

Icelandair Group

Q3 2019 results





Highlights



Continued operational improvements



Strong liquidity position and equity ratio



Flexible route network – 27% increase of TO passengers

Financials

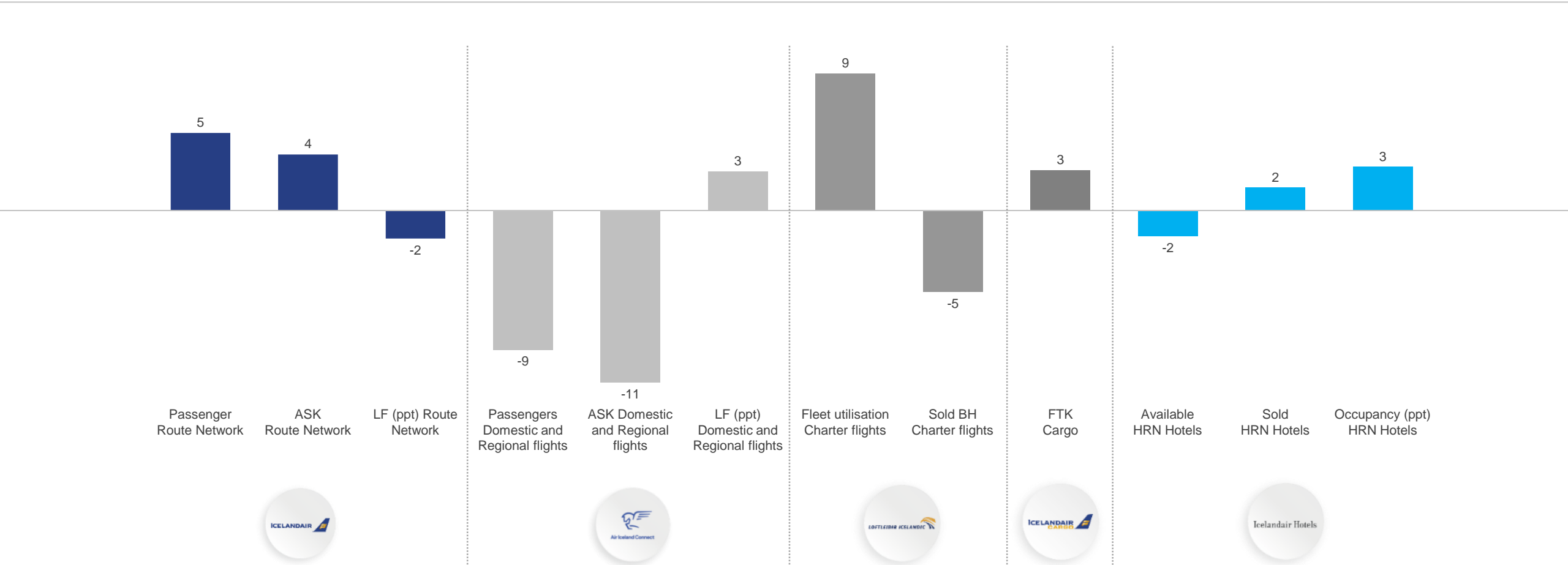
Continued operational improvement with EBIT amounting to USD 81.1 million and increasing from last year despite the MAX impact



USD million	Q3 2019	Q3 2018	% Chg.
Transport revenue	422.6	406.5	4%
Aircraft and aircrew lease	23.5	29.5	-20%
Other operating revenue	87.8	109.2	-20%
Operating Income	533.9	545.2	-2%
Salaries and other personel expenses	119.8	130.8	-8%
Aviation expenses	186.8	176.3	6%
Other operating expenses	94.7	123.1	-23%
Operating Expenses	401.3	430.2	-7%
Depreciation	51.6	36.7	41%
EBIT	81.1	78.3	4%
EBIT ratio	15.2%	14.4%	0.1 ppt
EBT	76.5	76.9	-1%
Net profit	61.5	62.0	-1%

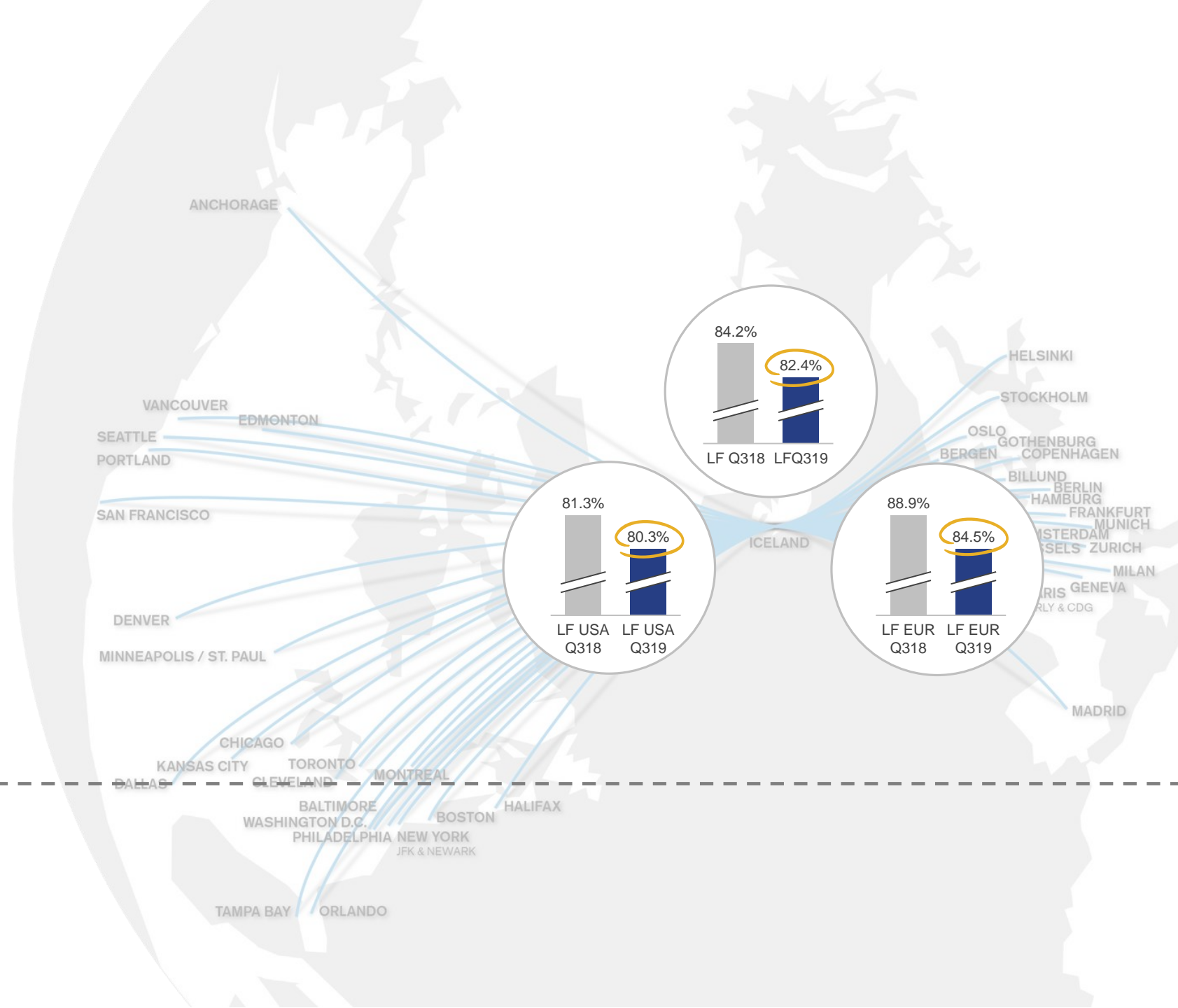
Number of Icelandair's passengers was up 5% and load factor down 2 ppt

Q3 year-on-year change in %



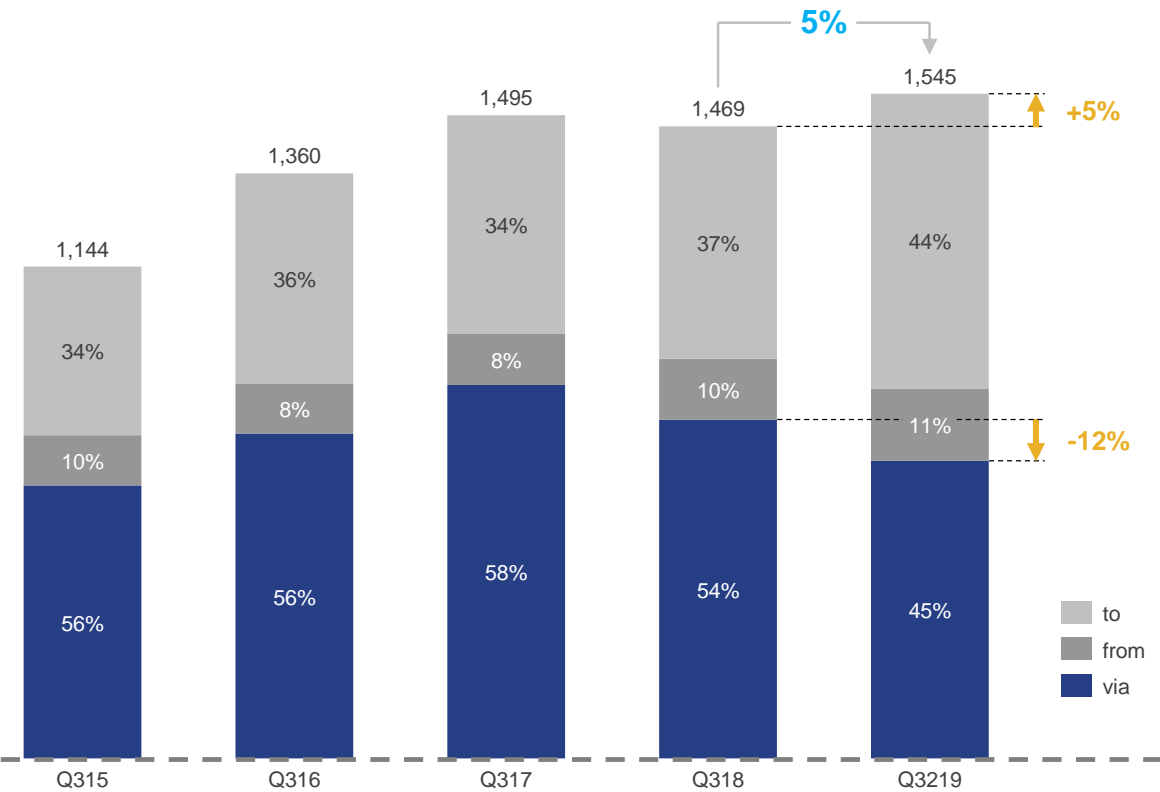
ASK = Available Seat Kilometres, BH = Block Hours, HRN = Hotel Room Nights.

The MAX suspension
created imbalance in
the route network
which negatively
affected the load factor
and average fares

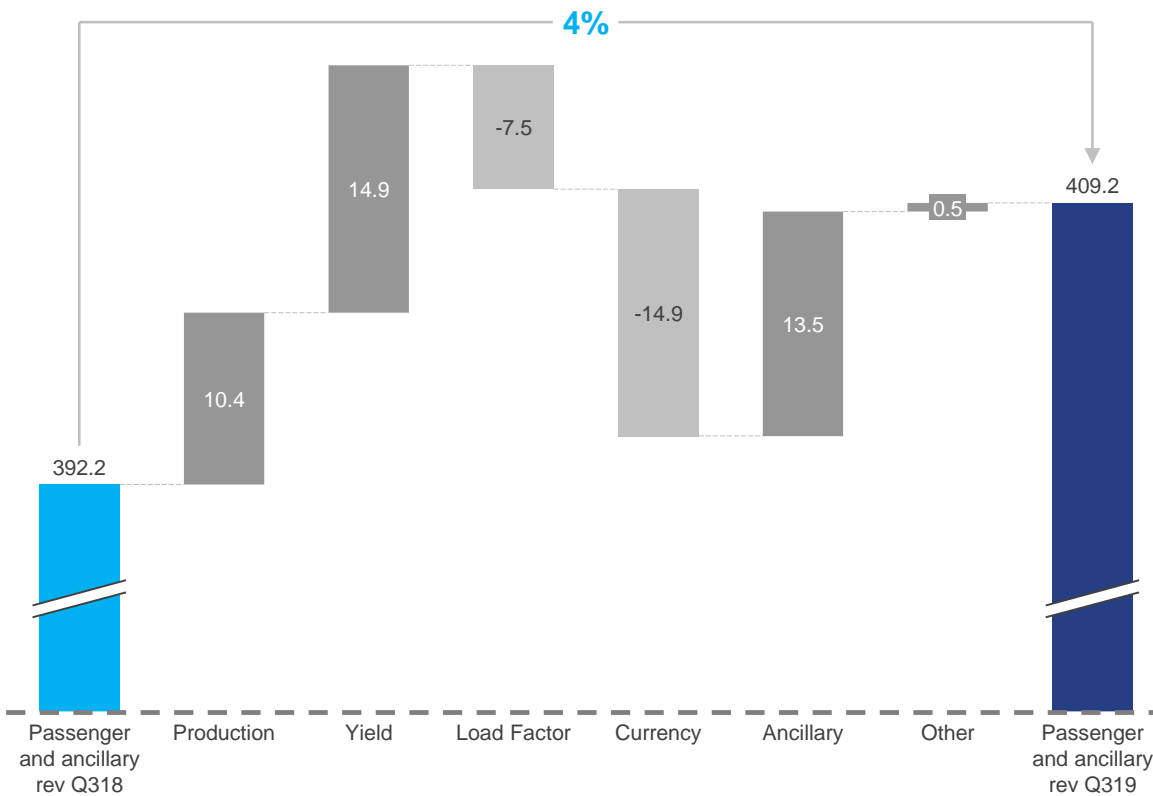


**Icelandair brought
27% more passengers
TO Iceland**

**Reflects the flexibility
of our route network**

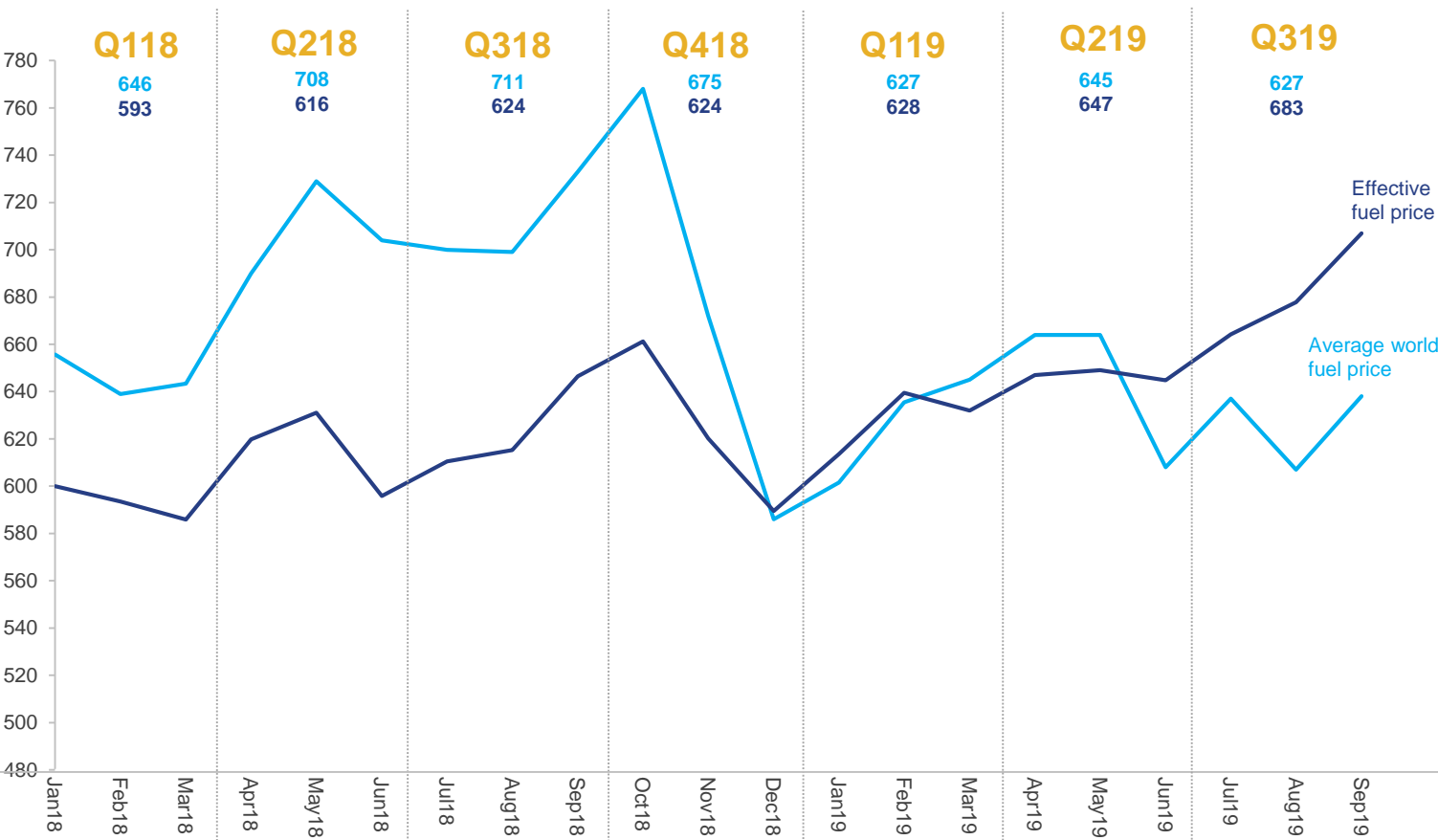


Passenger and related ancillary revenues **up by 4%**

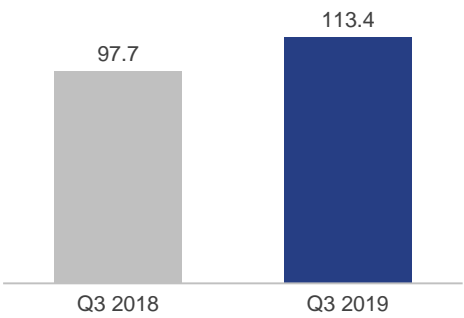


Hedging strategy evens out fluctuations in fuel price

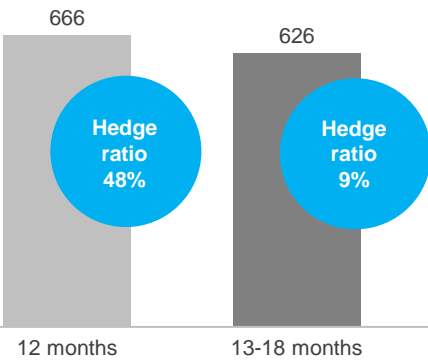
Average fuel price per tonne | Q118-Q319



Aircraft fuel in USD million | Q318 vs Q319

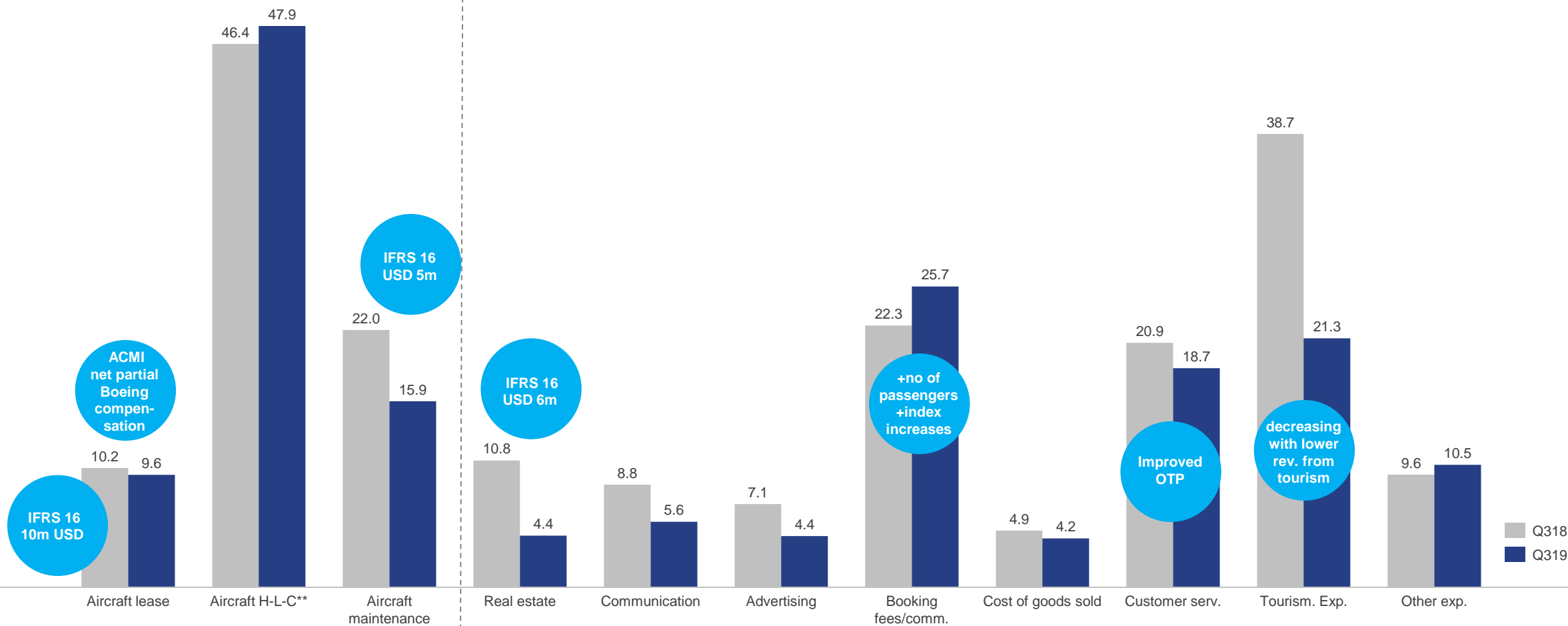


Weighted average hedge price | USD/tonne



Aviation less fuel -7%

Other expenses -23%

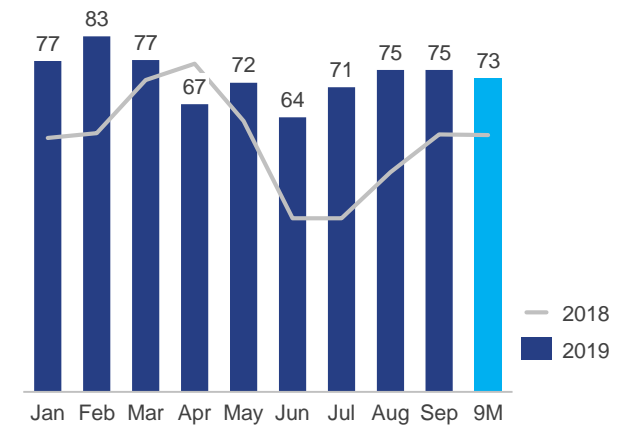


* All figures are in USD millions
 ** H-L-C = Handling, Landing, Communication

Disruptions cost reduced by USD 7 million with better on time performance

- | On time arrivals in the first 9 months 73% 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 14 million in 9M 2019**
- | Same trend expected to continue in Q4 2019

On Time Performance
2019 vs 2018 per month



Strong balance sheet with equity of USD 501 million

USD million	30 Sep 19	31 Dec 18	30 Sep 18
Assets			
Operating assets	645.3	673.4	673.7
Right-of-use assets	145.5	0.0	0.0
Intangible assets and goodwill	178.4	177.6	175.5
Other non-current assets	61.3	43.6	100.4
Total non-current assets	1,030.5	894.6	949.6
Other current-assets	30.8	26.6	328.0
Trade and other receivables	167.3	118.3	136.7
Assets classified as held for sale	279.3	125.2	8.6
Cash and cash equivalents	171.2	299.5	175.4
Total current assets	648.6	569.5	648.8
Total assets	1,679.1	1,464.1	1,598.4

Net interest
bearing debt
excl. IFRS16
USD 124m

Equity
ratio
30%



USD million	30 Sep 19	31 Dec 18	30 Sep 18
Equity and liabilities			
Stockholders equity	500.9	471.4	575.4
Loans and borrowings non-current	193.7	147.5	321.5
Lease liabilities	143.2	0.0	0.0
Other non-current liabilities	57.5	47.4	68.4
Total non-current liabilities	394.4	194.9	389.9
Loans and borrowings current	75.2	268.3	84.8
Lease liabilities	24.0	0.0	0.0
Derivatives used for hedging	15.2	39.7	5.4
Trade and other payables	253.4	222.8	264.6
Liabilities classified as held for sale	214.1	52.2	59.1
Deferred income	202.1	214.9	219.2
Total current liabilities	783.9	797.8	633.1
Total liabilities	1,178.3	992.7	1,023.0
Total equity and liabilities	1,679.1	1,464.1	1,598.4
Equity ratio	30%	-	-
Equity ratio excl. IFRS16	37%	32%	36%
Net interest bearing debt	438.3	-	-
Net interest bearing debt excl. IFRS16	123.9	148.0	222.2

Strong liquidity position of USD 238 million

January - September

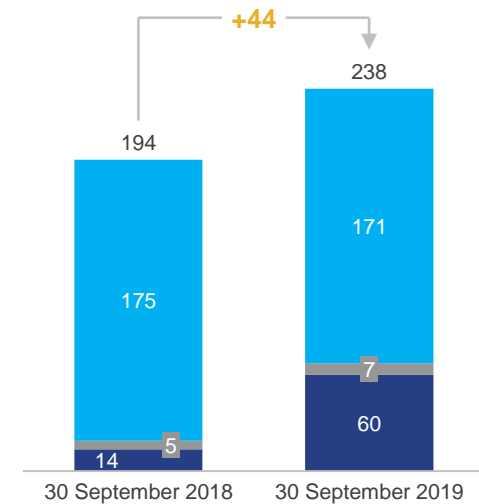
Investing activities:

- USD 241 million Gross Capex
- USD 151 million Sale of assets

Financing activities:

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

- Cash and cash equivalent
- Cash assets held for sale
- Undrawn revolving facilities



Outlook



MAX suspension

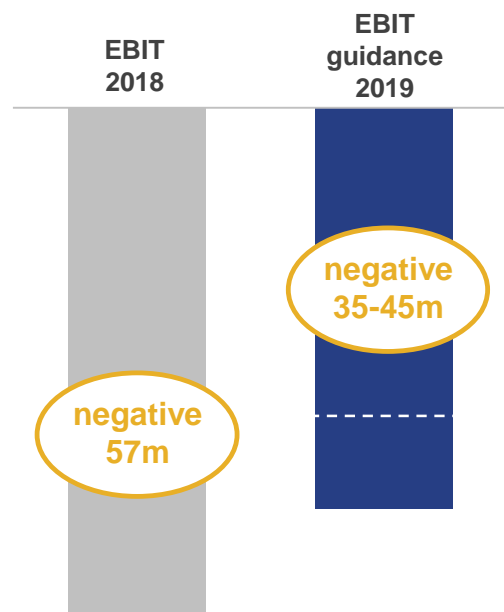
Second interim agreement made with Boeing on partial compensation

Continued discussions with Boeing regarding compensation

Current flight schedule assumes MAX aircraft in operation in March 2020

Significant negative net impact on 2019 EBIT

EBIT guidance negative 35 - 45 million



Key assumptions in Q4

- | USD/ISK rate in Q4 assumed on average 123, average fuel price in Q4 (excluding hedging) assumed on average 630 USD/ton.

Icelandair - considerable operational improvements in Q4

- | Fare improvement, e.g. due to impact of new revenue management system.
- | Focus on improved profitability by optimising the route network.
- | Improved on time performance resulting in lower disruption cost and higher NPS score.
- | Lower fuel price.

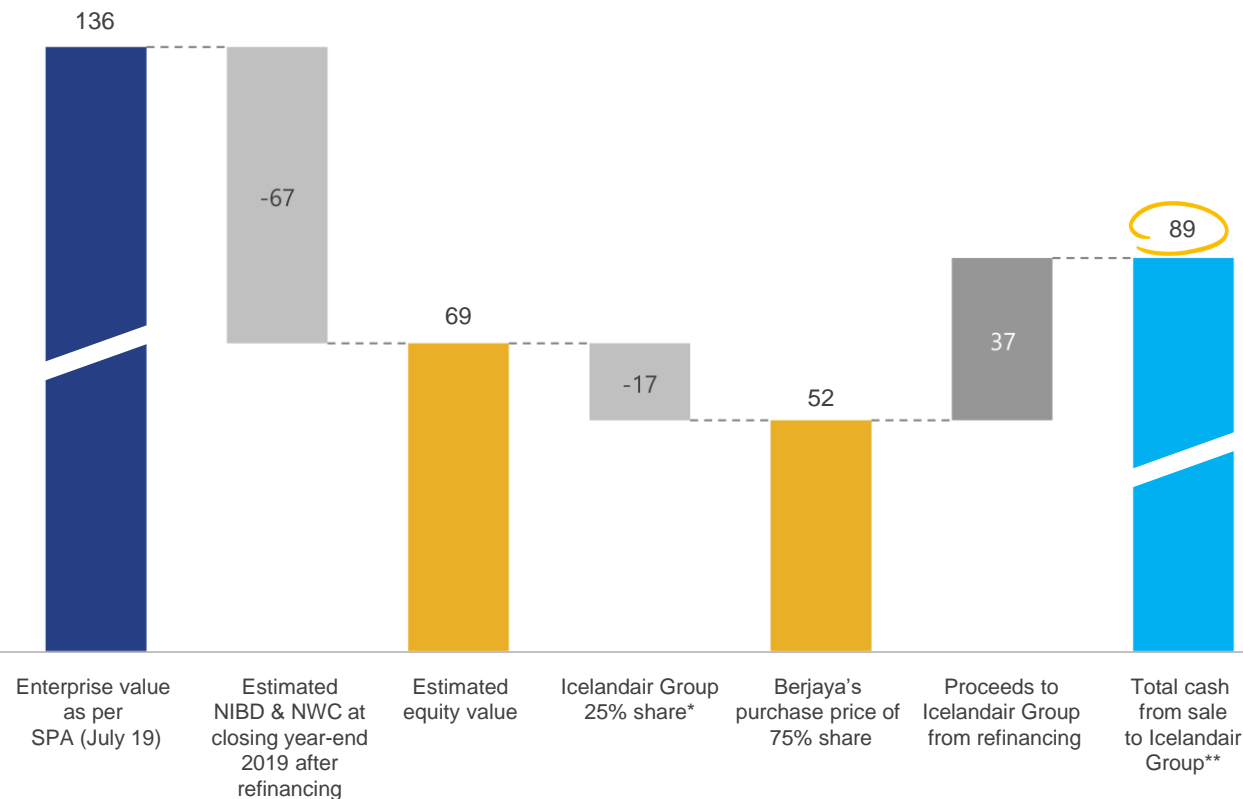
Other businesses in Q4

- | Prospects in cargo operations continue to be good.
- | Outlook for Loftidir Icelandic favourable and the assignment position is good.
- | Operations of the Vita Travel Agency successful although competition in the winter months has increased.
- | Operations of Air Iceland Connect have been under thorough review and the cost-cutting measures have returned positive results.
- | Drop in turnover at Iceland Travel but margins improving.
- | Challenging operating environment for the hotel sector because of salary increases has been met with streamlining measures – fewer FTE's.

Capex guidance for 2019 USD 270-280 million

The sale of Icelandair Hotels and hotel real estates at end of Q4 19

Expected proceeds from the sale of 75% share in Icelandair Hotels | USD million



Icelandair Hotels

www.icelandairhotels.com

- | The completion date scheduled for year-end 2019
- | Good progress in finalizing the main conditions of the sale and purchase agreement (SPA)
- | Cash to Icelandair Group post sale and refinancing of Icelandair Hotels will be around USD 89m
- | Estimated equity book profit from the transaction is around USD 25m***

*Call and put agreement in place

**Without transaction cost and loan fees

***Based on the book value at 30.9.2019



Key takeaways



Strong balance sheet. Liquidity and equity at a healthy level



Operational improvements in Q2, Q3 and Q4 2019



Clear focus on further improvements in 2020



Solid platform to return to profitability

Q&A

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