

CREDITOR INFO MARCH 2016

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 2015

Icelandair Group performed well in 2015. The results exceeded management projections from the beginning of the year and EBITDA at the upper limits of the Company's most recent earnings guidance. Falling fuel prices, increased demand in the North Atlantic market – which was met by increased capacity and good results from charter and cargo operations were the main interacting factors contributing to the strong performance. Hotel room occupancy also increased between years.

In recent years, Icelandair Group has followed a clear strategy designed to ensure the Group's long-term growth and focused on strengthening the Company's operations outside the peak season. The substantial improvement in fourth quarter operations is therefore a matter of great satisfaction. A strong equity position and underlying cash flow will underpin the Group's ability to undertake profitable investments and improve competitiveness for the long term. Since 2010, Icelandair Group's operations have shown a positive momentum, with income growing by USD 422 million, from USD 718 million in 2010 to USD 1,140 million in 2015.

Equity ratio 47%

Total assets amounted to USD 972.0 million at the end of 2015 and equity ratio at year end was 47%. Operating assets amounted to USD 419.1 million, increasing by USD 99.7 million from the beginning of the year. The Company's largest asset is its fleet of aircraft, which comprised 43 aircraft at the end of 2015, 35 owned by the company and 8 leased. The equity ratio at the end of 2014 was 43%. Interest-bearing debt amounted to USD 65.5 million, as compared to USD 61.9 million at the beginning of the year. New long-term debts in 2015 totalled USD 23.7 million. Payments on long-term debts amounted to USD 20.0 million over the year.

Cash and marketable securities totalled USD 214.1 million at the end of 2015, compared to USD 215.6 million at the end of 2014. Net interest-bearing debt was negative in the amount of USD 148.6 million at year end 2015.

Cash flow and investments

Cash and cash equivalents at year-end 2015 amounted to USD 194.6 million. Net cash from operating activities in 2015 amounted to USD 245.1 million as compared to USD 215.3 million in 2014. The cash position for the year increased by USD 9.8 million.

Investments over the year amounted to USD 210.4 million, thereof investments in operating assets amounted to USD 182.6 million. Investments in long-term expenses and intangible assets amounted to a total of USD 27.8 million.

Outlook for Icelandair Group hf.

Prospects for Icelandair Group's operations in 2016 are favourable. Two new 767-300 wide-body aircraft will be added to the Company's fleet and one Boeing 757 for the international flight. Total increase in available seat kilometres between years will be 24%. The passenger load factor in the international Route Network was very good in 2015, with a new record set in every month of the year. A favourable passenger load factor is anticipated in 2016, even though it cannot be expected to increase in every month as it did between 2014 and 2015.

In the first half of 2016, three Bombardier Q400 aircraft will be introduced for use on the Company's domestic and Greenland routes. This marks the end of the Company's 50-year history of Fokker aircraft. The five Fokker-50 aircraft currently owned by the company will be sold, with the sale of one aircraft already finalised. The regional fleet will consist of three Bombardier Q400 and two Bombardier Q200 aircraft. A new destination, Kangerlussuaq, will be introduced this summer. This will be the Company's fifth destination in Greenland. The Bombardier Q400 aircraft will open new opportunities for growth, as concurrently with the domestic flights in Iceland the aircraft will be used for the international flights to Aberdeen in cooperation with Icelandair.

The company's cargo operations assume increased imports and exports over the year. Two cargo aircraft will carry freight on scheduled routes, while the holds of passenger aircraft on international routes will continue to be used for freight. Prospects in the Company's charter operations are also positive.

Icelandair Group's hotel operations have expanded greatly in recent years and further large hotel projects are in progress. A Canopy Hotel of 115 rooms will be opened in Reykjavik City Centre in the early summer of 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 plan is to open a hotel with 40-50 rooms within two years, which represents a part of the Company's strategy of strengthening winter tourism and spreading the flow of tourists to new areas of the country.

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 increase in numbers of tourists to Iceland has exceeded world averages and this trend is expected to continue in 2016.

The EBITDA guidance for 2016 assumes an increase from 2015 up to a range of approximately 245-250 million USD. Fuel price trends and currency exchange rates have a significant impact on the Company's performance.

FINANCIAL COVENANTS DECEMBER 31 2015

Equity ratio:

Equity	456.531
Total assets	971.979
Equity ratio	47%
Covenant, min	25%

Cash level:

Cash and marketable securities TUSD	214.119
Cash and marketable securities MUSD	214
Covenant, min MUSD	50

Debt ratio:

EBITDA (12 mth.)	218.982
Interest bearing debt	65.530
Debt ratio	0,30
Covenant, max	3,50

Debt ratio II:

EBITDAR (12 mth.)	254.026
Interest bearing debt and aircraft lease commitment	129.892
Debt ratio II	0,51
Covenant, max	4,00

Unpledged fixed assets:

Unpledged fixed assets book value	399.682
Remaining outstanding principal	23.660
Ratio	1689%
Covenant, min	115%

Interest coverage ratio:

EBIT	135.156
Net interest	5.276
Interest coverage ratio	25,6
Covenant, min	1,5

KEY FIGURES Q4 2015

USD thousands	Q4 2015	Q4 2014	YoY	12M 2015	12M 2014	YoY
Operating results						
Total income	229.966	205.481	12%	1.139.699	1.113.297	2%
EBITDAR	28.755	7.088	306%	254.026	193.410	31%
EBITDA	20.110	-1.481	-	218.982	154.338	42%
EBIT	-964	-18.756	-95%	135.156	79.009	71%
EBT	-150	-17.695	-99%	140.223	79.908	75%
Profit for the period	267	-14.974	-	111.223	66.499	67%
Balance sheet						
Total assets	-	-	-	971.979	849.220	14%
Total equity	-	-	-	456.531	365.055	25%
Interest bearing debt	-	-	-	65.530	61.934	6%
Cash and marketable securities	-	-	-	214.119	215.641	-1%
Net interest bearing debt	-	-	-	-148.589	-153.707	-3%
Cash flow						
Working capital from operations	3.079	-10.125	-	211.260	162.807	30%
Net cash from operating activities	36.640	4.552	705%	245.136	215.315	14%
Net cash used in investing activities	-87.507	-43.818	100%	-219.942	-130.156	69%
Net cash used in financing activities	-10.616	-3.008	253%	-14.320	-88.684	-84%
Cash and cash equivalents end of period	194.586	184.762	5%	194.586	184.762	5%
Key ratios						
Equity ratio	-	-	-	47%	43%	4,0 ppt
Current ratio	-	-	-	0,80	0,83	-4%
CAPEX USD thousand	100.784	39.417	156%	210.400	109.293	93%
EBITDA ratio	8,7%	-0,7%	9,5 ppt	19,2%	13,9%	5,4 ppt
Traffic figures						
International Flights						
Load Factor	80,4%	78,9%	1,5 ppt	83,1%	80,4%	2,8 ppt
ASK ('000.000)	2.340	2.023	16%	11.084	9.673	15%
Regional and Greenland Flights						
Load Factor	73,7%	71,1%	2,6 ppt	74,4%	71,8%	2,6 ppt
ASK ('000.000)	28	28	-2%	145	147	-1%
Charter Flights						
Fleet Utilization	100,0%	90,9%	9,1 ppt	99,0%	87,5%	11,5 ppt
Sold Block Hours	5.829	5.081	15%	23.263	21.044	11%
Cargo						
ATK ('000)	54.408	49.089	11%	242.252	215.012	13%
FTK('000)	26.520	25.042	6%	100.497	97.935	3%
Hotels						
Sold Hotel Room Nights	48.804	45.046	8%	254.842	239.522	6%
Utilization of Hotel Rooms	67,9%	66,3%	1,6 ppt	78,2%	75,6%	2,6 ppt