

Q4 and 12M 2020 results

Investor meeting 9 February 2021



Highlights

Results Q4 2020

Resurgence of COVID-19 and associated travel restrictions in key markets discouraged demand recovery

Revenues down by 81%, EBIT negative of USD 60.6 million and net loss USD 38.2 million



Liquidity position strong

Total liquidity USD 331.4 million at year-end

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



Boeing 737 MAX recertified as safe to fly

Reintroduction of the aircraft into our network in spring following extensive updates and pilot training

The aircraft is both cost effective and environmentally friendly and will support the future development of our route network



Outlook for coming weeks

Near-term outlook challenging and operations remaining at minimal levels in the coming weeks

Modest ramp-up assumed to begin in Q2 2021



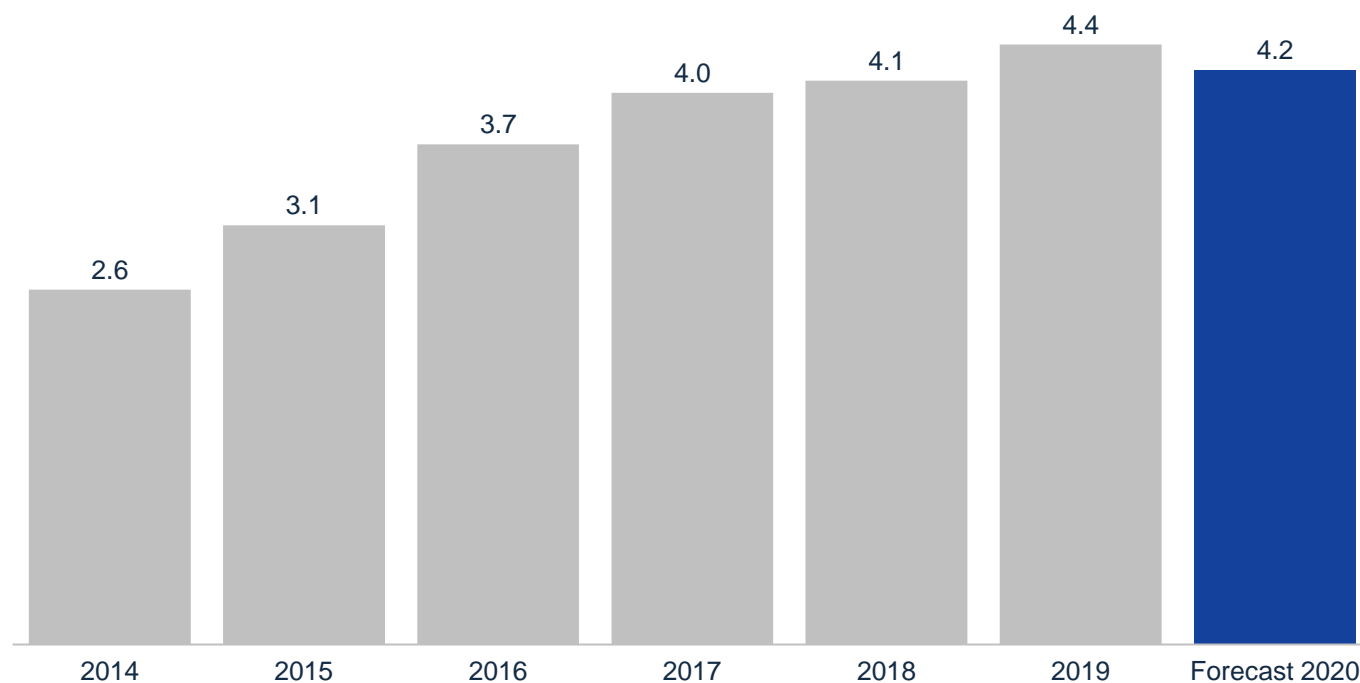
2020 what a year!

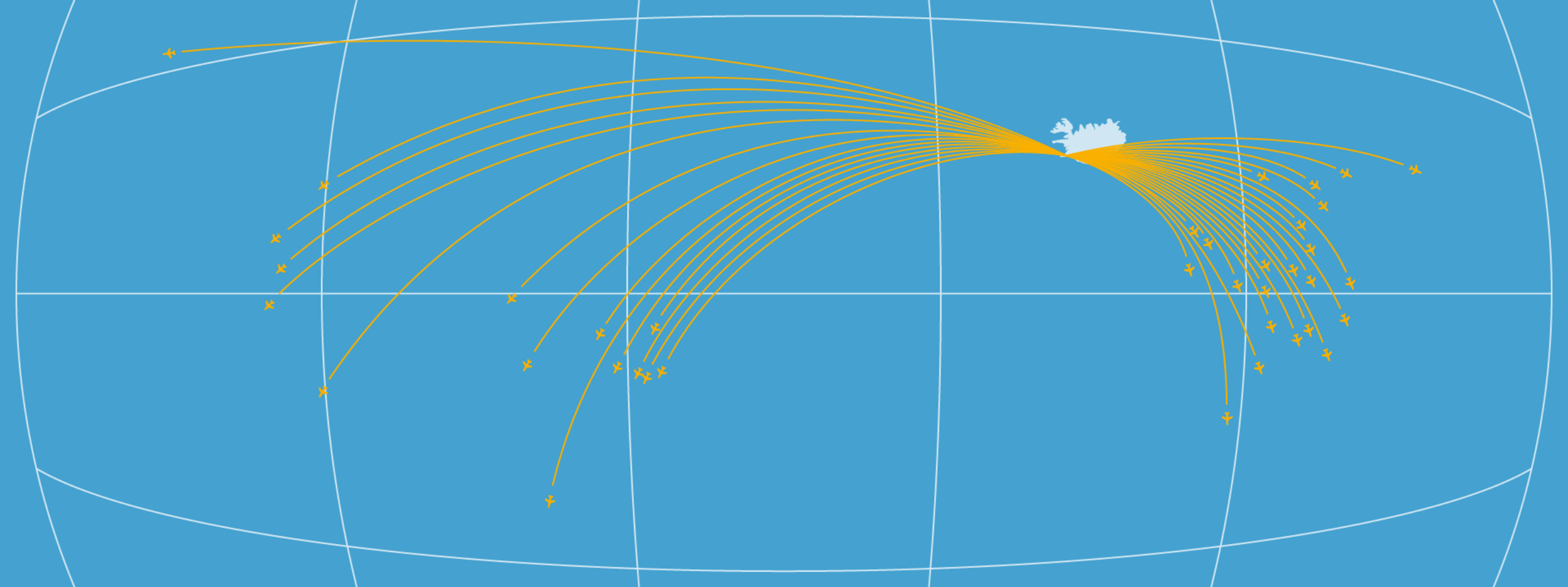
Bogi Nils Bogason
CEO Icelandair Group



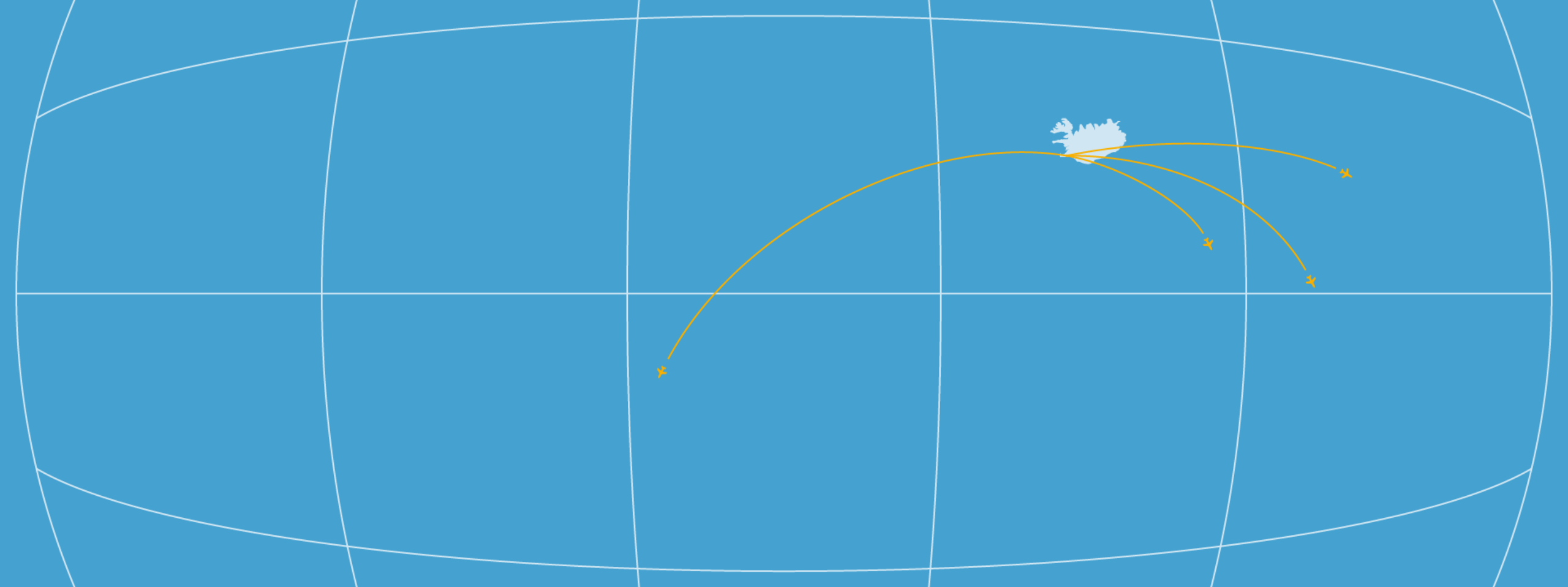
**We were
optimistic
at the start
of 2020**

Number of passengers
millions

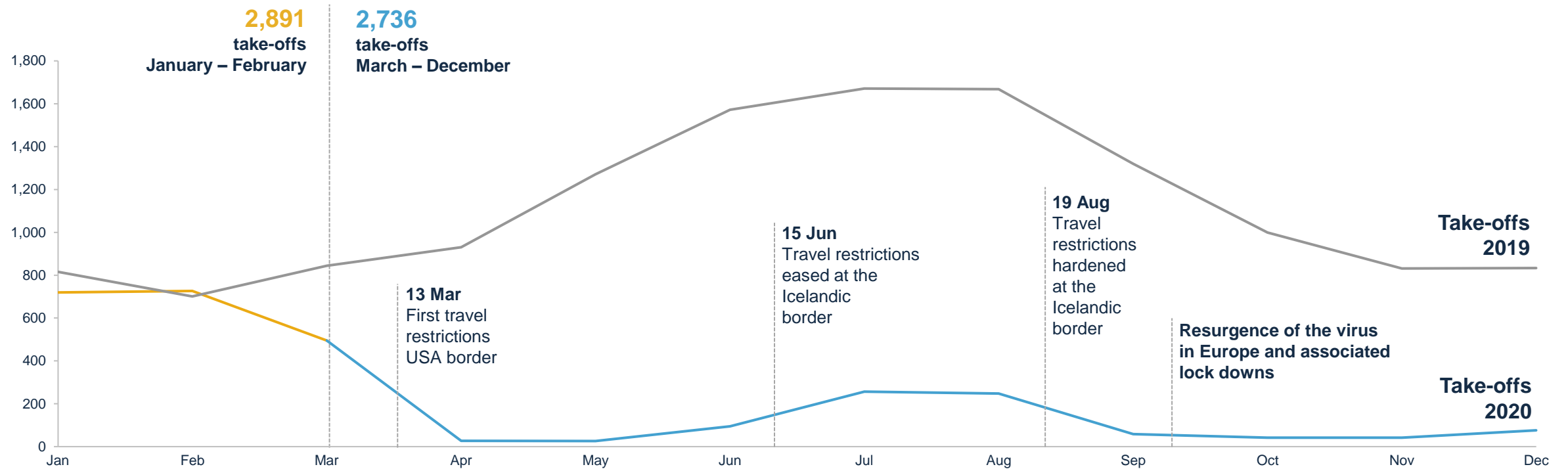




**Flights were offered
to 40 destinations...**



... but due to C-19 and related travel restrictions they decreased to four



The number of take-offs went down drastically...

... and we
carried more
passengers
in the first
two months
than in the
remaining
ten months
of 2020



20 aircraft
were prepared
for on-ground
storage



Effective technical solutions built and implemented to improve service

Flexible booking policies introduced to make travel easier



Solution to issue **travel credit vouchers**



Chat bot, which lightened the load on our service center



Automated refunds to shorten the refund process considerably



New terms and conditions policy to make **bookings, changes of flights, dates and destinations** easier



**Six passenger
aircraft retrofitted
to fly 80 cargo
flights with medical
equipment from
China to Europe
and North America**



Number of shareholders



**Financial restructuring completed
including a successful share offering...**

Our valuable infrastructure has enabled us to maintain flexibility in challenging times



**Our
excellent
people**



**Valuable
ecosystem
of businesses**



**Slots at
strategic
airports**



**Strong
international
brand**



**Effective
distribution
channels**



**Beneficial
partnership**



**Flexible
fleet**



Financials

Eva Sóley Guðbjörnsdóttir
CFO Icelandair Group



Net loss USD 83.3 million

Operations heavily impacted by COVID-19

- + The capacity of Icelandair's route network decreased by 95% and the number of passengers dropped by 97% between years
- + Freight services were less affected
- + Cost lower due to less production and actions taken to decrease negative effects of COVID-19
- + Key focus on preserving cash as well as being well prepared to act as soon as demand improves
 - + Cash burn USD 68 million

USD million	Q4 2020	Q4 2019	Change
Transport revenue	37.8	245.0	-207.2
Aircraft and aircrew lease	6.7	23.9	-17.1
Other operating revenue	15.6	50.3	-34.6
Operating Income	60.2	319.2	-259.0
Salaries and other personnel expenses	46.1	110.1	-64.0
Aviation expenses	26.3	113.1	-86.8
Other operating expenses	21.1	84.0	-62.9
Operating Expenses	93.5	307.2	-213.7
Depreciation and impairment	26.9	48.7	-21.7
EBIT	-60.2	-36.7	-23.5
EBIT ratio	-100.0%	-11.5%	-88.5 ppt
EBT	-97.0	-40.1	-56.9
Net loss	-83.3	-29.9	-53.4



Net loss USD 376.2 million

All main deviations from LY are directly related to C-19

- + Revenue down by USD 1,071 million or 71%
- + Freight services less affected with cargo revenue increasing by 14% year-on-year
- + COVID related impairments of USD 136.1 million
 - + Impairments related to goodwill of USD 116.2 million
 - + Impairments of investments in associates of USD 19.9 million
- + USD 10.5 million were recognized as loss on fair value changes in the Company's warrant liability due to a rise in its share price.

USD million	12M 2020	12M 2019	Change
Transport revenue	265.5	1,159.5	-894.0
Aircraft and aircrew lease	64.7	91.6	-26.9
Other operating revenue	103.3	253.3	-150.0
Operating Income	433.6	1,504.5	-1,070.9
Salaries and other personell expenses	207.9	429.3	-221.4
Aviation expenses	171.5	568.5	-397.0
Other operating expenses	140.7	368.8	-228.0
Operating Expenses	520.1	1,366.5	-846.4
Depreciation and impairment	276.5	177.3	99.2
EBIT	-363.0	-39.3	-323.7
EBIT ratio	-83.7%	-2.6%	-81.1 ppt
EBT	-437.8	-72.6	-365.2
Net Loss	-376.2	-57.8	-318.4



Traffic Data

All operation heavily affected by COVID-19

2020 - changes from 2019



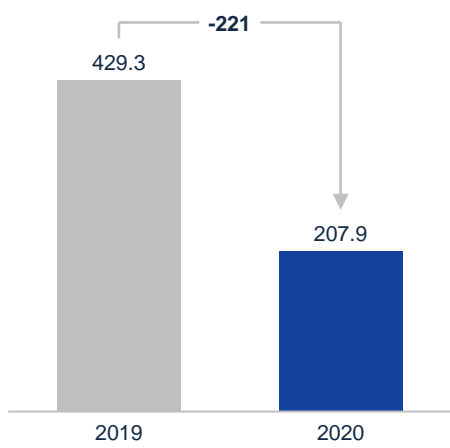
Pax = Passengers, ASK = Available Seat Km, LF = Load Factor, BH = Block Hours, FTK = Freight Tonne KM



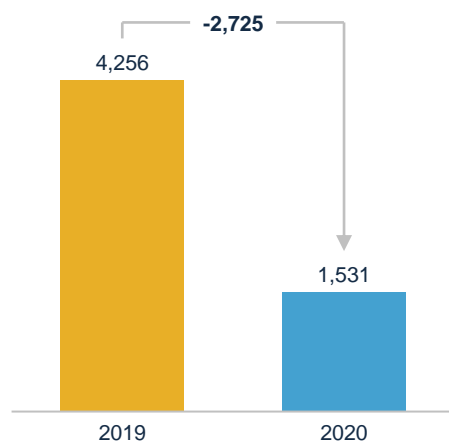
Salaries and salary-related cost USD 207.9 million in 2020

Number of full-time employees down by 2,725 between years

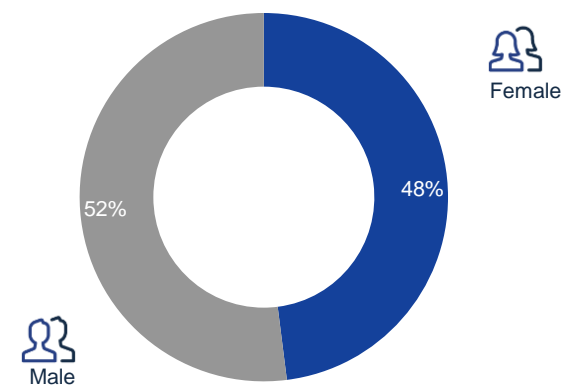
Salaries and salary-related cost
USD million



Number of FTEs end of year

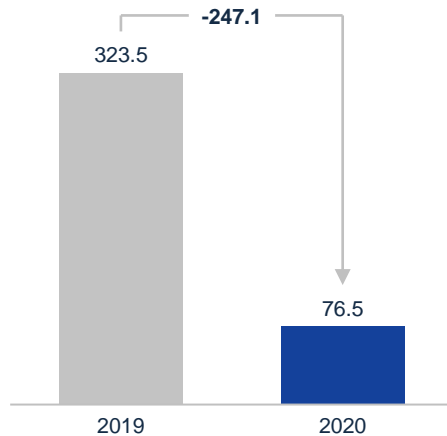


Gender ratio



Fuel cost USD 76.5 million

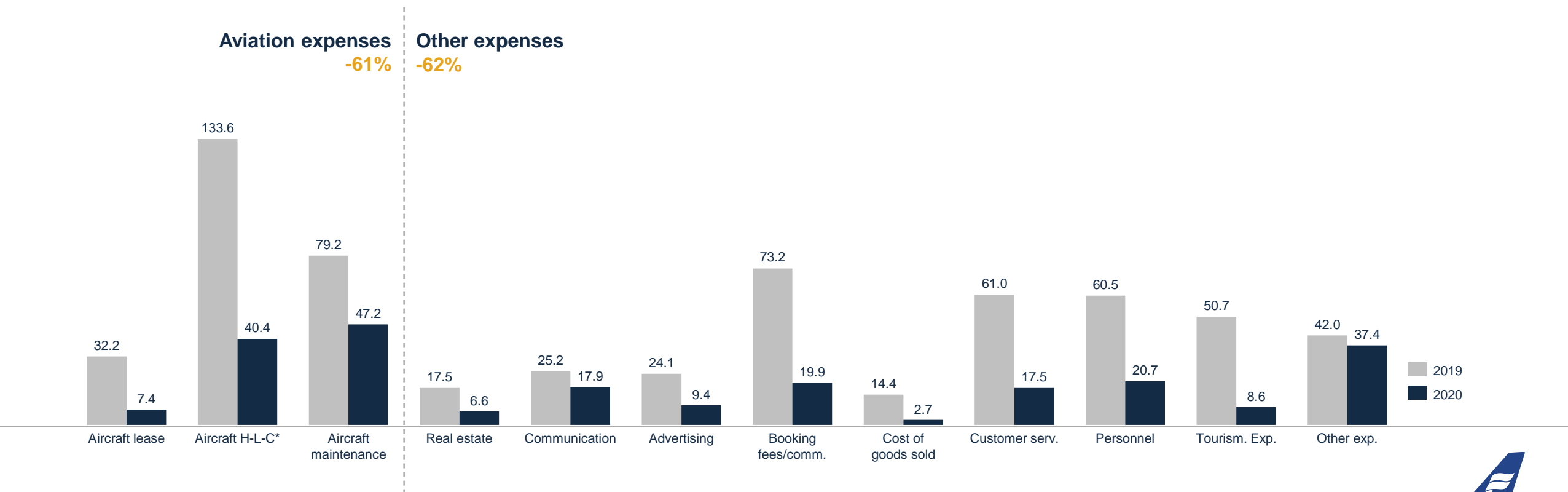
Fuel cost
USD million



Fuel hedges

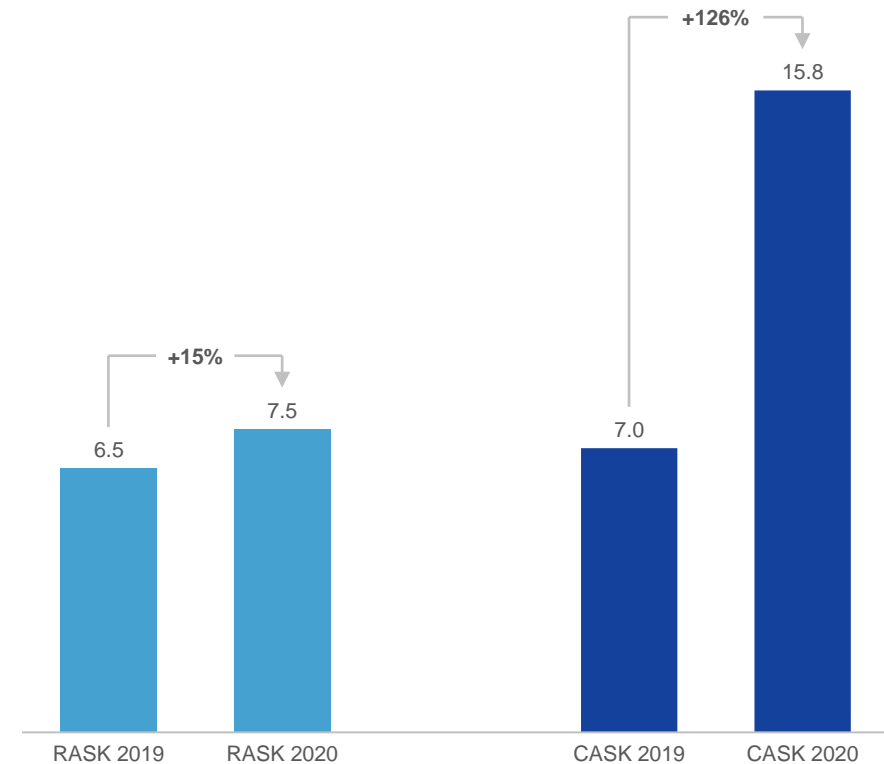
- + Restructuring in July 2020 resulted in considerable reduction in hedged volume and a longer horizon
- + Settlements accounted for in Fuel cost (USD 11.5 million) and financial expenses (USD 32.6 million)
- + No new hedge contracts have been entered into since early 2020
- + Negative mark-to-market of open hedge positions at year-end amounted to USD 17.3 million with a strike price of 663 USD/tonne
- + Hedging policy under review

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



RASK and CASK comparison between years difficult due to the significant drop in capacity

RASK and CASK overview
US cents



Balance sheet

Assets

	31 Dec 2020	31 Dec 2019
Operating assets	498.4	630.4
Right-of-use assets	119.8	134.0
Intangible assets and goodwill	60.3	175.2
Other non-current assets	73.7	75.5
Total non-current assets	752.2	1,015.2
Other current assets	23.4	22.7
Derivatives used for hedging	0.0	1.9
Trade and other receivables	99.3	124.9
Assets classified as held for sale	0.0	276.9
Marketable securities	41.7	0.0
Cash and cash equivalents	117.7	235.1
Total current assets	282.1	661.4
Total assets	1,034.2	1,676.6

Equity and liabilities

	31 Dec 2020	31 Dec 2019
Shareholders' equity	232.8	482.5
Loans and borrowings non-current	239.6	241.3
Lease liabilities	119.7	135.5
Derivatives for hedging	6.0	0.0
Warrants	18.6	0.0
Other non-current liabilities	17.1	49.1
Total non-current liabilities	401.0	425.9
Loans and borrowings current	24.0	80.0
Lease liabilities	26.9	23.0
Warrants	9.1	0.0
Derivatives used for hedging	11.3	1.6
Liabilities classified as held for sale	0.0	238.7
Trade and other payables	141.7	221.0
Deferred income	187.4	204.0
Total current liabilities	400.5	768.2
Total liabilities	801.4	1,194.1
Total equity and liabilities	1,034.2	1,676.6

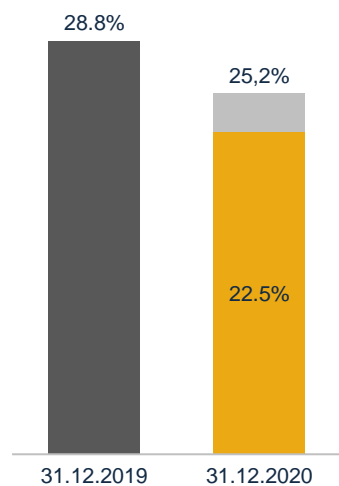


Net interest-bearing debt excluding lease liabilities USD 104 million

Decreased by USD 36 million from the beginning of the year

Equity ratio

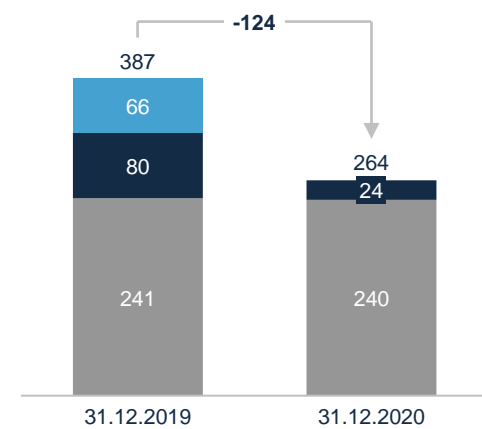
Excluding warrants



Interest-bearing debt

USD million

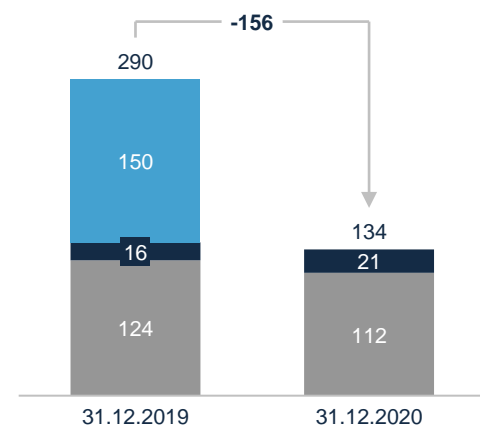
Held for sale Current Non-current



Net lease liabilities

USD million

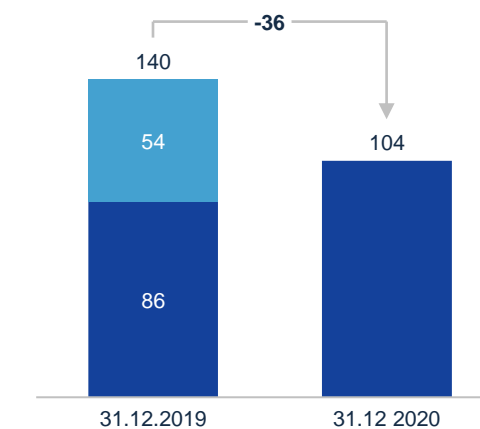
Held for sale Current Non-current



NIBD excl. lease liabilities

USD million

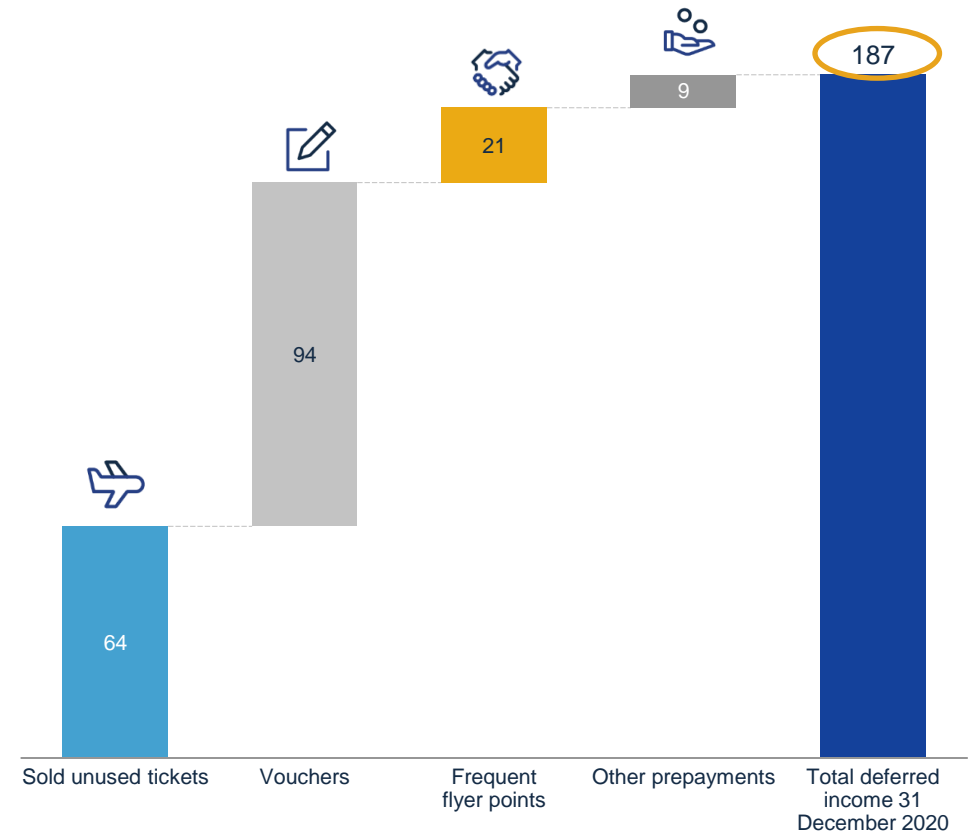
Held for sale Loans and borrowings



**Deferred income
USD 187 million**

**Vouchers valid for 3
years representing
50% thereof**

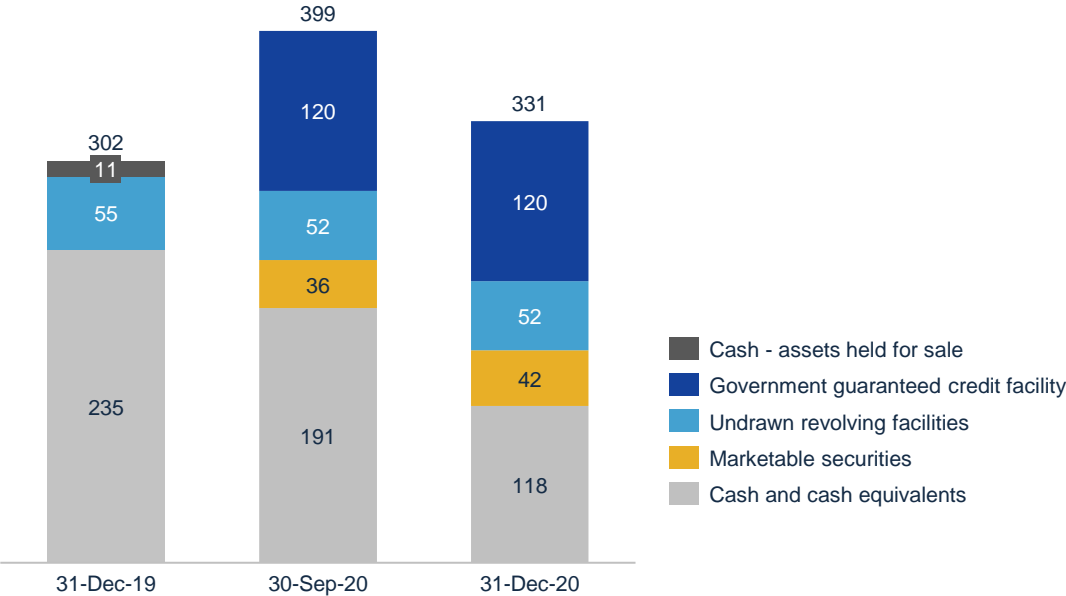
Deferred income at year-end 2020
USD million



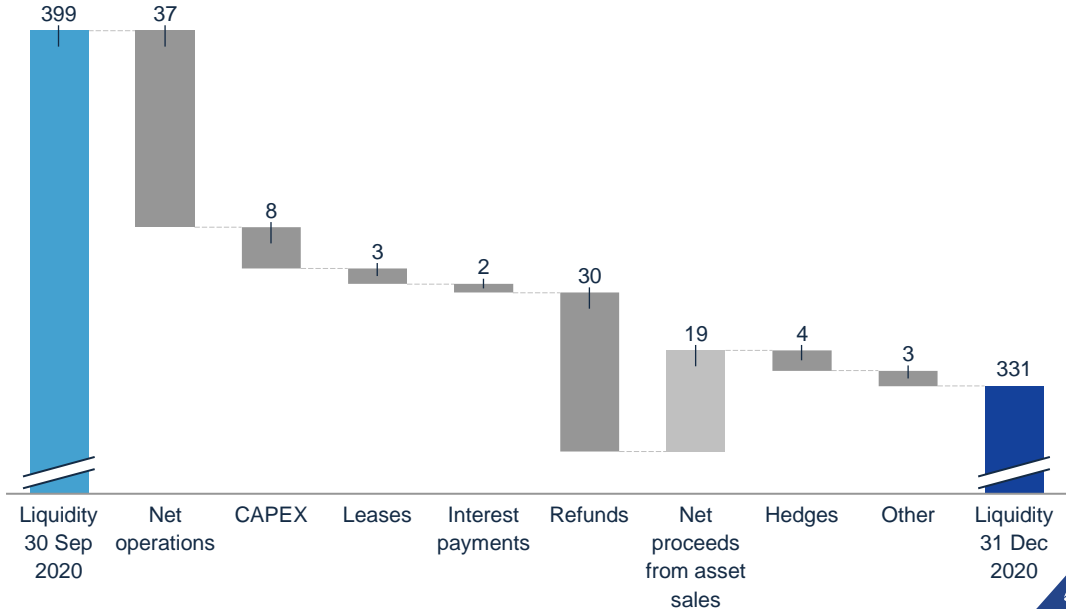
Liquidity position

USD 331 million at year-end

Liquidity breakdown
USD million



Liquidity developments in Q4 2020
USD million



Outlook

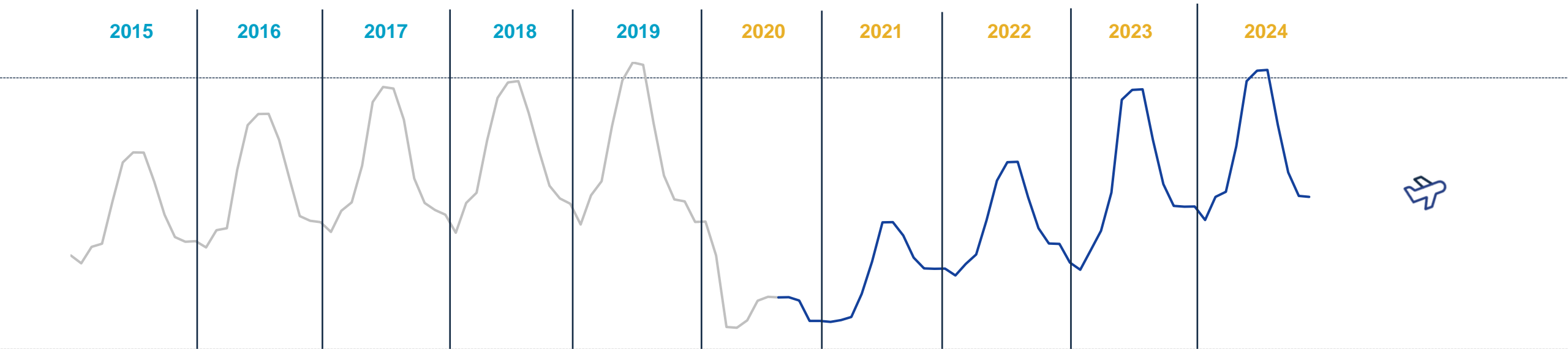
Bogi Nils Bogason

President and CEO Icelandair Group



We expect to reach previous capacity in 2024

Number of available seat kilometers (ASK) per year:



**Iceland will continue to
be an attractive tourist
destination post-COVID**

**Iceland's small
population, spaciousness
and untouched nature are
seen as positive attributes**



Changes in the competitive landscape are likely to rationalize capacity across the North Atlantic, creating opportunities for Icelandair's business model

**Icelandair
route network**

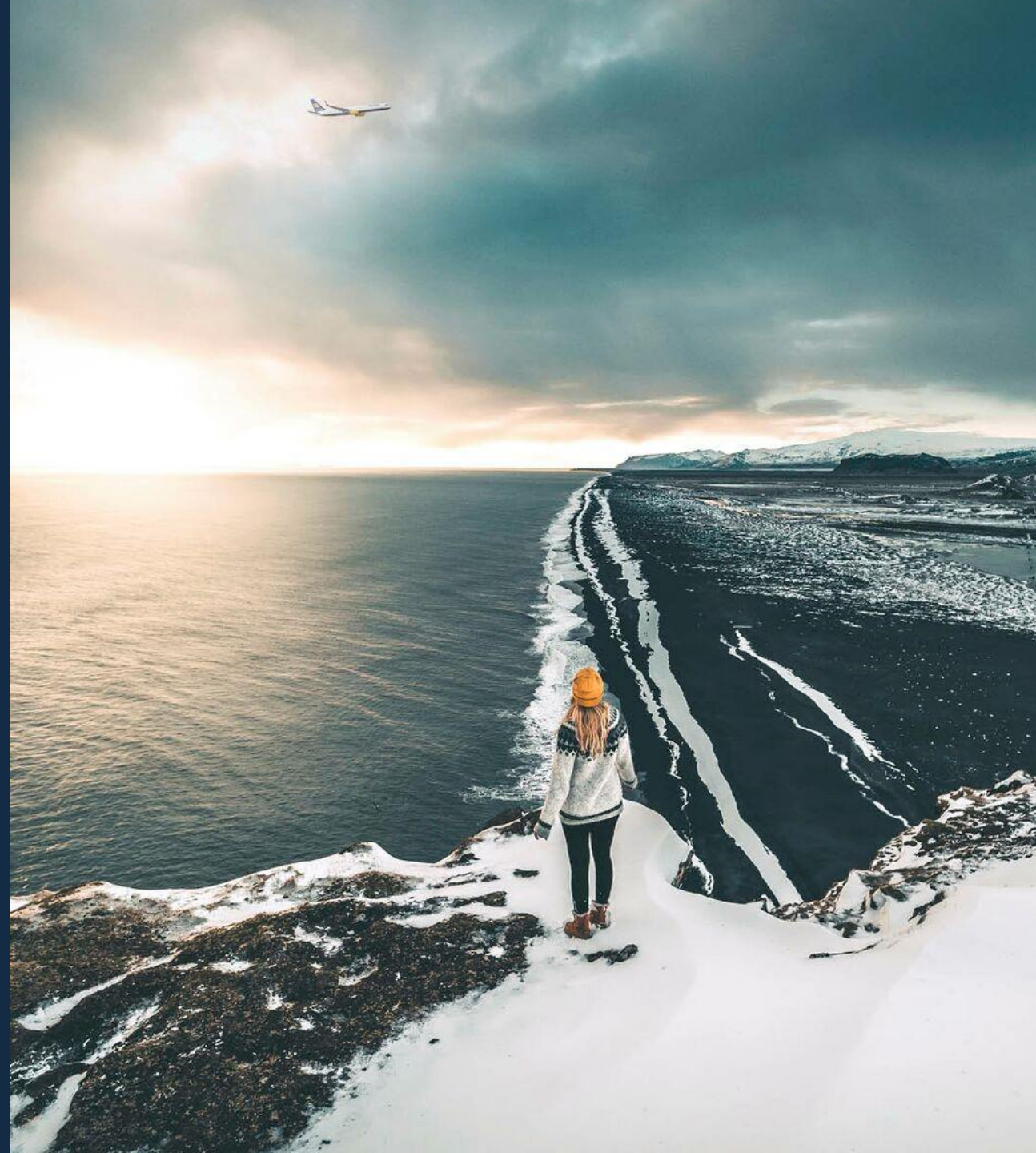


**Increased focus on
cargo operations
which were
successful in 2020**



**Sales process for
Iceland Travel initiated in
line with Icelandair
Group's strategy to focus
on aviation**

**Iceland Travel is the
leading incoming travel
agency in Iceland**



Boeing 737 MAX recertified as safe to fly

After almost two years on the ground

Icelandair has started preparation for the reintroduction with **safety as #1 priority**

- + Software updates
- + Various maintenance tasks
- + Extensive pilot training
- + Test flights

Delivery schedule



The Boeing 737 MAX is both cost-effective and more environmentally friendly

- + Additional operational flexibility
- + Supporting future development of the route network
- + 37% fuel savings per trip compared to the Boeing 757
- + 40% noise reduction despite more powerful engines



Icelandair Group is in a strong 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



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