

CREDITOR INFO MAY 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 information is available.

EBITDA in Q1 positive

Icelandair Group's EBITDA in the first quarter of 2016 was positive for the first time since 2010. This quarter of the year is always difficult since many of the Company's expenses are incurred in the course of the quarter which relate to the increased scope of business in the peak season. Passenger numbers on international flights increased significantly between years and the passenger load factor continues to improve. Hotel room occupancy was good over the quarter and other business activities of the Company were in line with expectations.

Equity ratio 37%

Total assets amounted to USD 1,152.5 million and equity ratio was 37% at the end of the first quarter. Operating assets amounted to USD 456.6 million, increasing by USD 37.5 million from the beginning of the year. The Company's largest asset is its fleet of aircraft. At the end of the first quarter the company owned 35 aircraft.

Equity amounted to USD 421.7 million at the end of the first quarter. A dividend approved at the annual general meeting was entered under liabilities and as a reduction in equity. The dividend was paid out on 7 April 2016 and amounted to USD 0.54 cents per share, or a total of USD 27.0 million.

Interest-bearing debt amounted to USD 62.9 million at the end of the quarter, as compared to USD 65.5 million at the beginning of the year. Payments of long-term debts amounted to USD 3.3 million. Cash and marketable securities amounted to a total of USD 301.7 million at the end of the first quarter of 2016, as compared to USD 214.1 million at the beginning of the year. Cash and short time investments in excess of interest-bearing debt therefore amounted to USD 238.8 million at the end of the first quarter.

Cash flow and investments

Cash and cash equivalents at the end of March amounted to 241.8 million. Net cash from operating activities in the first quarter amounted to USD 148.8 million up by USD 31.1 million from the first quarter of 2015. Cash increased by USD 45.7 million over the quarter.

CAPEX during the first quarter amounted to USD 56.7 million, thereof investments in operating assets amounted to USD 56.0 million. Investments in long-term expenses and intangible assets amounted to a total of USD 0.7 million.

Outlook for Icelandair Group hf.

Prospects for Icelandair Group's operations in 2016 are favourable. The flight schedule for 2016 provides for a 24% increase in available seat kilometres between years. The number of passengers is projected at 3.7 million, as compared to 3.1 million in 2015. Flights will be offered to 43 destinations, four more than last year. Twenty-eight aircraft will be used on scheduled air services, four more than in 2015. Two Boeing 767-300 are being added to the Company's fleet. The new aircraft will seat 262 passengers, while the Company's Boeing 757 aircraft carry 183 passengers. The booking status for the coming months is favourable, with bookings for the summer in line with projections. The assumption is that average air fares will fall in the course of the year as the airlines' fuel hedging contracts with high prices are generally expiring, in addition to the fact that fuel prices have remained low.

A milestone was passed in the history of Air Iceland when the first Bombardier Q-400 arrived in Iceland in early March. A total of three Q-400 aircraft will replace the Company's Fokker aircraft. Two Q-200 aircraft that the Company has been using for about a decade will continue in service. The five Fokker-50 aircraft currently owned by the company will be sold, with the sale of one aircraft already finalised. The great increase in the number of tourists visiting Iceland has resulted in a growing number of foreign travellers on domestic flights and this trend is expected to continue.

Icelandair Group's hotel operations have expanded greatly in recent years and further large hotel projects are in progress. A Canopy Reykjavik City Centre, hotel of 112 rooms will be opened in Reykjavik City Centre in early June in co-operation with the Hilton Hotel chain. An agreement has also been reached with the Hilton Hotel chain on the operation of two high-quality hotels in the heart of Reykjavik under the Curio-collection brand, a chain of unique high-quality hotels in the world. The first will have 50 rooms and is scheduled to open in 2017. The second will have 160 rooms and is expected to open in 2018. 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 reflects the Company's strategy of strengthening winter tourism and building up the tourism infrastructure around 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. For years the increase in numbers of tourists to Iceland has exceeded world averages and this trend is projected to continue. The figures on the growth in the number of tourists to Iceland reflect this trend, with the growth between years at 35%.

The updated EBITDA guidance for 2016 is USD 235-245 million, which is a decrease from the February guidance of USD 245-250 million. Fuel price development, cost increases, especially salary hikes, and falls in air fares are the main factors for the reduction.

Financial Covenants March 31 2016

Equity ratio:

Equity	421.742
Total assets	1.152.537
Equity ratio	37%
Covenant, min	25%

Cash level:

Cash and short term investment TUSD	301.684
Cash and short term investment MUSD	302
Covenant, min MUSD	50

Debt ratio:

EBITDA (12 mth.)	222.347
Interest bearing debt	62.928
Debt ratio	0,28
Covenant, max	3,50

Debt ratio II:

EBITDAR (12 mth.)	193.657
Interest bearing debt and aircraft lease commitment	121.480
Debt ratio II	0,63
Covenant, max	4,00

Unpledged fixed assets:

Unpledged fixed assets book value	439.180
Remaining outstanding principal	23.660
Ratio	1856%
Covenant, min	115%

Interest coverage ratio:

EBIT (12 mth.)	257.325
Net interest	1.072
Interest coverage ratio	240,0
Covenant, min	1,5

KEY FIGURES Q1 2016

USD thousands	Q1 2016	Q1 2015	YoY
Operating results			
Total income	211.837	186.075	14%
EBITDAR	9.503	6.204	53%
EBITDA	1.097	-2.268	148%
EBIT	-20.671	-19.279	-7%
EBT	-21.284	-18.304	-16%
Loss for the period	-16.996	-14.552	-17%
Balance sheet			
Total assets	1.152.537	992.963	16%
Total equity	421.742	335.616	26%
Interest bearing debt	62.928	80.787	-22%
Cash and short term investment	301.684	321.943	-6%
Net interest bearing debt	-238.756	-241.156	-1%
Cash flow			
Working capital from operations	3.023	1.164	160%
Net cash from operating activities	148.792	117.687	26%
Net cash used in investing activities	-99.801	-37.611	165%
Net cash used in/from financing activities	-3.295	19.880	-117%
Cash and cash equivalents end of period	241.816	282.655	-14%
Key ratios			
Equity ratio	37%	34%	3,0 ppt
Current ratio	0,74	0,84	-10,0 ppt
CAPEX USD thousand	56.718	26.347	115%
EBITDA ratio	0,5%	-1,2%	1,7 ppt
Traffic figures			
International Flights			
Load Factor	79,4%	79,2%	0,3 ppt
ASK ('000.000)	2.143	1.776	21%
Regional and Greenland Flights			
Load Factor	73,4%	71,8%	1,6 ppt
ASK ('000.000)	29	28	2%
Charter Flights			
Fleet Utilization	100,0%	100,0%	0,0 ppt
Sold Block Hours	6.091	5.217	17%
Cargo			
FTK('000)	26.510	24.493	8%
Hotels			
Sold Hotel Room Nights	53.671	49.989	7%
Utilization of Hotel Rooms	75,1%	75,2%	-0,03 ppt