

CREDITOR INFO OCTOBER 2015

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/ where additional credit relevant information is available.

Good performance in Q3

Icelandair Group results in the third quarter was good and business operations were successful. EBITDA amounted to USD 150.9 million, up by 22% as compared to the results of the third quarter of 2014. The EBITDA ratio was 35.1% up by 5.5 percentage points between years. The principal reason for the Company's success in the quarter is largely stemming from increased passenger revenues and lower fuel costs. The passenger load factor was 87.3% in the third quarter as compared to 84.2% at the same time last year. This is the best third-quarter load factor ever. Maintenance expenses were also lower than anticipated.

The performance outlook for the fourth quarter has improved, the booking situation in international flights is strong and external factors have favoured the Company since last quarterly report. The international flight schedule for 2016 was presented in early September with capacity increase of 18% from 2015. The number of passengers is projected at 3.5 million, compared to 3.0 million passengers in the current year.

The Icelandic tourist industry is going through a period of rapid growth. The tourist season is becoming longer which means less seasonal fluctuations and greater opportunities for development around the country.

Equity ratio 46%

Icelandair Group's balance sheet is strong, total assets amounted to USD 1,015.5 million and equity ratio at the end of the third quarter was 46%. Operating assets amounted to USD 353.1 million, increasing by USD 33.8 million from the beginning of the year. The equity ratio at the end of 2014 was 43%.

Interest-bearing liabilities amounted to USD 76.2 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 285.0 million at the end of the third quarter of 2015, compared to USD 254.7 million at the same time last year. Net interest-bearing debt was negative in the amount of USD 208.8 million at the end of the quarter.

Cash flow and investments

Cash and cash equivalents at the end of September amounted to 256.6 million. Net cash from operating activities amounted to USD 4.1 million in the third quarter of 2015, down by USD 1.7 million from the third quarter of 2014. Cash decreased by USD 59.0 million over the quarter, the decrease over the same period last year was USD 36.2 million.

Investments amounted to a total of USD 46.5 million, thereof investments in operating assets amounted to USD 38.9 million. The largest share was due to investments in aircraft and related equipment, mostly payments on three Bombardier Q400 aircraft over the period. A 50% share in the real estate company that owns buildings on the Landsíma-field downtown Reykjavík, were a 160 room luxury hotel will open in 2017 was bought in the quarter. Investments in long-term expenses and intangible assets amounted to a total of USD 7.6 million.

Cash flow used in financing activities amounted to USD 2.9 million.

Outlook for Icelandair Group hf.

Prospects in the operations of the Route Network are favourable. Flights will be offered to 42 destinations in 2016, increasing the previous number by three. The new destinations are Chicago in the U.S., Montreal in Canada and Aberdeen in Scotland. The growth of the Route Network is however mostly a result of increased frequencies to current destinations on both sides of the Atlantic, in the North America and Europe.

The Company announced a change in focus this spring regarding its fleet of aircraft on international routes. Two B767-300 aircraft with seating capacities of 262 passengers will be added to the Company's 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.

In the coming months three Bombardier Q400 aircraft will be introduced for use on the Company's domestic and Greenland routes. The five Fokker-50 aircraft currently owned by the company will be sold. The regional fleet will consist of three Bombardier Q400 and two Bombardier Q200 aircraft. A new destination, Kangerlussuaq, will be introduced next year. This will be the Company's fifth destination in Greenland. The Bombardier Q400 will also be used for international flights to Aberdeen.

Hotel operations have expanded greatly in recent years and further large hotel projects have been announced. A Canopy Hotel of 115 rooms will be opened in Reykjavik City Centre in early 2016 in co-operation with the Hilton Hotel chain. There are also plans to open two high-quality hotels in the heart of Reykjavik in 2017. Work is also in progress on developing a hotel at Lake Mývatn in northern Iceland. The Group's business operations in tourism-related services are 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.

The updated EBITDA guidance for 2015 is USD 210-215 million, up by USD 30 million from the July guidance. The increase is a result of the good performance in the third quarter in addition to the strengthening booking situation in the Route Network in the fourth quarter. In addition, external factors have shown favourable trends for the Company since the last report. The world price of fuel has gone down, and in addition there are prospects of a stronger EUR against the USD.

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Equity ratio:

Equity	471.634
Total assets	1.015.460
Equity ratio	46%
Covenant, min	25%

Cash level:

Cash and marketable securities TUSD	285.025
Cash and marketable securities MUSD	285
Covenant, min MUSD	50

Debt ratio:

EBITDA (12 mth.)	197.391
Interest bearing debt	76.208
Debt ratio	0,39
Covenant, max	3,50

Debt ratio II:

EBITDAR (12 mth.)	232.359
Interest bearing debt and aircraft lease commitment	145.090
Debt ratio II	0,62
Covenant, max	4,00

Unpledged fixed assets:

Unpledged fixed assets book value	323.218
Remaining outstanding principal	23.660
Ratio	1366%
Covenant, min	115%

KEY FIGURES Q3 2015

USD thousands	Q3 2015	Q3 2014	YoY	9M 2015	9M 2014	YoY
Operating results						
Total income	429.446	418.746	3%	909.733	907.816	0%
EBITDAR	159.927	134.541	19%	225.271	186.322	21%
EBITDA	150.875	123.883	22%	198.872	155.819	28%
EBIT	127.006	102.515	24%	136.120	97.765	39%
EBT	130.754	106.189	23%	140.373	97.603	44%
Profit for the period	103.143	85.801	20%	110.956	81.473	36%
Balance sheet						
Total assets	-	-	-	1.015.460	877.233	16%
Total equity	-	-	-	471.634	403.607	17%
Interest bearing debt	-	-	-	76.208	55.469	37%
Cash and marketable securities	-	-	-	285.025	254.695	12%
Net interest bearing debt	-	-	-	-208.817	-199.226	5%
Cash flow						
Working capital from operations	157.406	135.211	16%	208.181	172.932	20%
Net cash from operating activities	4.085	5.767	-29%	208.496	210.763	-1%
Net cash used in investing activities	-60.265	-38.383	57%	-132.435	-86.338	53%
Net cash used in financing activities	-2.868	-3.622	-21%	-3.704	-85.676	-96%
Cash and cash equivalents end of period	256.553	227.576	13%	256.553	227.576	13%
Key ratios						
Equity ratio	-	-	-	46%	46%	-
Current ratio	-	-	-	1,08	1,03	4%
CAPEX USD thousand	46.543	28.275	65%	109.616	69.876	57%
EBITDA ratio	35%	30%	-	22%	17%	-
Traffic figures						
International Flights						
Load Factor	87,3%	84,2%	3,1 ppt	83,9%	80,7%	3,2 ppt
ASK ('000.000)	3.959	3.446	15%	8.743	7.650	14%
Regional and Greenland Flights						
Load Factor	77,5%	73,6%	3,9 ppt	74,3%	71,7%	2,6 ppt
ASK ('000.000)	53	54	-2%	118	119	-1%
Charter Flights						
Fleet Utilization	100,0%	92,0%	8,0 ppt	98,6%	89,2%	9,4 ppt
Sold Block Hours	6.379	5.298	20%	17.435	15.963	9%
Cargo						
ATK ('000)	76.415	67.402	13%	187.840	165.924	13%
FTK('000)	24.866	23.905	4%	73.977	72.893	1%
Hotels						
Sold Hotel Room Nights	91.676	87.476	5%	206.038	194.476	6%
Utilization of Hotel Rooms	88%	87%	1,2 ppt	81%	78%	2,9 ppt