



Shareholders' Meeting Icelandair Group

22 May 2020

A woman with glasses and a patterned scarf, wearing a dark blazer, is handing a small card or document to a man in a dark suit. They are in a modern office environment with large windows in the background. The scene is dimly lit, with a blue tint. Other people are visible in the background, working at desks.

Úlfar Steindórsson
Chairman of the Board

Election of chair and the secretary of the meeting

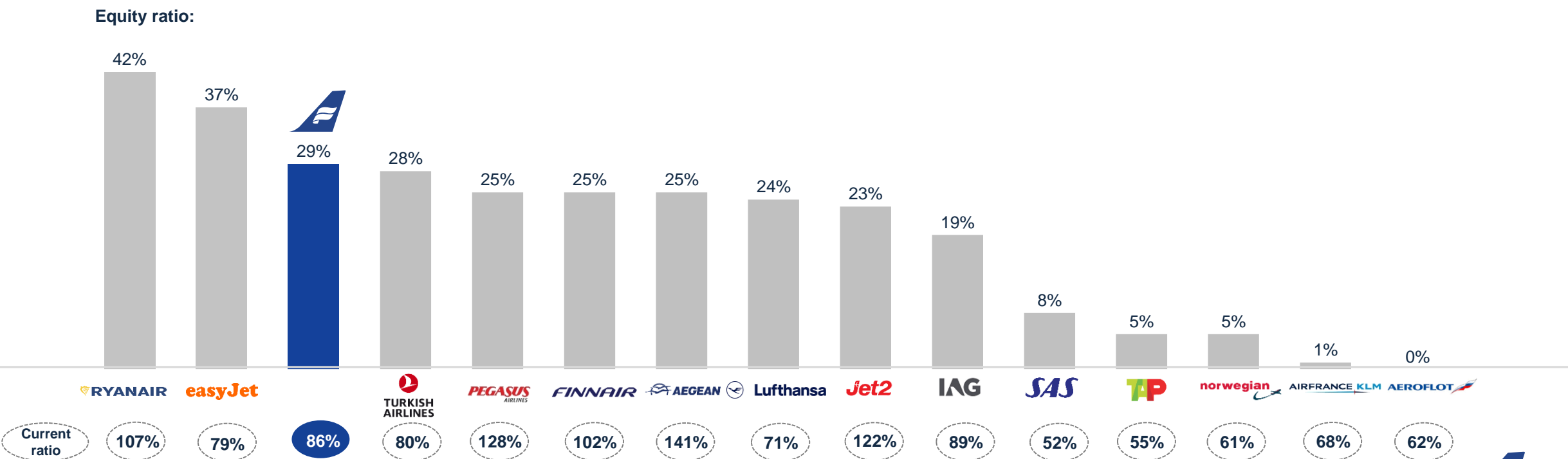
Agenda

1. A proposal to grant the Board authorization to increase the Company's share capital

A photograph of a male flight attendant in a white shirt and dark vest, smiling while serving a passenger on an airplane. He is standing in the aisle next to a yellow and red luggage cart. The cabin is dimly lit with blue ambient lighting. Overhead storage bins and exit signs are visible. In the foreground, the back of a passenger's head and a seatback entertainment screen are partially visible.

Bogi Nils Bogason
President and CEO

Icelandair's Group financial position was strong, relative to its peers, before COVID-19



COVID-19 has caused an immense shock to the global airline industry

The world is heading for recession

COVID-19 pandemic has caused unprecedented uncertainty for the global economic outlook in 2020



Travel restrictions caused extreme drop in demand

World flight schedule down by 70% in April and capacity in Europe is expected to decrease by 90% Y-o-Y in Q2 2020



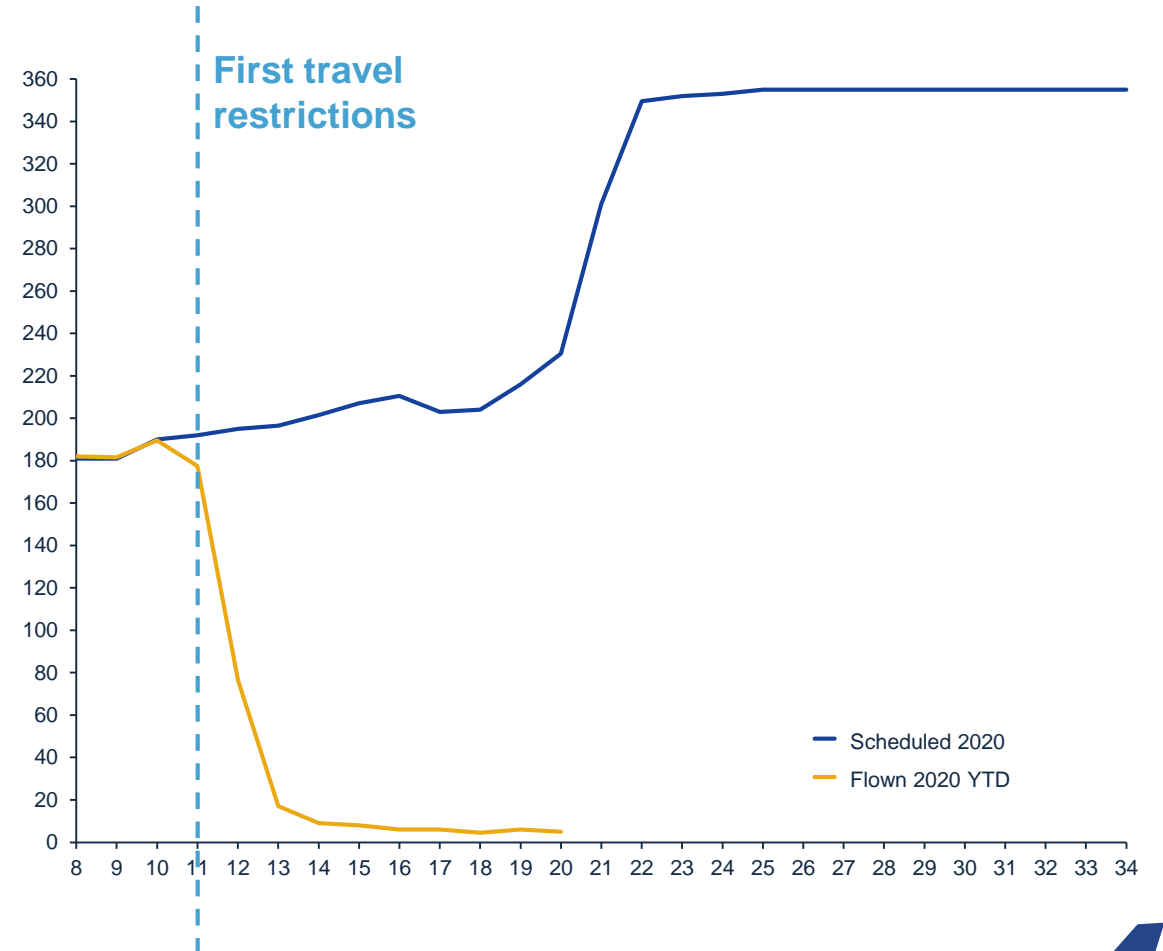
Governments are supporting airlines

Airlines such as SAS, Norwegian, Easy Jet, Air France/KLM, Lufthansa, American Airlines and many others have been offered Government support



Icelandair flights have dropped significantly due to COVID-19 and multiple travel restrictions

Number of flights per week 2020



Swift actions taken to minimize cash outflow during downtime

Scale down and cost reduction



- + Flights reduced to 3% of schedule
- + Excess aircraft put in long-term storage
- + Large-scale layoffs; 2,300 in total
- + Majority of remaining 1,400 employees in part time position (560 FTE's)
- + Government participates in layoff and salary costs
- + 20-30% salary decrease of remaining staff

Payment holidays secured



- + Salary-related taxes and import duties postponed
- + Payment holiday secured from selected lenders and lessors
- + ISAVIA airport charges postponed or waived until August 2020
- + Payment deferral on air traffic control fees for Eurocontrol states¹

Asset sale and restructuring



- + Sale of a 75% share in Icelandair Hotels and related real estate to Berjaya
- + Air Iceland Connect integrated with Icelandair



Icelandair is preparing for an efficient ramp-up when market conditions recover, and opportunities arise



Further actions to secure competitiveness will ensure...



Negotiate union agreements with pilots, cabin crew and mechanics



Renegotiate contracts with key suppliers



Readjust fleet plan to capture opportunities in a dynamic market



Obtain liquidity support from lenders, aircraft lessors and key vendors



...that Icelandair be ready to ramp up quickly and efficiently

- + Powerful sales network and distribution channels ensuring fast reach to key markets
- + Adaptable hub and spoke route network to meet differently timed demand recovery in key markets
- + Strong and flexible infrastructure
- + Organizational know-how and experience
- + Experience dealing with high fluctuations in the business

Strong brand, flexible fleet and good ties with partners in all markets will enable Icelandair to ramp up as soon as possible



Significant improvements to union contracts agreed or under discussion

Competitiveness going forward secured while protecting workforce rights

Pilots ✓

- + Increased pilot utilization due to relaxation of clauses related to duty times, rest and off days
- + Reduction in number of vacation days
- + Relaxation of clauses limiting feasibility of flights to Southern Europe, US West Coast and new markets
- + Competitive salaries and working conditions maintained
- + Contracts valid until 30.9 2025

Aircraft Mechanics ✓

- + Increase aircraft mechanic utilization due to relaxation of clauses related to working hours
- + Icelandair will no longer be required to use certified mechanics for non-specialized tasks in shops
- + Easier to outsource certain mechanic services
- + Competitive salaries and working conditions maintained
- + Contracts valid until 31.12 2025

Cabin Crew

- + Increased cabin crew utilization through relaxation of clauses relating to duty times, rest and off days
- + Relaxation of clauses limiting feasibility of flight to Southern Europe, US West Coast and new markets
- + Competitive salaries and working conditions maintained



Favorable pilot labor agreement

Improvements meaningful in size and structural in nature to support prolonged market competitiveness

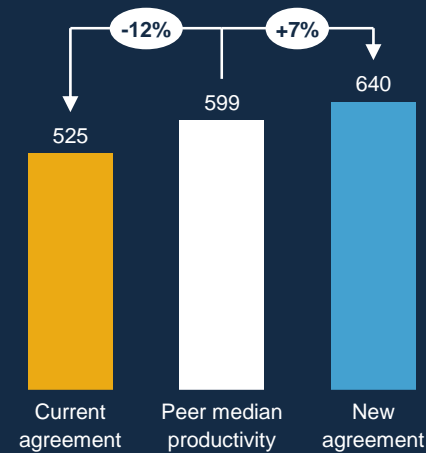
Agreement expected to achieve Icelandair's targeted improvement levels

- + 22% improvement in pilot productivity
- + 25% pilot CASK reduction

Long-term labor stability, cost transparency and commercial flexibility

- + 5-year agreement
- + 3-year salary freeze
- + Increased Company discretion for commercial decisions
- + Simplified contract - outdated provisions eliminated

Productivity improvements expected to bring Icelandair in line with and ahead peers



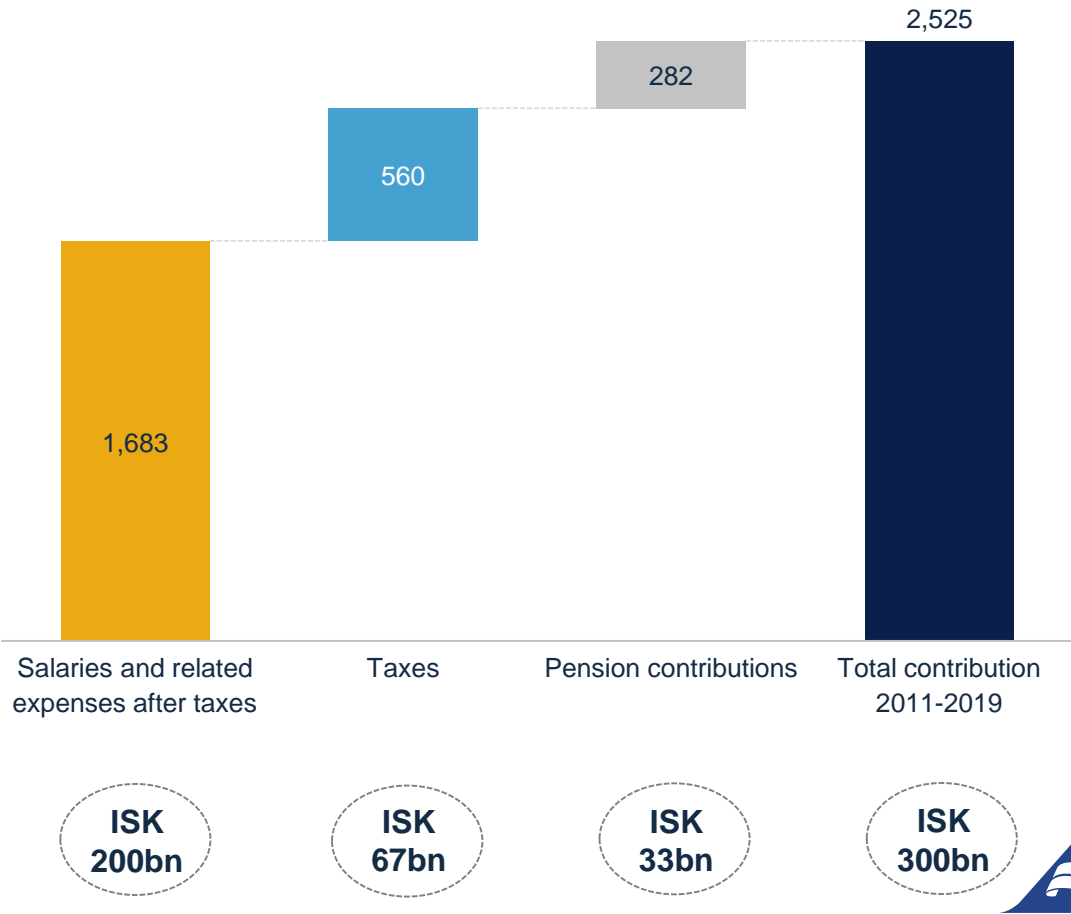
Icelandair's response especially timely compared responses at other carriers

- + While airlines worldwide are working to formulate their COVID-19 recovery responses and partly still focusing on implementing temporary measures, Icelandair has seized structural changes in a short timeframe

Icelandair's direct contributions to the Icelandic economy totaled ISK 300bn (USD 2.5bn) during 2011-2019

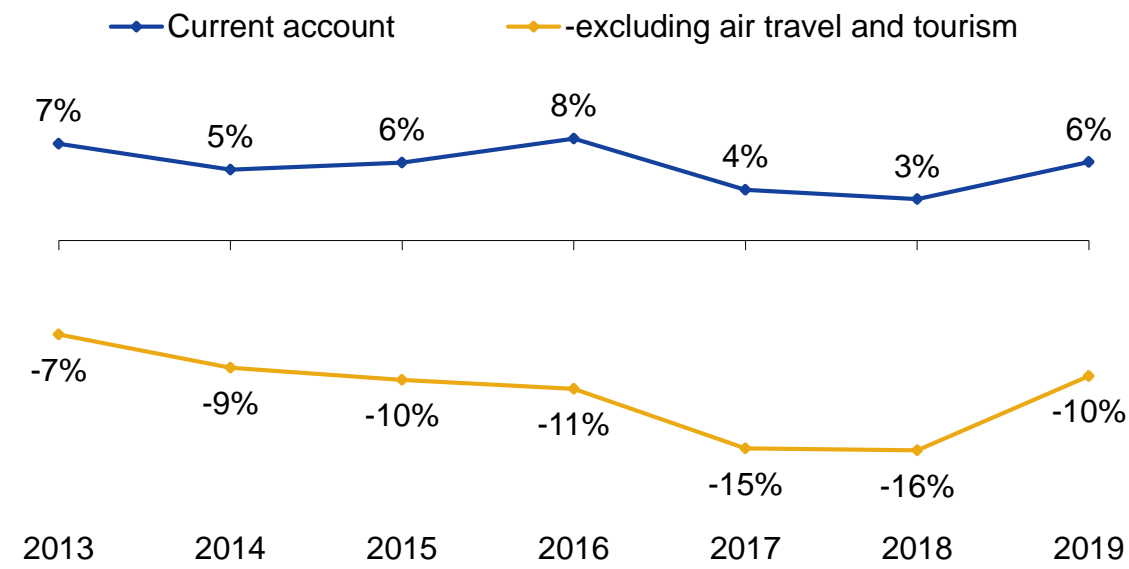
Contribution 2011-2019

USD million

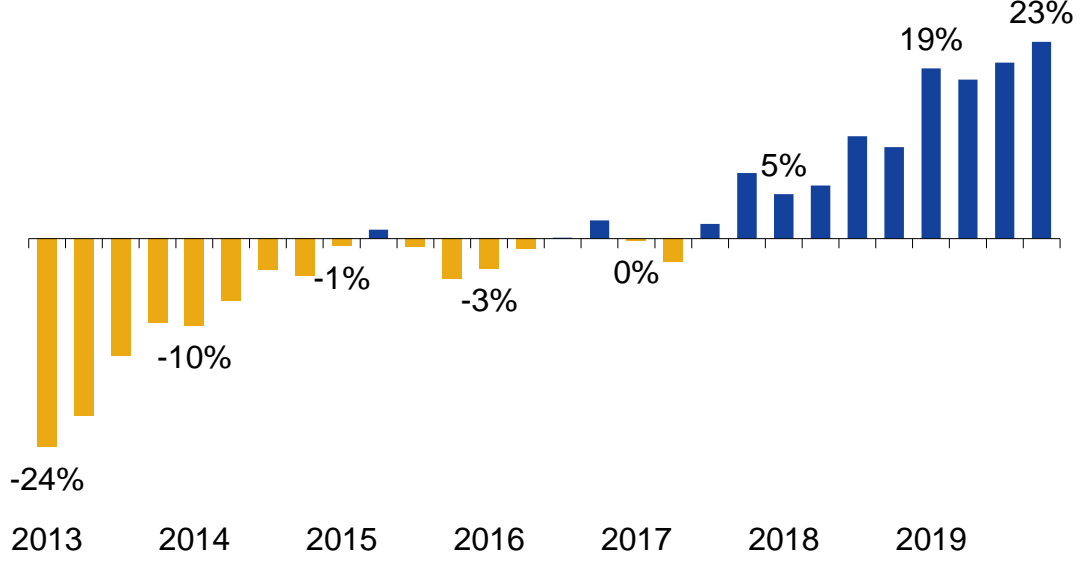


Tourism has led Iceland's strong current account surplus and created the first net positive foreign asset position in the country's history

Current account
% of GDP



Net foreign asset position
% of GDP



Icelandair is well placed as a value-for-money airline with effective distribution channels, both on- and offline, creating a unique market position

Legacy model



Low Cost model



Icelandair's hub-and-spoke model allows for exponential increase in connectivity as destinations are added to the network



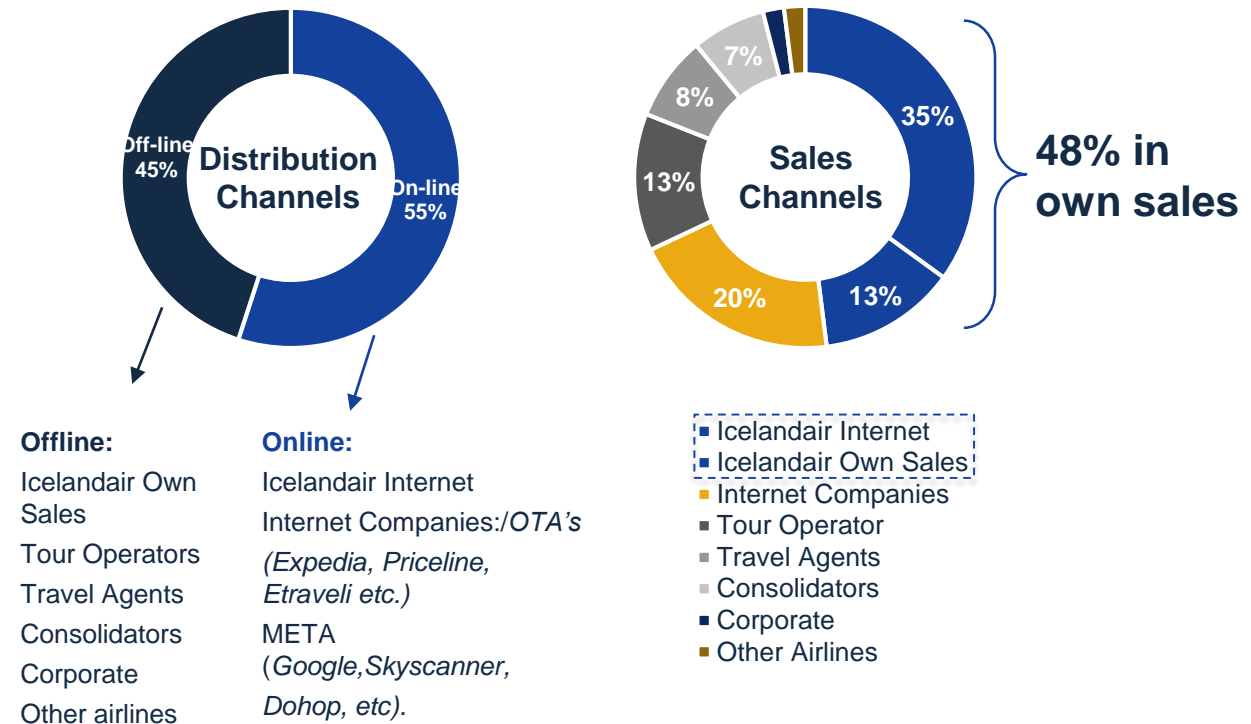
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Icelandair enjoys extensive and sustainable distribution channels

- + Powerful website and booking engine ensure that direct sales comprise about half of passenger volume
- + As a relatively small airline, Icelandair must also rely on 3rd party sales to supplement its direct sales
- + Icelandair has spent decades developing good relationships with 3rd party vendors
- + Icelandair has a reach of a much larger airline having developed an effective infrastructure using 8 GDSs¹
- + Enables distribution of products to hundreds of thousands of 3rd parties around the world and to metasearch engines

Revenue split by distribution channel (% of rev. 2019)

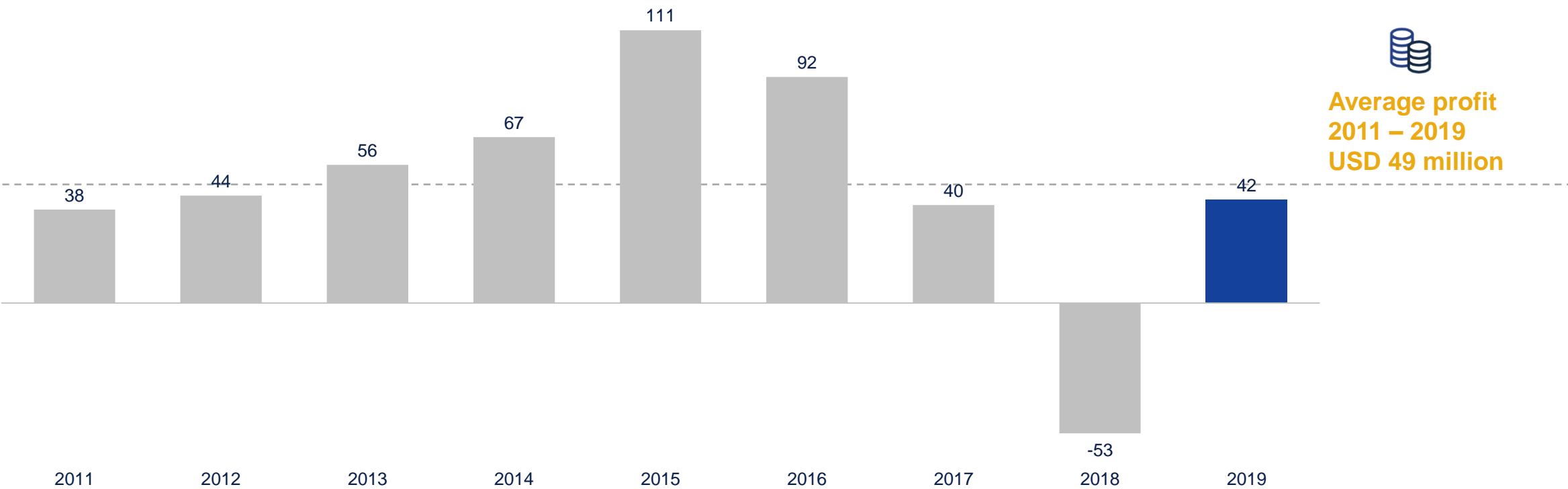


Preserving distribution channels during downtime for quicker responses to a shift in market demand



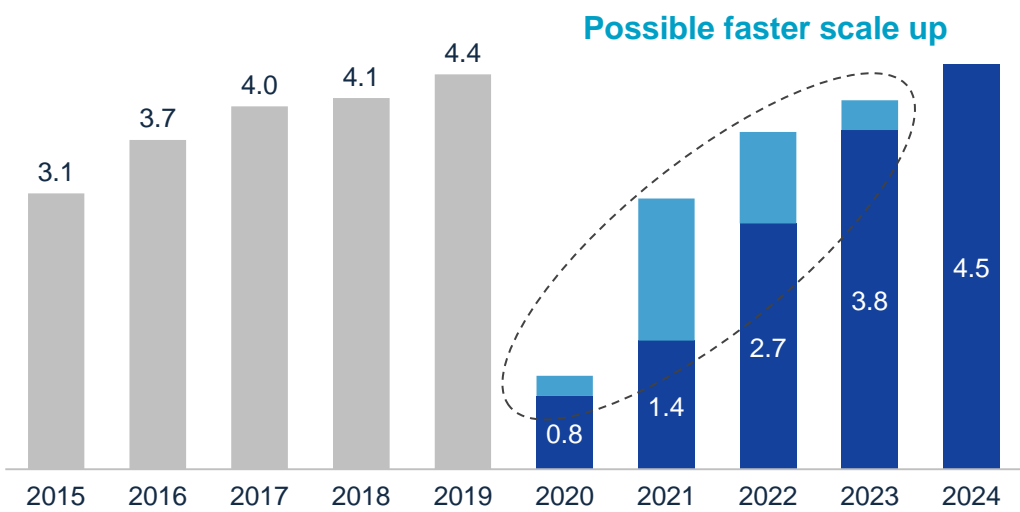
Icelandair's business model has delivered results

Profit / loss
USD million

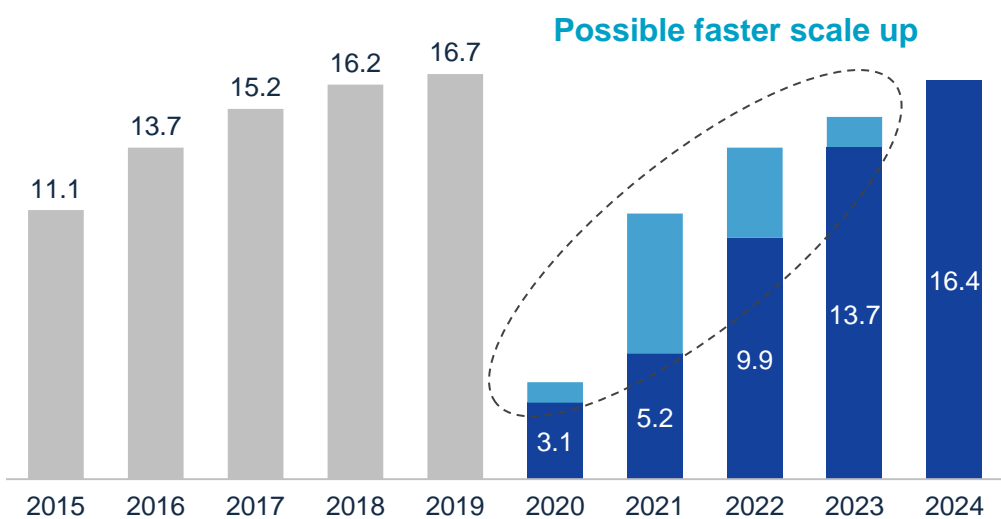


Market sentiment and demand will drive capacity

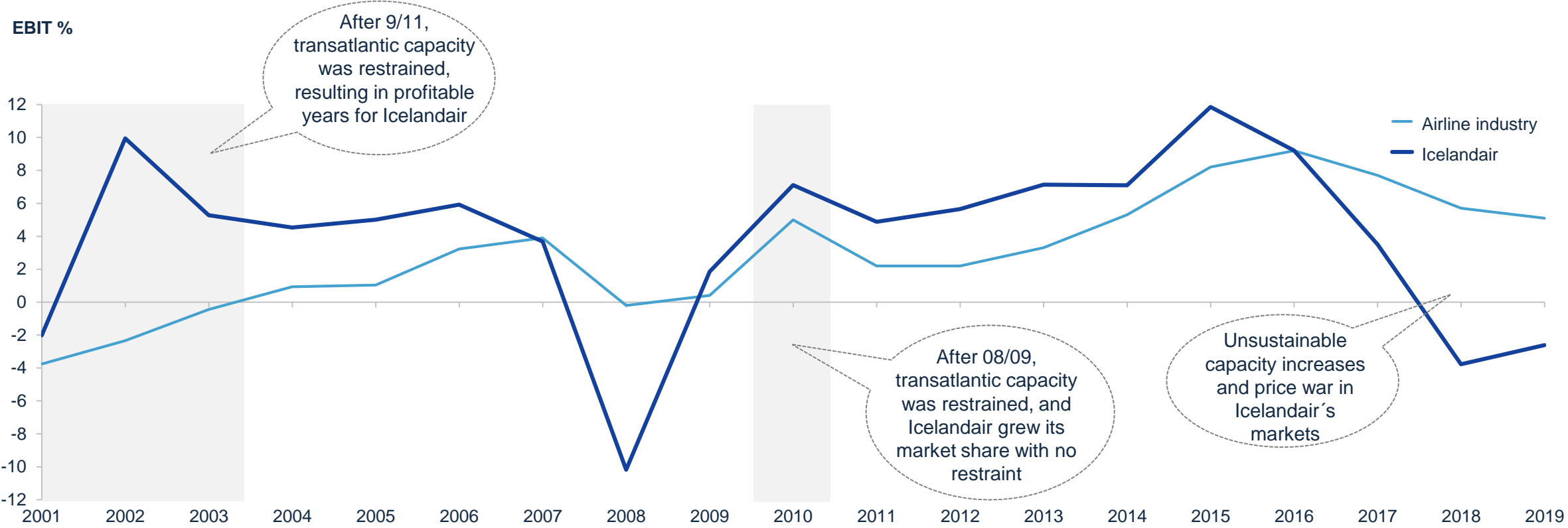
Number of passengers
millions



Available seat kilometers
billions



Icelandair enjoyed years of healthy profitability following previous aviation crises







ANCHORAGE

VANCOUVER

SEATTLE

PORTLAND

EDMONTON

SAN FRANCISCO

DENVER

MINNEAPOLIS

CHICAGO

TORONTO

MONTRÉAL

PHILADELPHIA

BOSTON

NEW YORK JFK / NEW YORK EWR

WASHINGTON D.C.

ORLANDO

HELSINKI

STOCKHOLM

BERGEN

OSLO

COPENHAGEN

BILLUND

HAMBURG

BERLIN

MANCHESTER

EAST MIDLAND

DUBLIN

LONDON LHR

LONDON LGW

AMSTERDAM

BRUSSELS

LIEGE

FRANKFURT

MUNICH

ZURICH

GENEVA

PARIS CDG

DUSSELDORF

MILAN

MADRID

ALICANTE

TENERIFE

Icelandair's valuable infrastructure supports strong bounce-back after COVID-19



**Slots at
strategic
airports**



**Strong
brand
recognition**



**Excellent
employees**



**Flexible
fleet**



**Valuable
ecosystem
of businesses**



A close-up, dimly lit photograph of a hand operating a control lever in an aircraft cockpit. The hand is positioned at the top of the lever, which is part of a complex control panel. The background shows various cockpit instruments and screens, all slightly out of focus. The overall color palette is dark and blue-toned.

**Planned share offering
of new shares**

Icelandair aims to raise USD 150-200 million through sale of new shares – providing vital liquidity for the company

The board of directors (BoD) is seeking authorization to increase the share capital by up to ISK 30bn in nominal terms

- + New shares to be of the same share class as outstanding shares and planned to be sold by a public offering
- + Payment for new shares in cash or possibly by a debt-to-equity conversion
- + BoD to set the offer price and other terms of the planned offering with publication of the prospectus when key workstreams are completed
- + Proposed that shareholders waive their pre-emptive rights to the new shares
- + The Company's Articles of Associations will be amended to state the resolution of the shareholders meeting on the share capital increase.
- + Enables an expedited offering process – an important factor in current market conditions
- + In case of oversubscription the BoD aims to give priority to subscriptions of shareholders such that their proportional ownership will not be diluted

The planned share offering to take place at end of June

- + Investor presentation and prospectus will be published prior to the planned offering
- + Roadshow and an open investor meeting
- + Íslandsbanki, Landsbankinn and Kvika banki co-advisors in the offering



The share offering will take place following a successful participation by key stakeholders to secure Icelandair's future



Unions

- + FVFÍ (Union of Icelandic Aircraft Maintenance Technicians)
- + FÍA (The Icelandic Airline Pilots Association)
- + FFÍ (The Icelandic Cabin Crew Association)



Agreement concluded

Agreement under voting

Negotiations stopped



Lenders, lessors and other vendors

- + Discussions to restructure current and long-term liabilities to match expected cashflow going forward
- + Focus on payment holidays, changes in key terms and structure changes



Negotiations ongoing



Government

- + The Government of Iceland has indicated willingness to provide a government guaranteed credit line
- + Such support contingent on various conditions including concessions from lenders, lessors and vendors and successful equity offering



Discussions ongoing



Boeing MAX

- + Negotiations regarding future deliveries and further compensation



Negotiations ongoing



Key dates

Subject to change

22 May

Shareholders
meeting

15 June

Signing of agreement with
government, lenders, lessors
and vendors/partners

16-22 June

Publication of prospectus,
terms of planned offering and
investors presentation

29 June – 2 July

Planned share
offering period



The Board's proposal

The proposal will grant the board of directors' authorization to increase the Company's share capital. This authorization is intended for issue of new shares in a public offering with the aim of strengthening the Company's balance sheet as a part of the Company's actions in response to COVID-19.

The proposal is as stated below:

“The company's board of directors is authorized to increase the company's share capital by up to ISK 30,000,000,000 in nominal terms (ISK thirty billion), by issuing shares, all at once or in separate steps. The shareholders waive their pre-emptive rights to the new shares. The board of directors decides the share's offer price and sales arrangements. Subscriptions shall take place in accordance with the Company 's Articles of Association and Chapter V of Act No 2/1995 respecting Public Limited Companies. The new shares will be of the same share class as other outstanding shares in the Company. The new shares may be paid for by means of the set-off of indebtedness or in another manner than with cash, according to the sale arrangements set by the board of directors. The provisions of Art. 5 – 6, Art. 6 a – Art. 6 c and Art. 7 – 8 of Act No 2/1995 respecting Public Limited Companies shall apply hereto as applicable. The new shares shall provide the associated rights to the Company from the date of registration. This authorization of the board of directors shall be valid until 1 September 2020, to the extent which it has not been utilized.”





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