

# Icelandair Group Q2 2019 results





## Highlights



**39% increase in number of passengers to Iceland**



**Negative estimated EBIT impact of the MAX suspension  
in Q2 2019 USD 50 million**



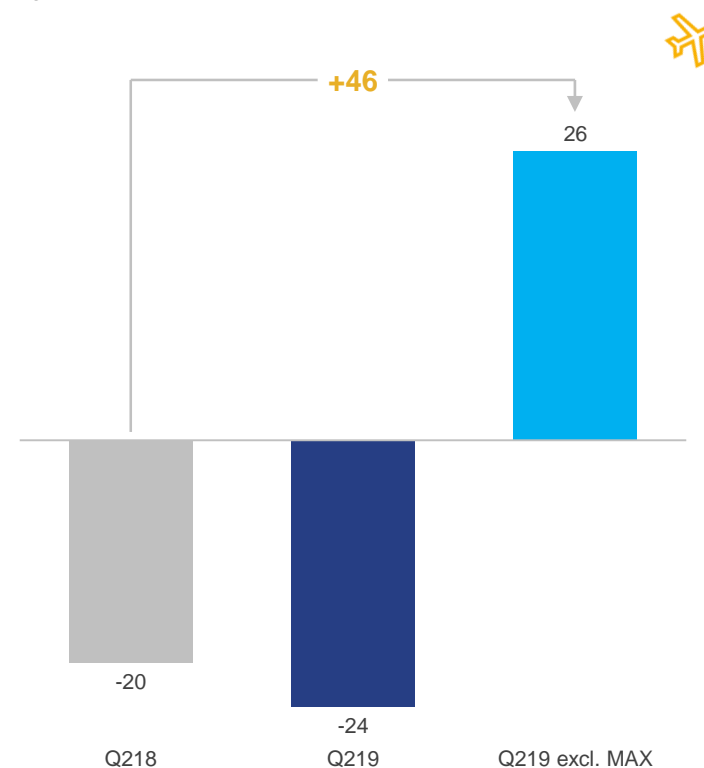
**Improved results excluding the impact of MAX aircraft suspension**

# Financials

# Improved results between years if MAX suspension effects are excluded

USD million	Q2 2019	Q2 2018	% Chg.
Transport revenue	324	295	10%
Aircraft and aircrew lease	19	30	-35%
Other operating revenue	59	75	-21%
<b>Operating Income</b>	<b>403</b>	<b>399</b>	<b>1%</b>
Salaries and other personel expenses	137	145	-6%
Aviation expenses	160	142	12%
Other operating expenses	81	97	-17%
<b>Operating Expenses</b>	<b>378</b>	<b>384</b>	<b>-2%</b>
Depreciation	49	34	43%
<b>EBIT</b>	<b>-24</b>	<b>-20</b>	<b>-22%</b>
<b>EBIT ratio</b>	<b>-6,0%</b>	<b>-5,0%</b>	<b>-1,0 ppt</b>
<b>EBT</b>	<b>-41</b>	<b>-31</b>	<b>-29%</b>
<b>Net loss</b>	<b>-34</b>	<b>-26</b>	<b>-33%</b>
<b>Estimated MAX susp. effects on EBIT to date in Q2</b>	<b>50</b>		
<b>EBIT adjusted for estimated MAX susp. effects</b>	<b>26</b>		
<b>EBIT ratio adjusted for estimated MAX susp.effects</b>	<b>6,4%</b>		

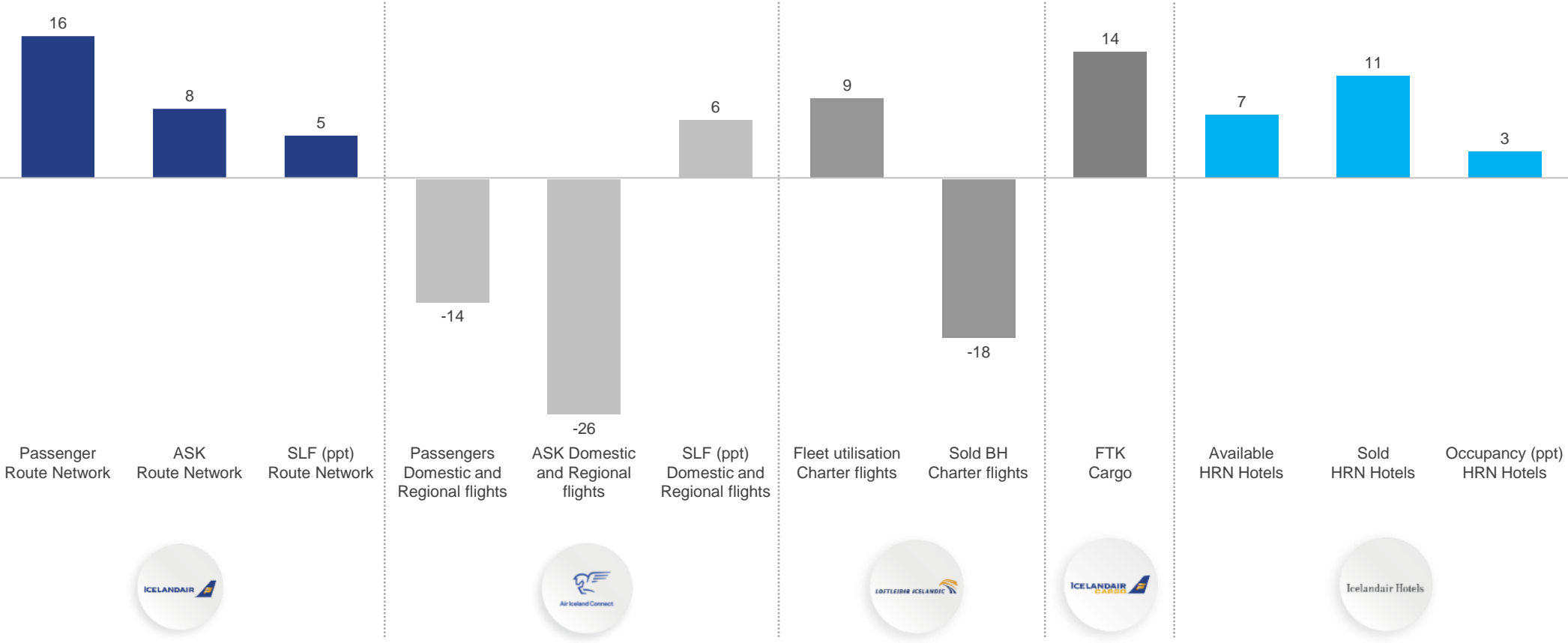
**EBIT Q2 2019**  
USD million





# Number of passengers up 16% and load factor up 5 ppt

Q2 year-on-year change in %

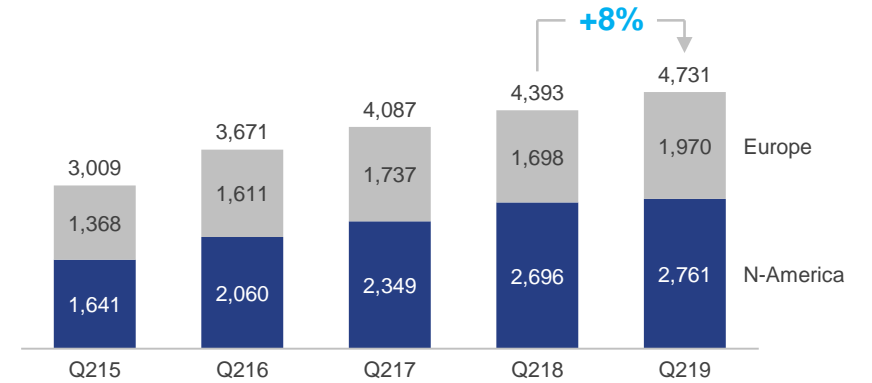
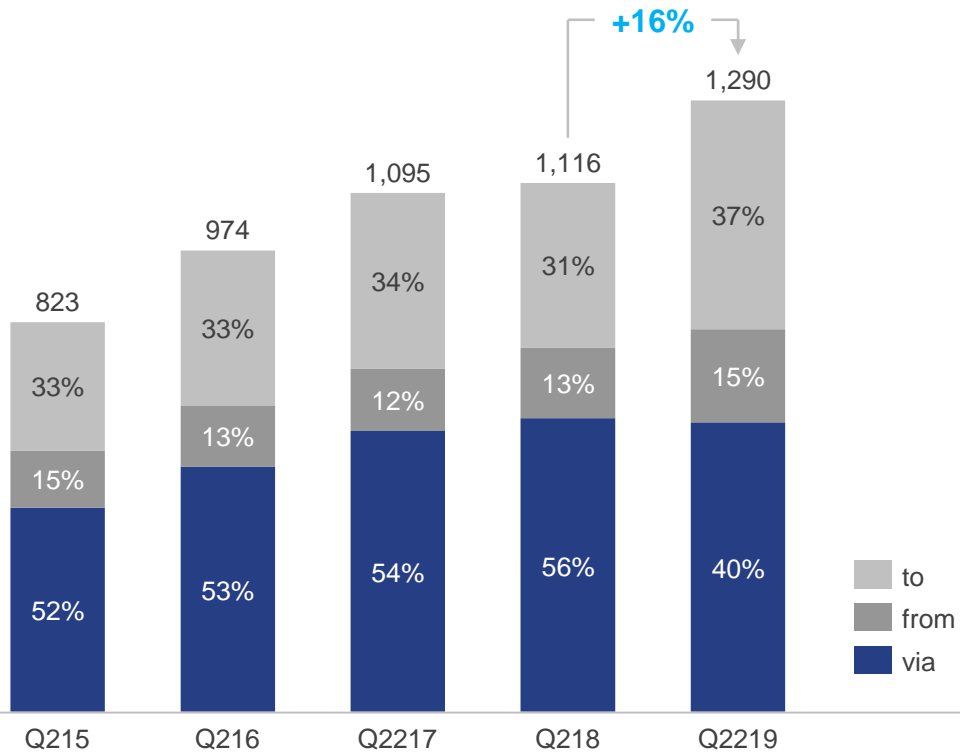


# Increased number of passengers to Iceland drive growth

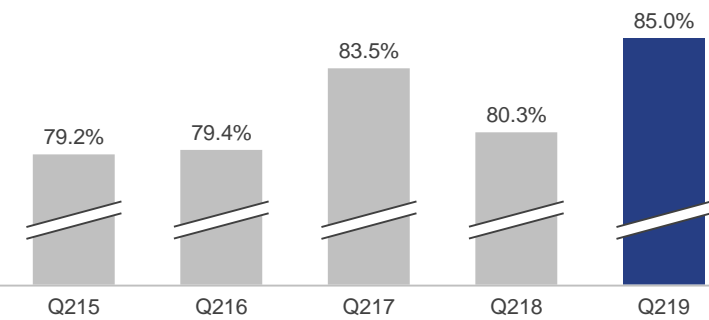


Passenger mix | 2015-2019

Available seat km (ASK) in millions | 2015-2019



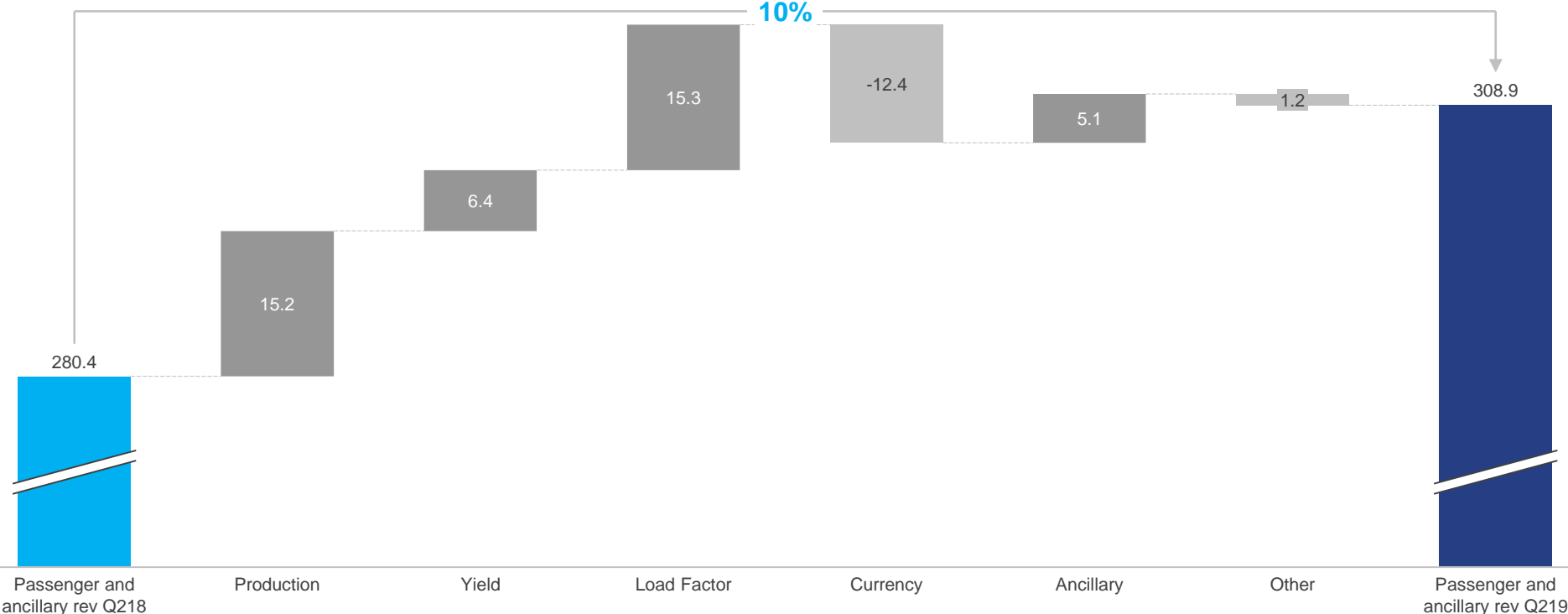
Load factor | 2015-2019



Absolute figures in millions.

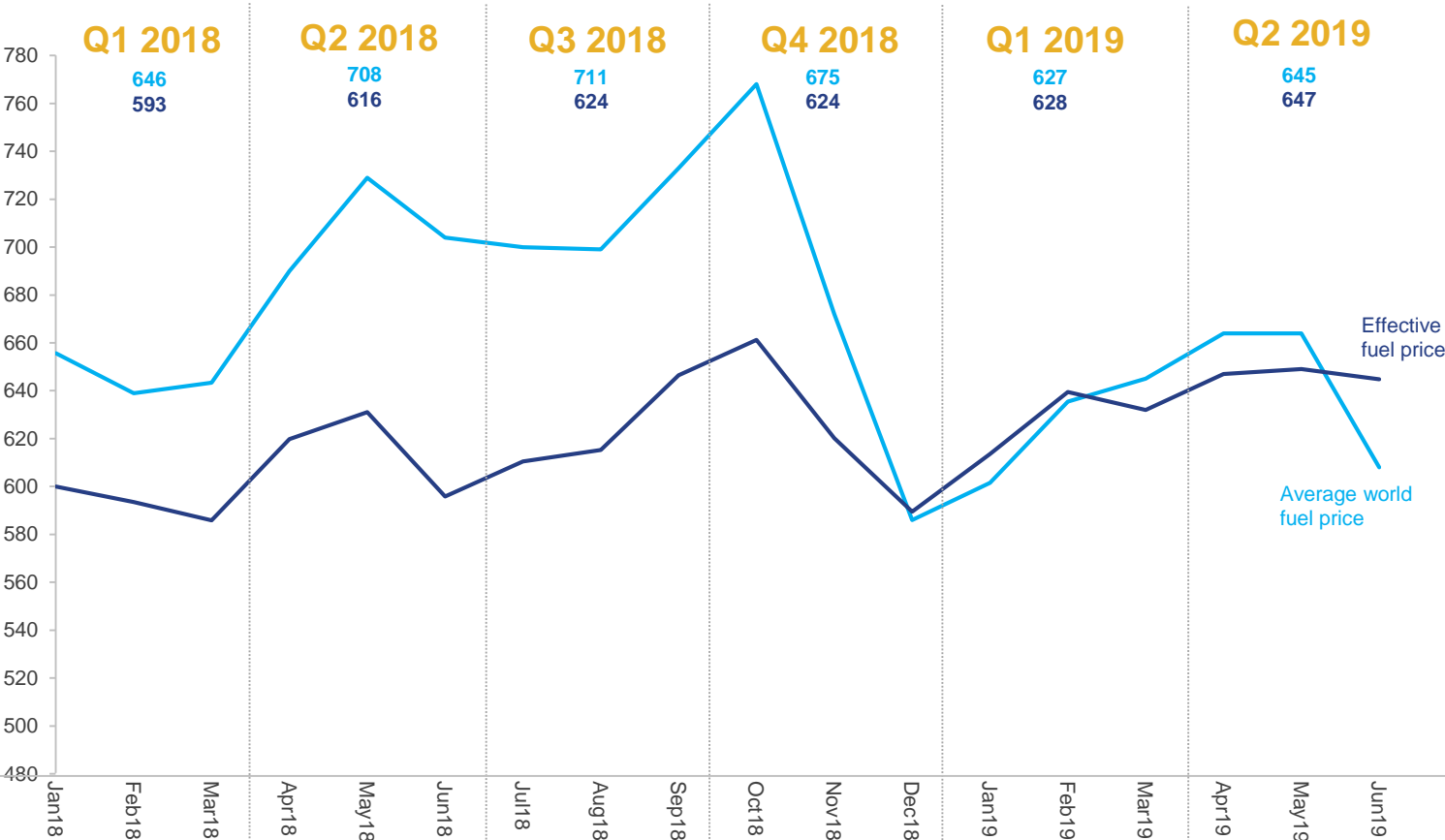
# Increased revenue driven by higher number of passengers

Main changes in passenger revenue | USD million Q219 vs Q218

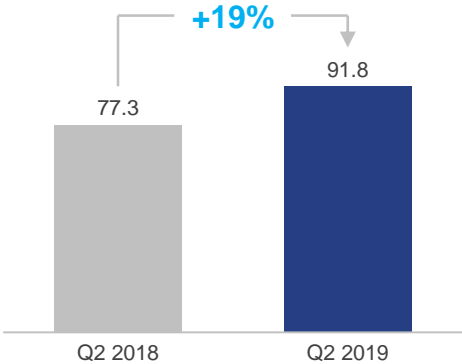


# Effective fuel price 5% higher than in Q2 2018

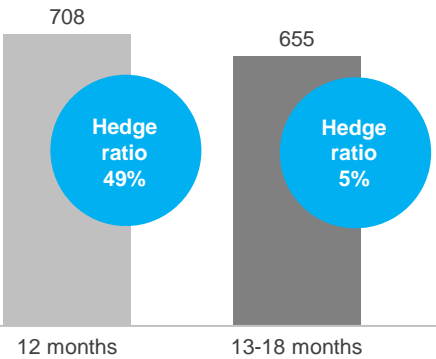
Average fuel price per tonne | Q18-Q219



Aircraft fuel in USD million | Q218-Q219



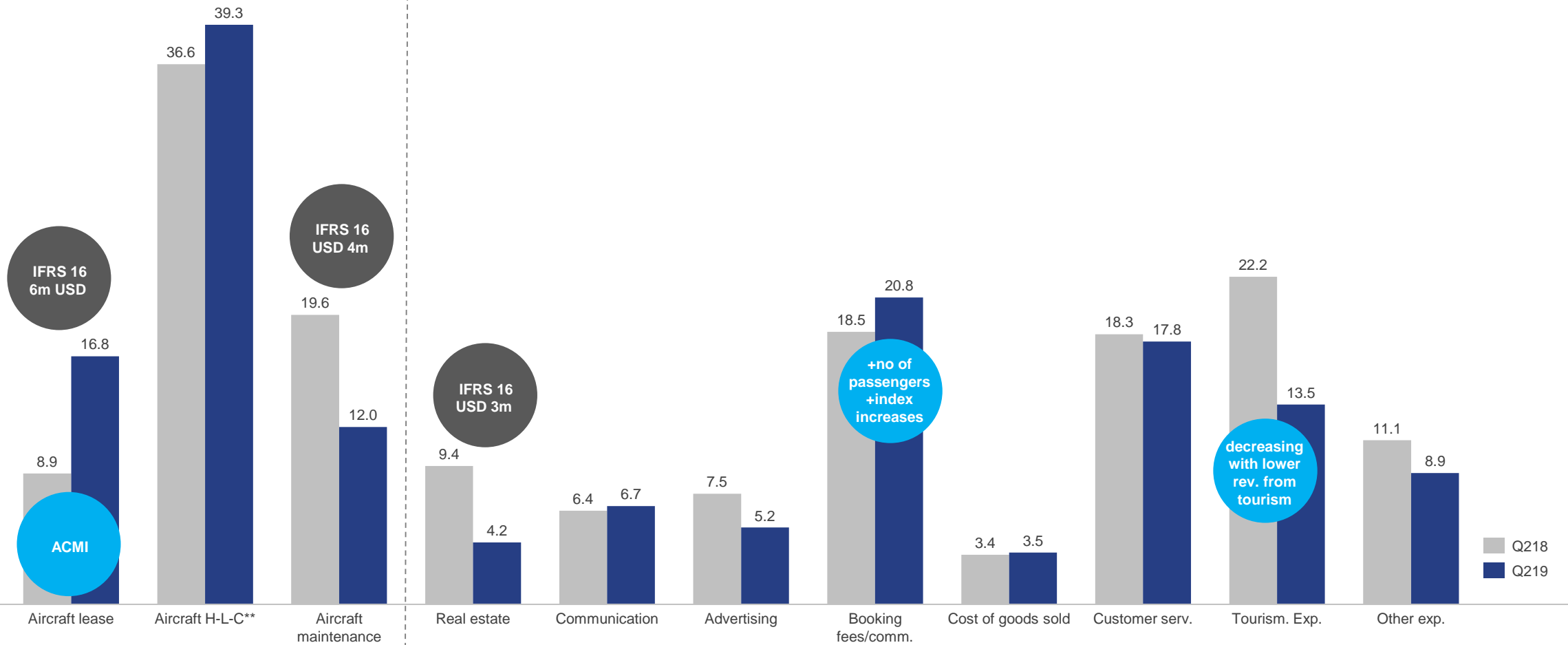
Weighted average hedge price | USD/tonne





## Aviation less fuel -5%

## Other expenses -17%



\* All figures are in USD millions  
 \*\* H-L-C = Handling, Landing, Communication

# On Time Performance notably improving from last year

On time arrivals in the first 6 months 72% compared to 60% in 2018

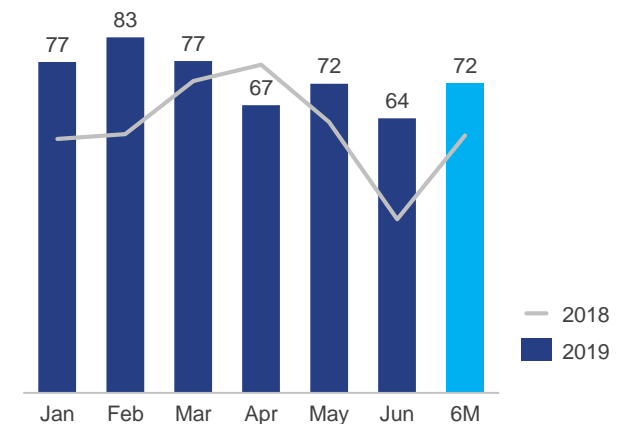
Disruptions cost USD 45 million in 2018

The aim is to reduce this cost by at least 40% in 2019

Cost already reduced by **USD 7 million in H1 2019**

Same trend expected to continue in H2 2019

On Time Performance 2019 vs 2018 per month



## Strong balance sheet with equity of USD 431 million

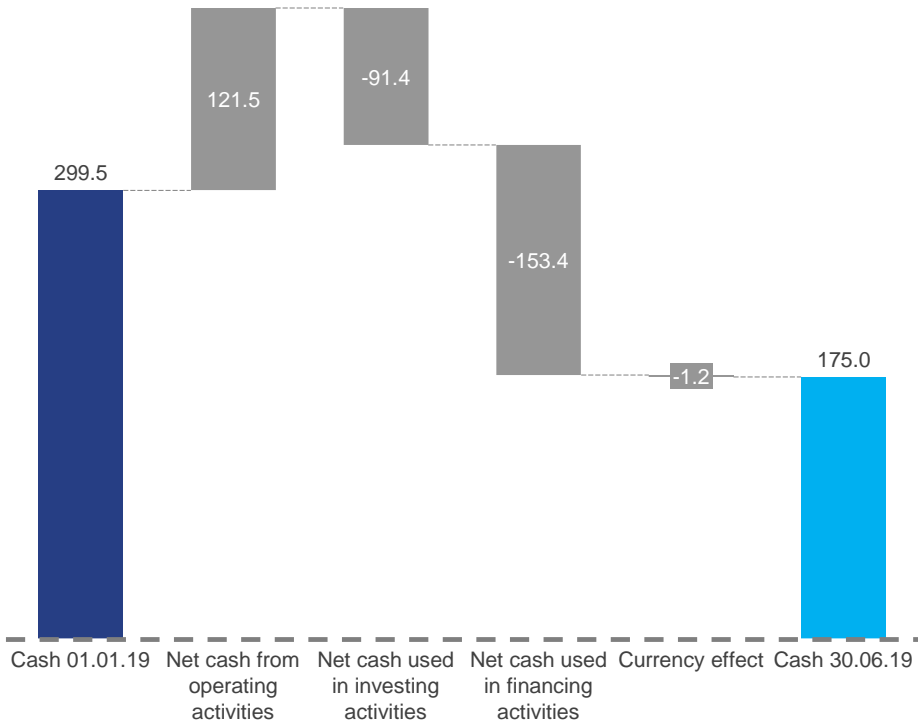
USD million	30/06/2019	31/12/2018	Diff.
<b>Assets</b>			
Operating assets	653.5	673.4	-20.0
Right-of-use assets	158.4	0.0	158.4
Intangible assets and goodwill	176.2	177.6	-1.4
Other non-current assets	57.2	43.6	13.6
<b>Total non-current assets</b>	<b>1,045.3</b>	<b>894.6</b>	<b>150.7</b>
Other current-assets	29.8	26.6	3.1
Trade and other receivables	178.7	118.3	60.4
Assets classified as held for sale	288.3	125.2	163.2
Cash and cash equivalents	175.0	299.5	-124.5
<b>Total current assets</b>	<b>671.7</b>	<b>569.5</b>	<b>102.2</b>
<b>Total assets</b>	<b>1,717.0</b>	<b>1,464.1</b>	<b>252.9</b>



USD million	30/06/2019	31/12/2018	Diff.
<b>Equity and liabilities</b>			
<b>Stockholders equity</b>	<b>430.9</b>	<b>471.4</b>	<b>-40.5</b>
Loans and borrowings non-current	202.4	147.5	54.9
Lease liabilities	161.6	0.0	161.6
Other non-current liabilities	21.2	47.4	-26.2
<b>Total non-current liabilities</b>	<b>385.3</b>	<b>194.9</b>	<b>190.3</b>
Loans and borrowings current	28.1	268.3	-240.2
Lease liabilities	37.1	0.0	37.1
Derivatives used for hedging	19.6	39.7	-20.1
Trade and other payables	220.4	52.2	168.2
Liabilities classified as held for sale	251.9	222.8	29.2
Deferred income	343.8	214.9	128.9
<b>Total current liabilities</b>	<b>900.9</b>	<b>797.8</b>	<b>103.1</b>
<b>Total liabilities</b>	<b>1,286.1</b>	<b>992.7</b>	<b>293.4</b>
<b>Total equity and liabilities</b>	<b>1,717.0</b>	<b>1,464.1</b>	<b>252.9</b>
Equity ratio	25%	32%	-7%
Net interest bearing debt	73.1	148.0	-74.8
Interest bearing debt	263.8	451.4	-187.6

# Strong liquidity position despite redemption of unsecured bonds

Changes in cash H1 2019 | USD million



## Investing activities

- Gross Capex USD 218 million
- Sale of assets USD 151 million

## Financing activities

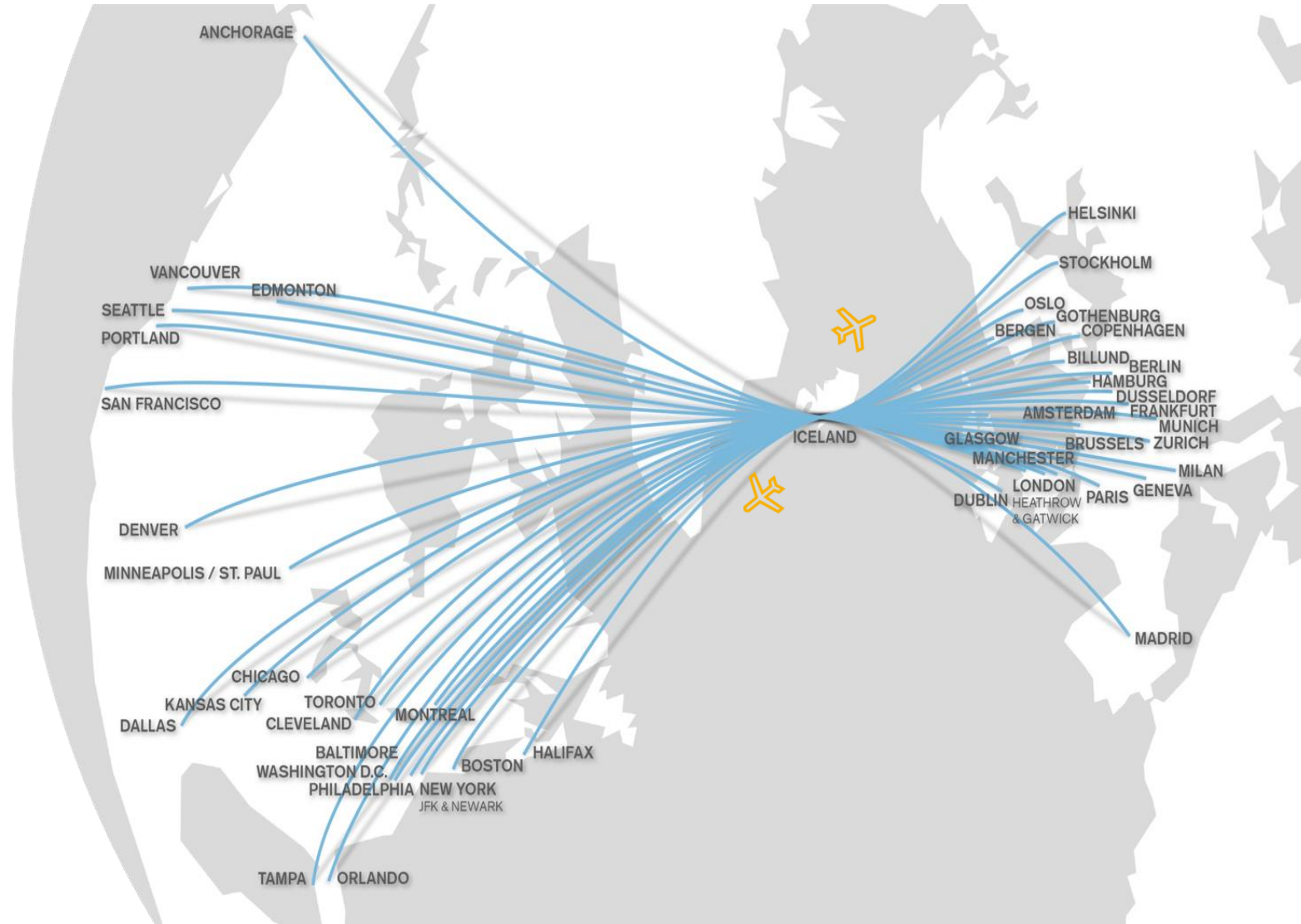
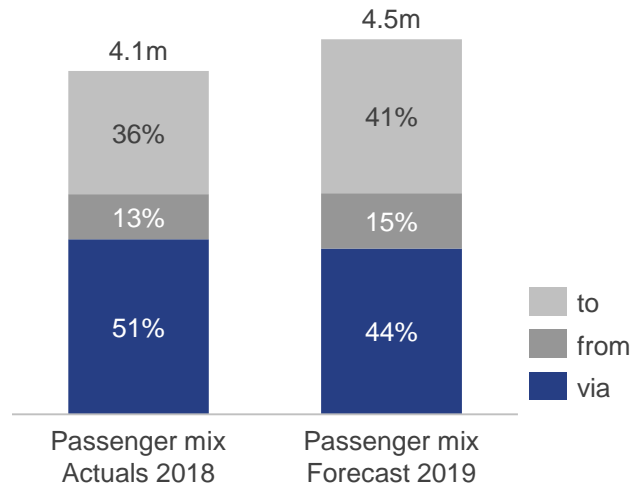
- + USD 80m: New long term loan
- + USD 47m: Share capital increase
- USD 214m: Redemption of all unsecured bonds

## Strong liquidity position – USD 233 million

- Cash and cash equivalents: USD 175 million
- Cash in assets held for sale: USD 16 million
- Undrawn revolving loan facilities: USD 42 million

# Outlook

# Flexible route network is one of the Company's strength





# Sale of Icelandair Hotels and related real estate

## Icelandair Hotels

[www.icelandairhotels.com](http://www.icelandairhotels.com)

- | Share Purchase Agreement with Berjaya Property Ireland Limited signed on 13 July 2019 for sale of 75% share in the company.
- | Icelandair Group to hold a 25% share for a minimum of three years from date of completion which is scheduled for year-end 2019.
- | Call and put option agreement in place, exercisable three years post delivery the earliest and then annually for three years thereafter.

## Key Figures

<b>hotels</b> 21	<b>rooms</b> 1,811
<b>sqm real estate</b> 17,738	<b>restaurants</b> 6
<b>brands</b> 4	<b>spas</b> 3
<b>Revenue 2018</b> USD 97m	<b>EBITDA 2018</b> USD 12m

# Sale of Icelandair Hotels and related real estate

Enterprise Value = **USD 136 million**

Estimated cash consideration to Icelandair Group for 75% stake ≈ **USD 54 million**

Cash proceeds to Icelandair Group from refinancing ≈ **USD 30 million**

Value of Icelandair Group's 25% stake ≈ **USD 18 million**

Net interest bearing debt +/- Net working capital at closing date ≈ **USD 34 million**

# MAX suspension



## 737 MAX suspended

- | Suspended since 12 March 2019
- | Six have been delivered, three yet to be delivered – timing uncertain

## Five aircraft on wet lease basis

- | Three B767, one B757 and one A319
- | Less efficient aircraft than Boeing 737-MAX

## Updated flight schedule

- | Current flight schedule based on MAX suspension throughout October
- | Considerable changes in flight schedule during the high season

## Significant financial impact

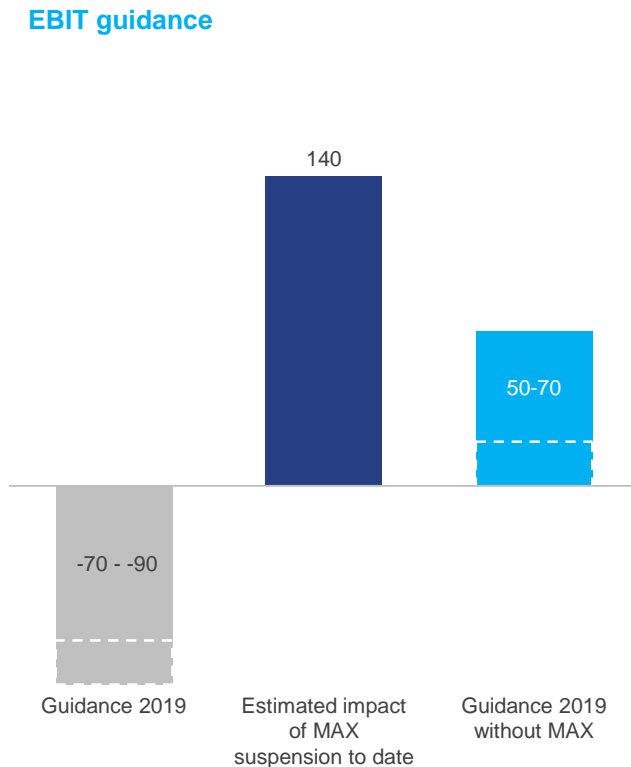
- | Discussions with Boeing regarding compensation ongoing

# Negative estimated EBIT impact of the MAX suspension quantified to date USD 140 million in 2019

Re-accommodation of passengers	ACMI cost	Fuel savings not realized	Lost ancillary	Yield loss	Higher finance cost
Re-protection of passengers	Idle crew	AC replacement cost	Cost of grounded resources	Imbalance in the route network	Short term reactive mode
Lost network connections	Re-routing cost	Lower NPS score	Extra claims	Additional crew training	Total EBIT effect estimated USD 140m

Revenues Expenses

# EBIT guidance USD 50–70 million excluding the estimated impact of the MAX suspension quantified to date



## Key assumptions

- | USD/ISK rate assumed 121, average fuel price (excluding hedging) 650 USD/ton.

## Icelandair

- | Strong demand in TO and FROM market, VIA market more challenging. Network and sales and marketing activities adjusted to market conditions.
- | Changes to the network with a short notice due to MAX suspension created imbalance in the network and had negative impact on load factor in July.
- | Improved operations compared to last year excluding MAX impact.

## Other businesses

- | Cargo operations going well, increased export between years but import on par.
- | Outlook for Loftedir Icelandic favorable for the second half of the year.
- | VITA operations have been successful and the outlook is good, however increased capacity to Spain could affect profitability.
- | Air Iceland Connect market conditions challenging but an ongoing restructuring plan has improved results between years.
- | Icelandair Hotels has performed well in challenging environment. Occupancy in line with last year despite 12% increase in capacity.
- | Drop in turnover at Iceland Travel but margins and profitability improving.

## Capex guidance for 2019 USD 270-280 million



Icelandair's new strategy

# Our five strategic initiatives

**1**

**A culture of  
passion and  
performance**

**2**

**The most  
customer-focused  
airline in our  
markets**

**3**

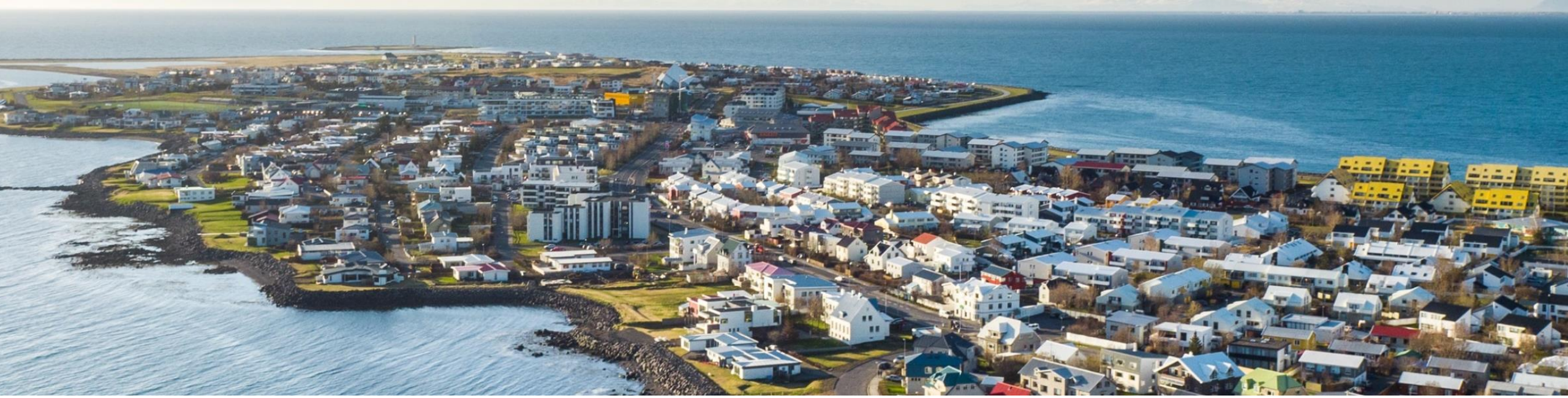
**Excellence  
in all  
operations**

**4**

**Sustainable,  
profitable  
growth**

**5**

**An industry  
leader in  
responsibility**





# Q&A

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