



Q3 2020 results

Investor meeting 27 October 2020



Highlights

Results Q3 2020

Results significantly affected by the negative impact of COVID-19

Revenues down by 81%, EBIT USD 3.5 million and net profit USD 38.2 million



Successful financial restructuring

Icelandair Group completed comprehensive financial restructuring with the final step of USD 166.9 million share offering in September

Balance sheet and liquidity position strong post restructuring



Outlook for coming weeks

The operations will be characterized by exceptional uncertainty and remain at minimum levels

Focus on preserving cash as well as being well prepared to act as soon as the demand improves



Financials

Eva Sóley Guðbjörnsdóttir
CFO Icelandair Group



Results impacted by COVID-19

Revenues down by 81%

- + All main revenue and cost items lower due to less production and actions taken to decrease negative effect of COVID-19 on the operations
- + Cargo operations continue to return good results
- + Compensation from Boeing recognized as revenues

| USD million | Q3 2020 | Q3 2019 | Change |
|---------------------------------------|--------------|--------------|------------------|
| Transport revenue | 56.1 | 422.6 | -366.6 |
| Aircraft and aircrew lease | 4.4 | 23.5 | -19.1 |
| Other operating revenue | 43.1 | 87.8 | -44.7 |
| Operating Income | 103.6 | 533.9 | -430.4 |
| Salaries and other personnel expenses | 29.0 | 102.1 | -73.1 |
| Aviation expenses | 23.0 | 191.8 | -168.9 |
| Other operating expenses | 18.7 | 112.4 | -93.7 |
| Operating Expenses | 70.7 | 406.3 | -335.6 |
| Depreciation and impairment | -29.5 | -46.6 | 17.1 |
| EBIT | 3.5 | 81.1 | -77.6 |
| EBIT ratio | 3.3% | 15.2% | -11.8 ppt |
| EBT | 15.4 | 76.5 | -61.1 |
| Net profit | 38.2 | 61.5 | -23.3 |



Traffic Data

All operations of Icelandair Group continued to be heavily impacted by COVID-19

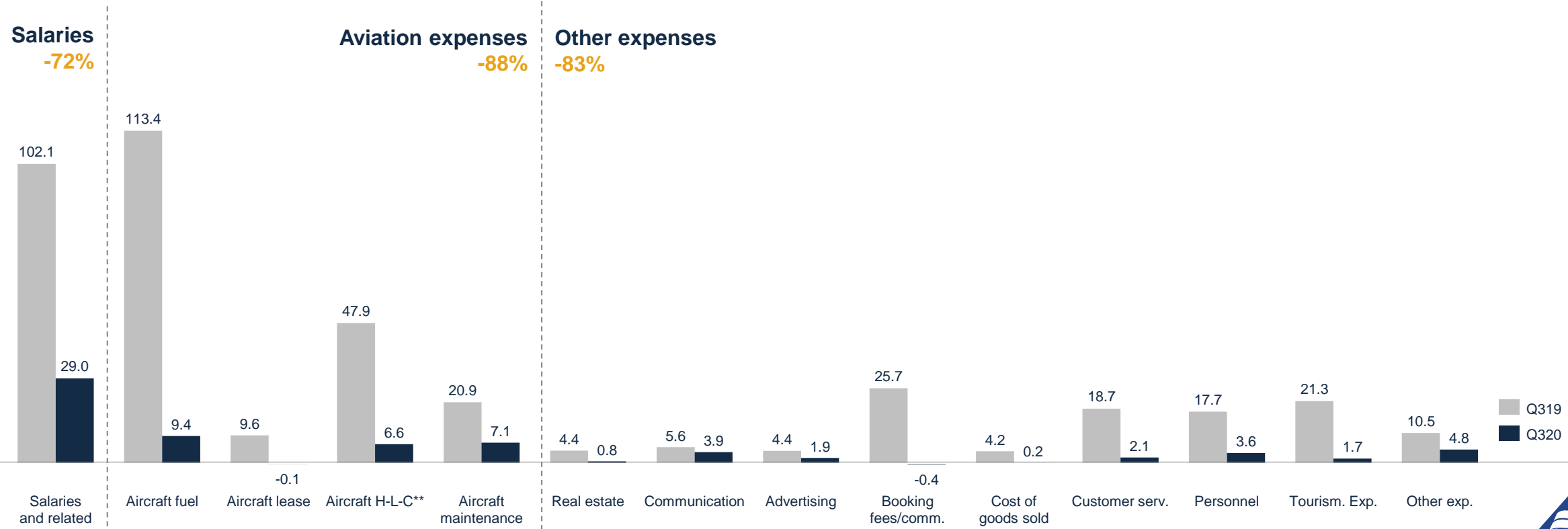
Q3 2020 - changes from last year



Pax = Passengers, ASK = Available Seat Km, LF = Load Factor, BH = Block Hours, FTK = Freight Tonne KM



All main deviations in expenses between years are directly related to the adverse effects of the pandemic



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



Restructured balance sheet with equity ratio of 26%

Assets

| | 30 Sep 2020 | 31 Dec 2019 | Change |
|------------------------------------|----------------|----------------|---------------|
| Operating assets | 523.7 | 630.4 | -106.7 |
| Right-of-use assets | 122.8 | 134.0 | -11.2 |
| Intangible assets and goodwill | 60.7 | 175.2 | -114.5 |
| Other non-current assets | 76.1 | 75.5 | 0.6 |
| Total non-current assets | 783.3 | 1,015.2 | -231.9 |
| Other current-assets | 23.2 | 24.6 | -1.3 |
| Trade and other receivables | 104.0 | 124.9 | -20.9 |
| Assets classified as held for sale | 0.0 | 276.9 | -276.9 |
| Marketable securities | 36.0 | 0.0 | 36.0 |
| Cash and cash equivalents | 191.0 | 235.1 | -44.0 |
| Total current assets | 354.3 | 661.4 | -307.1 |
| Total assets | 1,137.6 | 1,676.6 | -539.0 |

Equity and liabilities

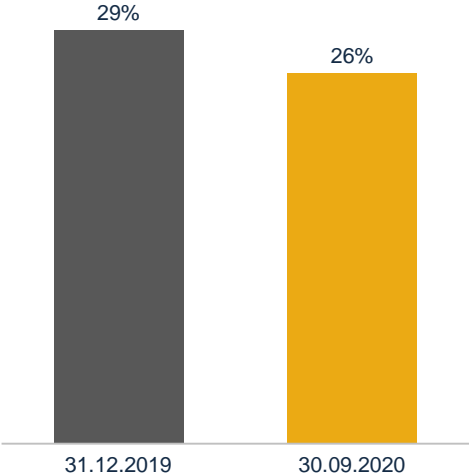
| | 30 Sep 2020 | 31 Dec 2019 | Change |
|---|----------------|----------------|---------------|
| Stockholders equity | 293.1 | 482.5 | -189.4 |
| Loans and borrowings non-current | 253.2 | 241.3 | 11.9 |
| Lease liabilities | 121.5 | 135.5 | -14.0 |
| Warrants | 7.5 | 0.0 | 7.5 |
| Other non-current liabilities | 29.0 | 49.1 | -20.1 |
| Total non-current liabilities | 411.1 | 425.9 | -14.8 |
| Loans and borrowings current | 11.0 | 80.0 | -68.9 |
| Lease liabilities | 23.3 | 23.0 | 0.3 |
| Warrants | 3.4 | 0.0 | 3.4 |
| Derivatives used for hedging | 14.1 | 1.6 | 12.5 |
| Liabilities classified as held for sale | 0.0 | 238.7 | -238.7 |
| Trade and other payables | 163.7 | 221.0 | -57.3 |
| Deferred income | 217.8 | 204.0 | 13.9 |
| Total current liabilities | 433.4 | 768.2 | -334.8 |
| Total liabilities | 844.5 | 1,194.1 | -349.6 |
| Total equity and liabilities | 1,137.6 | 1,676.6 | -539.0 |



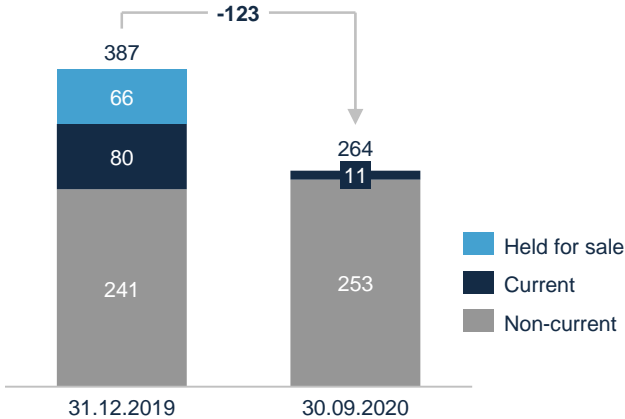
Net interest-bearing debt USD 37 million

Decreased by USD 104 million from the beginning of the year

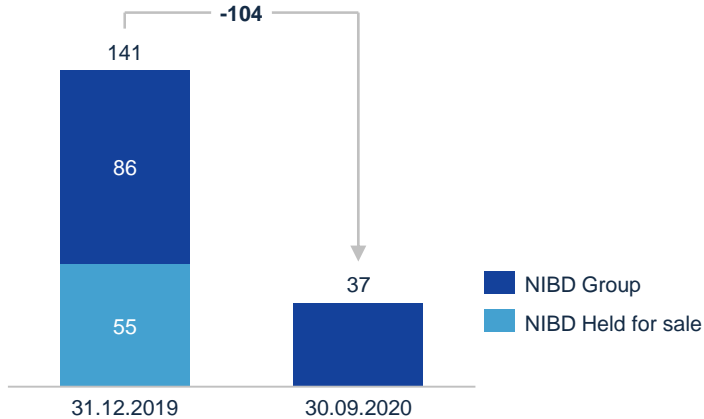
Equity ratio
Percentage



Interest bearing debt
USD million

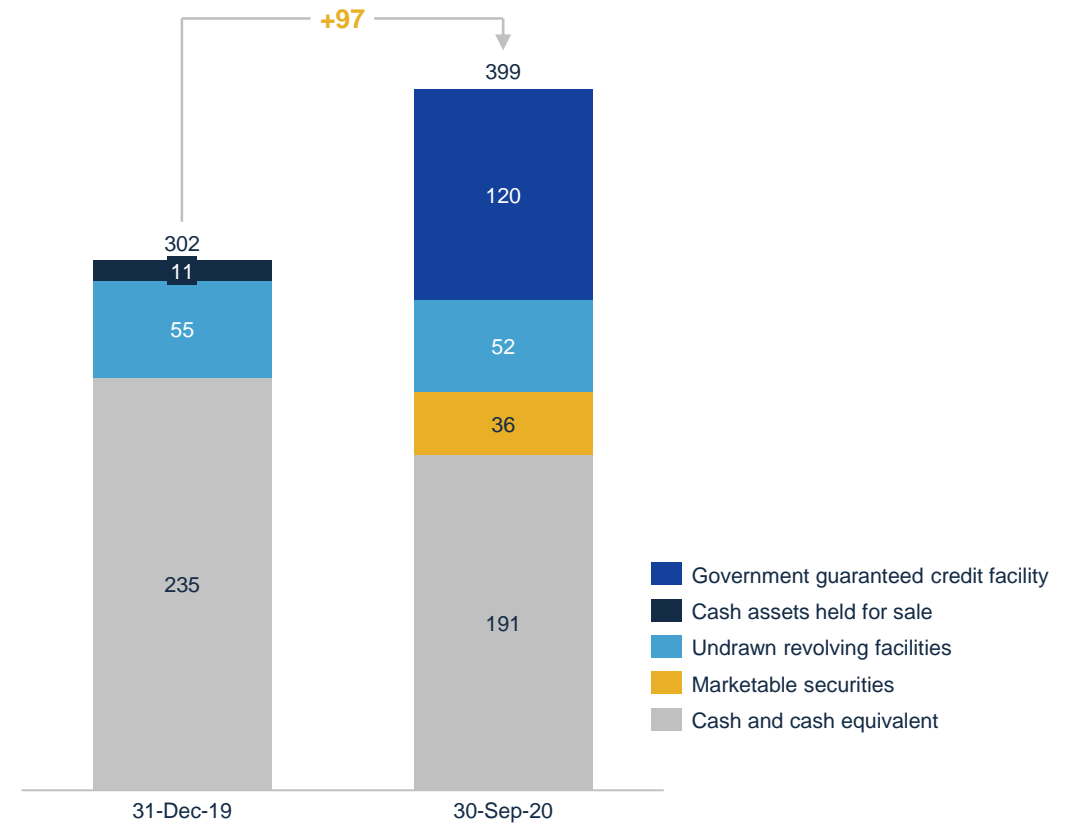


NIBD excl. net lease liabilities
USD million



Liquidity position amounting to **USD 399 million** end of Q3 2020

Overview liquidity position
USD million



Outlook

Bogi Nils Bogason
President and CEO Icelandair Group



Successful financial restructuring completed

Result of wide-ranging participation by key stakeholders as well as the Icelandic government



New long-term union agreements



Agreements with lenders, lessors and other vendors



Settlement with The Boeing Company



Government guaranteed credit facility



Share offering



Icelandair summer schedule 2021

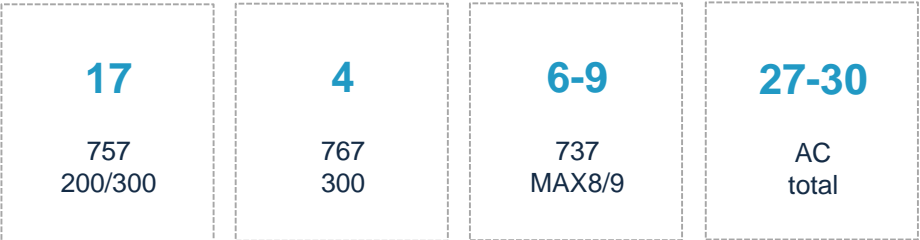
A map of Europe and Iceland is shown in a light gray tone. Numerous orange lines represent flight routes, all originating from a central point on the Icelandic island and fanning out to various destinations across Europe. The word 'ICELAND' is printed in small capital letters below the island's outline. Small blue icons of the Icelandic flag are placed at several points along the flight routes.

- + 32 cities
- + 25-30% less capacity than in 2019
- + Tenerife new destination
- + Focus on simplicity and flexibility of the network
- + New flexible booking policies
- + Subject to reduced COVID-19 impact

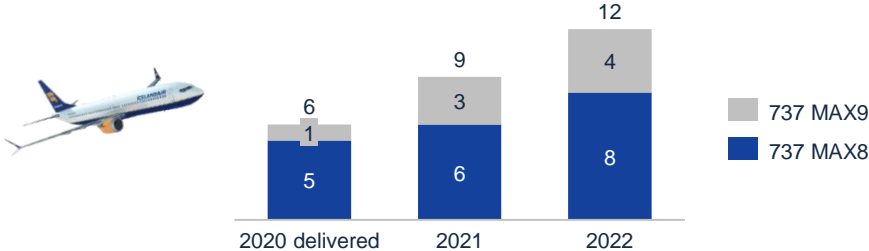


Icelandair fleet availability is sufficient to support a strong recovery in 2021

Icelandair fleet available summer 2021



737 MAX revised accumulated delivery schedule



Icelandair will have up to 30 aircraft available for summer schedule 2021

- + Three new B737 MAX aircraft expected to be delivered from April 2021, in addition to six aircraft already in fleet
- + Excess fleet capacity will be kept in storage if not required for revenue service

Seven B757-200 aircraft are being retired in coming months

- + Three aircraft sold and converted to freighters
- + Four aircraft retired (part-outs)

B757 retirement strategy aimed at maximizing the value of the phase-out

- + Decision on retirement takes into account expected value and cost of continued operations (maintenance status)
- + Icelandair will realize the part-out value both by selling parts to third party as well as maintain parts for own stock
- + Engine overhaul cost minimized through a strategic phase-out and divestment plan



Icelandair Group is in a good position to scale up as soon as markets open again



Proven and flexible business model



Improved competitiveness to ensure profitability going forward



Strong position in highly attractive Icelandic tourism market



Opportunities to grow unique transatlantic hub



Strong balance sheet and liquidity position



Q&A

#MyStopover



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