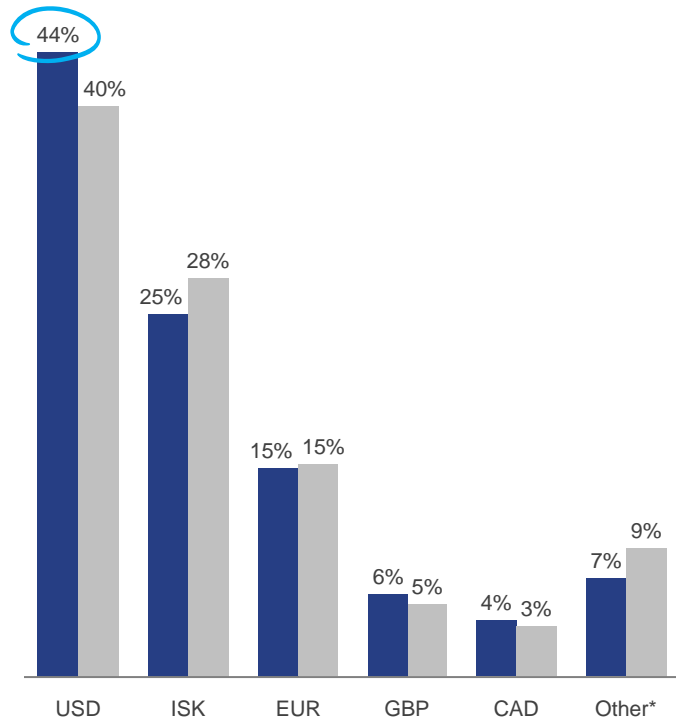


Change in main currencies against the USD; 6M15 vs 6M14

The weight of USD is increasing in revenues due to increased capacity in our Route Network to the US

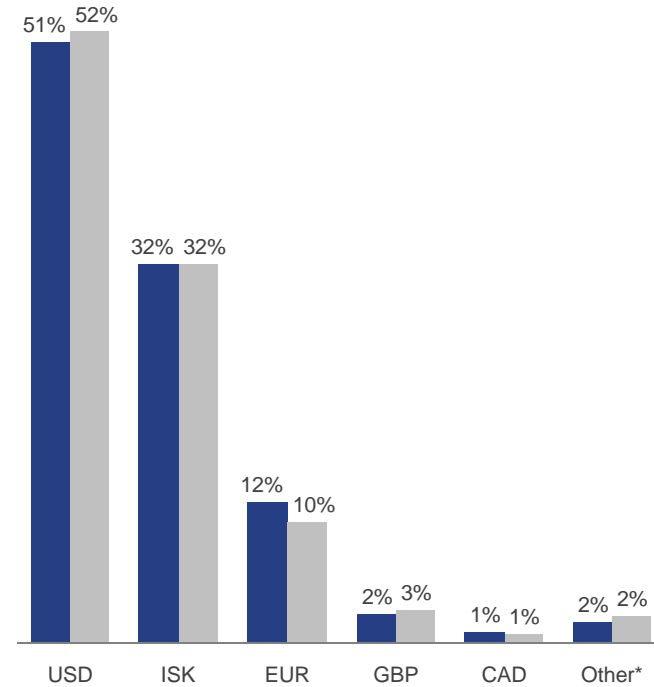
Operating income

■ 6M 2015 ■ 6M 2014



Operating expenses

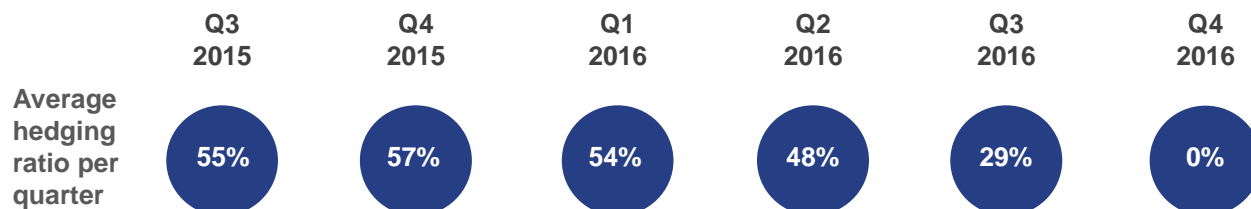
■ 6M 2015 ■ 6M 2014



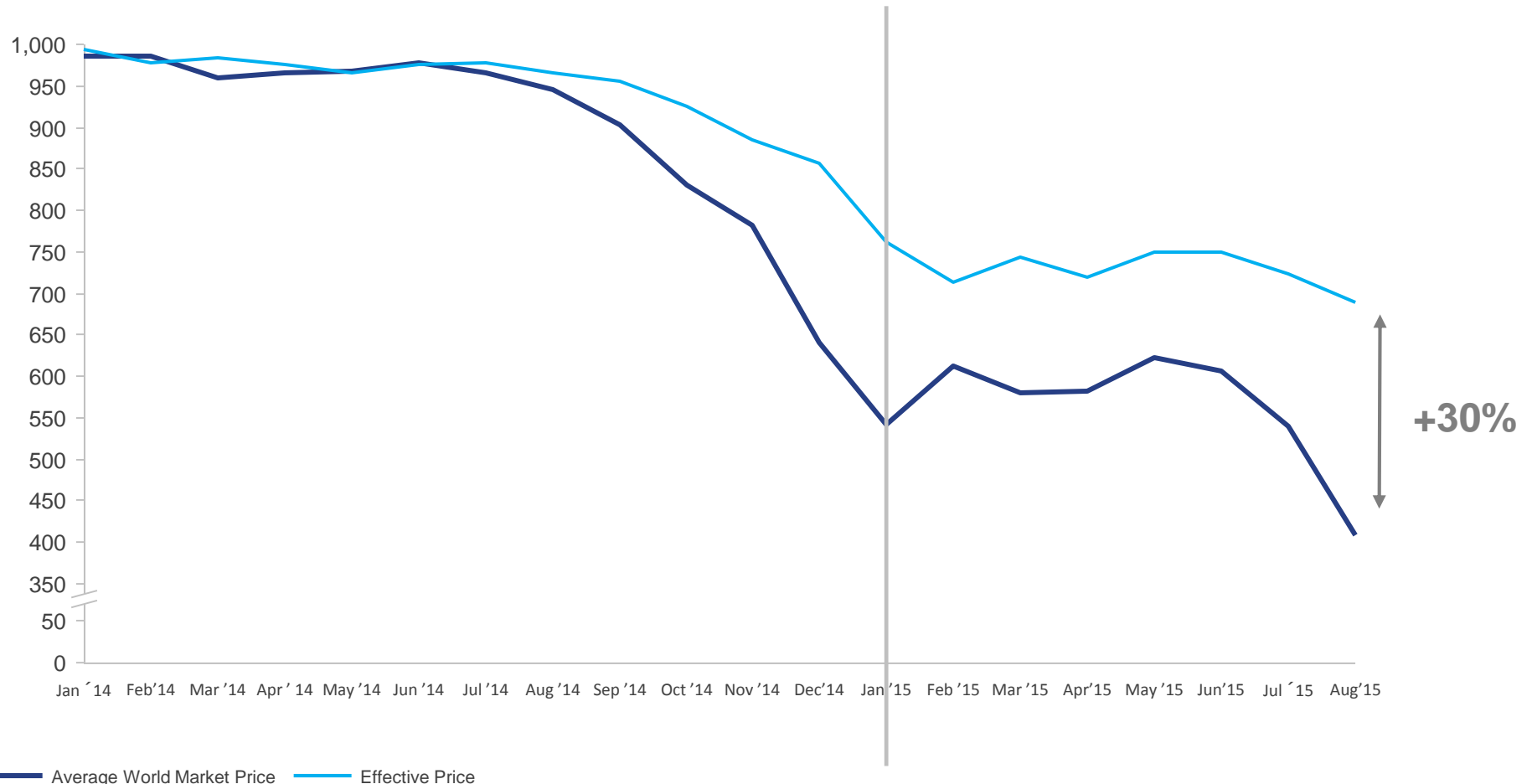
Other* mainly the Scandinavian currencies

49% of estimated fuel usage until September 2016 has been hedged

Period	Estimated usage (tons)	Option volume	Swap volume	Total swap and option contracts	% hedged	Av. Swap price USD	Bought call strike	Sold put strike
Sep 2015	30,956	6,000	10,470	16,470	53%	789	960	859
Oct 2015	24,181	4,000	9,570	13,570	56%	662	900	831
Nov 2015	20,109	0	10,640	10,640	53%	658	0	0
Dec 2015	19,092	0	11,620	11,620	61%	596	0	0
Jan 2016	19,252	0	10,460	10,460	54%	608	0	0
Feb 2016	17,527	0	10,410	10,410	59%	642	0	0
Mar 2016	21,076	0	10,390	10,390	49%	615	0	0
Apr 2016	22,062	0	10,430	10,430	47%	636	0	0
May 2016	33,523	0	15,420	15,420	46%	677	0	0
Jun 2016	40,463	0	20,400	20,400	50%	655	0	0
Jul 2016	42,370	0	18,400	18,400	43%	607	0	0
Aug 2016	42,390	0	16,300	16,300	38%	537	0	0
Total	333,001	10,000	154,510	164,510	49%	-	-	-

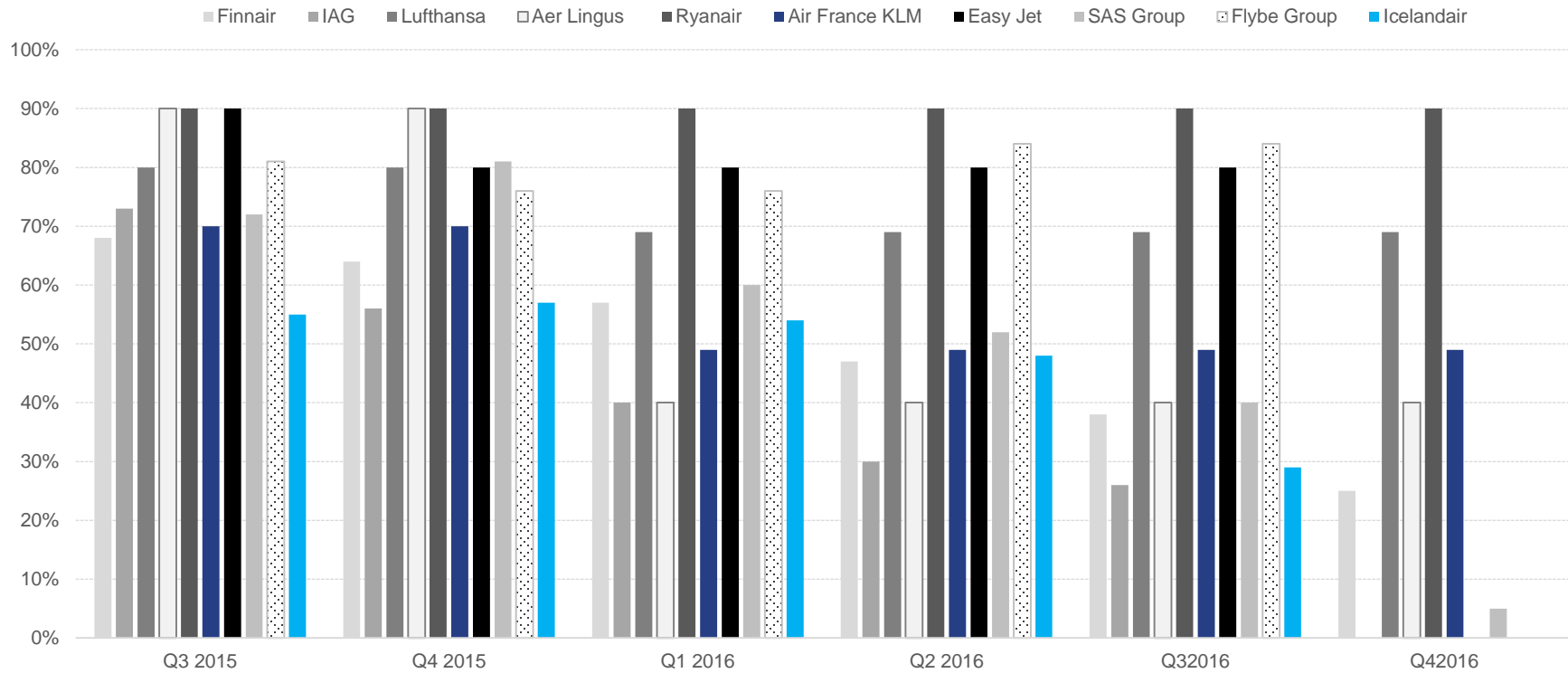


Effective fuel price paid in the first seven months of 2015 is 30% higher than the average world fuel price



Figures: USD/ton.

Icelandair Group fuel hedging ratio is lower than the average by our peers in Europe



Average hedging ratio

77%

74%

62%

59%

55%

46%

Conclusion

Icelandair Group's Strategy has delivered **increased shareholder value**

Icelandair Group is **financially strong**

Icelandair Group has Policies in place **to mitigate fluctuations caused by external factors**

Icelandair Group's **Financial Policy is prudent**

Icelandair Group is prepared for **further growth and investment is needed**
