

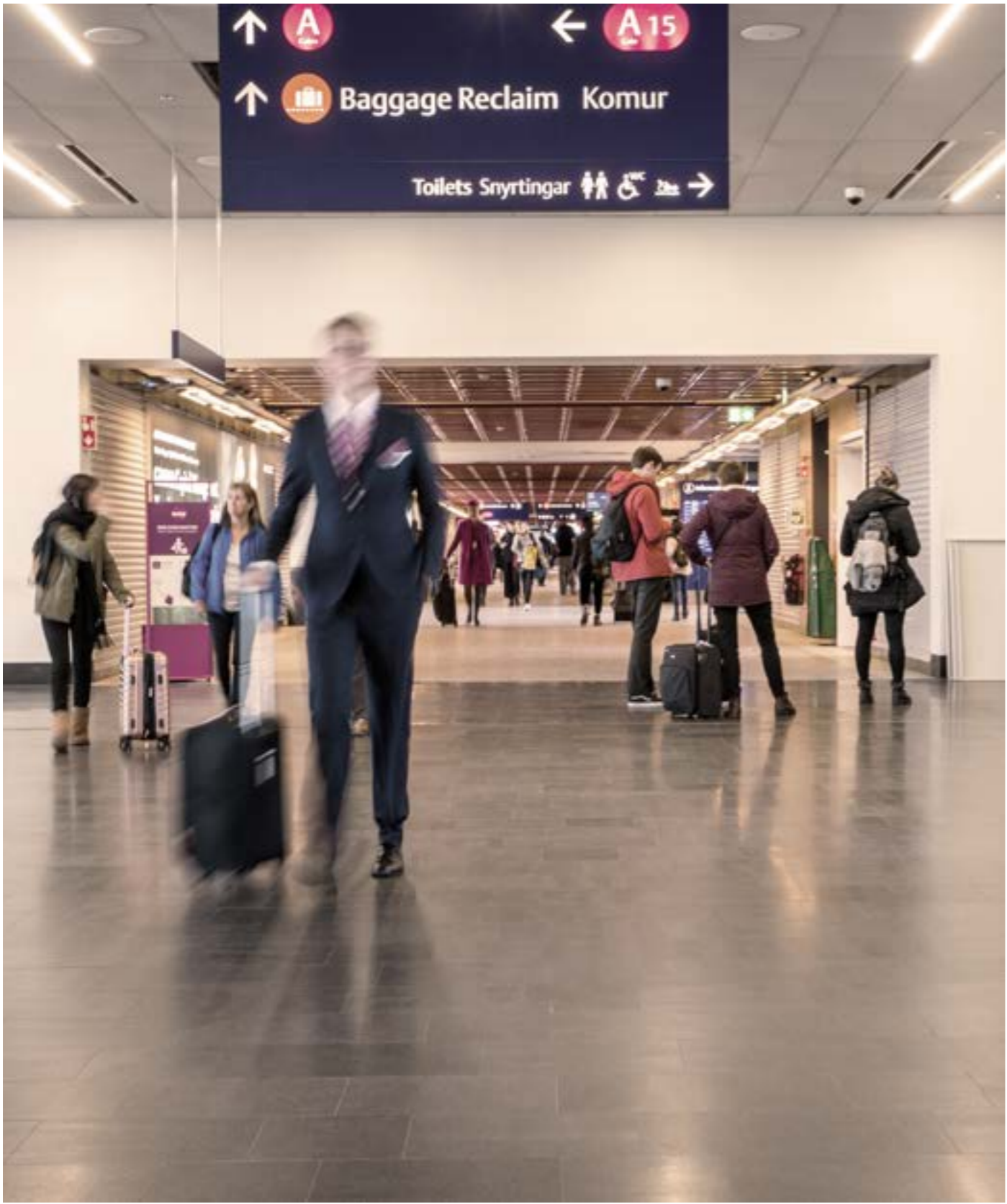


ISAVIA

Keflavík International Airport
— Passenger forecast 2019

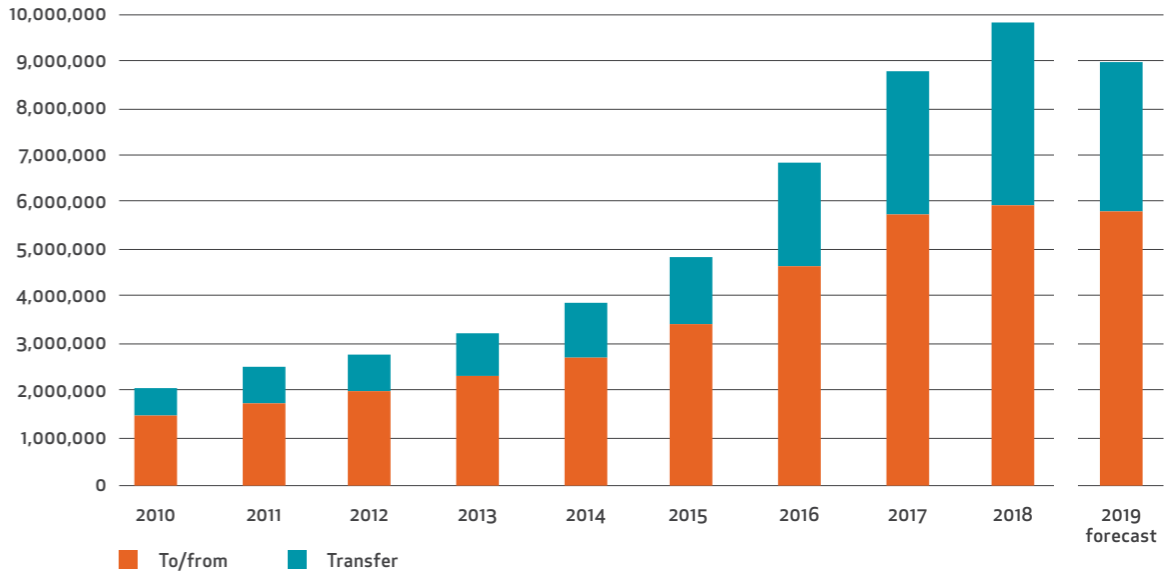


PASSENGER FORECAST KEFLAVÍK INTERNATIONAL AIRPORT 2019



Passenger developments and forecast in 2019

- Total number of passengers decreases
- Share of transfer passengers lower than in 2018
- Slight decrease in the number of arrival and departure passengers



Isavia has, over the last few years, prepared a detailed forecast at the end of each year of the number of passengers passing through Keflavík Airport, together with preparing a forecast of the number of travellers visiting Iceland. Due to the uncertainties over the past few weeks as regards one of the largest customers of Keflavík Airport, it has proved impossible to publish a passenger forecast for 2019, something that explains why the forecast is issued at the present time and not at the close of November as usual. The forecast is prepared in close co-operation with all the airlines and takes account of information regarding the time slots that the airlines have reserved.

The forecast for 2019 shows a decrease in the number of passengers for the first time since 2009 when the airport's growth period began. This, however, can be attributed to decreased seat capacity compared to 2018. The forecast anticipates an 8.7% decrease in the number of passengers, i.e. down to 8.95 million. The share of of transfer passengers decreases from approximately 40% to 35%, a decrease of just less than 19% during the year. The number of arrival and departure passengers decreases by slightly more than 2%.

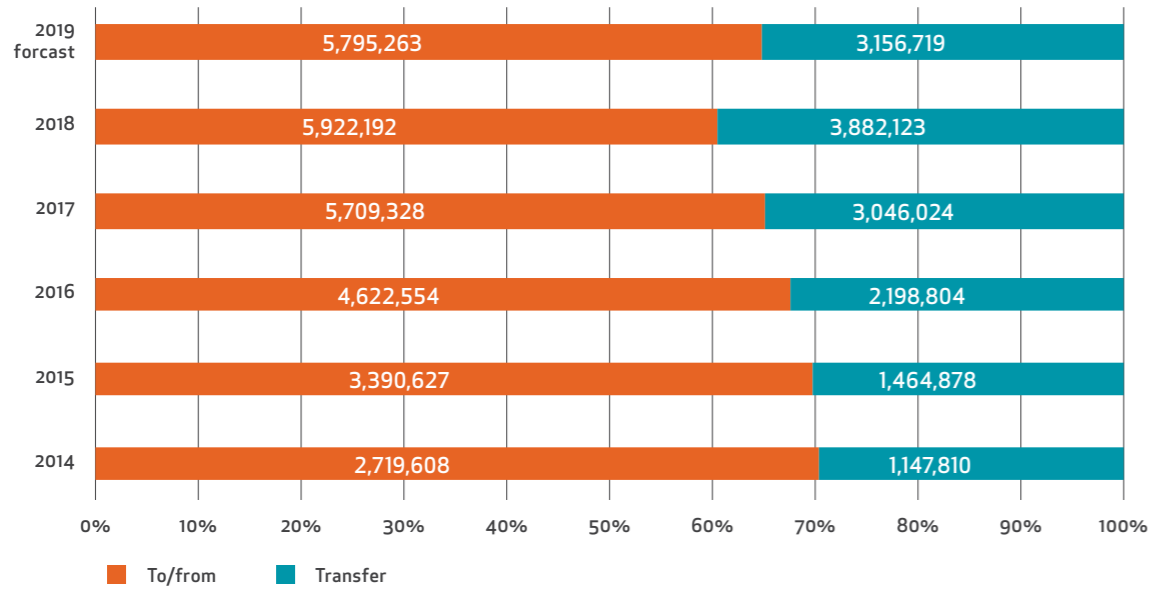
A similar number of aircraft operators will be using Keflavík Airport in the 2019 summer season as in 2018. Icelanders are expected to travel less frequently if projections are correct, and the number of foreign travellers will decrease by 55,000. The biggest news in the forecast, however, is that despite the huge uncertainties in recent weeks, the decrease in numbers is fairly insignificant and that the numbers in 2019 will be similar to those in 2017, which was considered to have been quite a good year.

When creating passenger forecasts for Keflavík Airport, the following methodology is used:

Co-operation — All airlines using Keflavík Airport were contacted for information on their expected seat capacity.

Information gathering — Isavia's experience and knowledge is used to improve the first drafts.

Facts — Booking data and information from Keflavík International Airport's booking system is used to refine the forecast.



Distribution of passengers

PASSENGER NUMBERS 2018

The passenger forecast for 2018 was presented at a meeting in November 2017 and predicted 10.4 million passengers. In February, once the summer schedules of the airlines had been made available, it became clear that the number of passengers would probably not reach this figure. An updated forecast, therefore, was presented in May 2018 which revised this figure to 10.1 million passengers. As autumn approached, rumours began surfacing regarding one of the largest customers of Keflavik Airport, and as a result, the decision was made to re-update the forecast in November to 9.8 million passengers. Many companies and entities rely on the data the Isavia publishes, and this is the reason for the two updates to the forecast during the year. At the end of the year, passenger numbers proved to be 9.8 million, or an increase of 12% from the preceding year. Arrival and departure passengers increased by 4%, while the number of transfer passengers increased by almost 28%. The proportion of transfer passengers continued to grow and was around 40% in 2018.

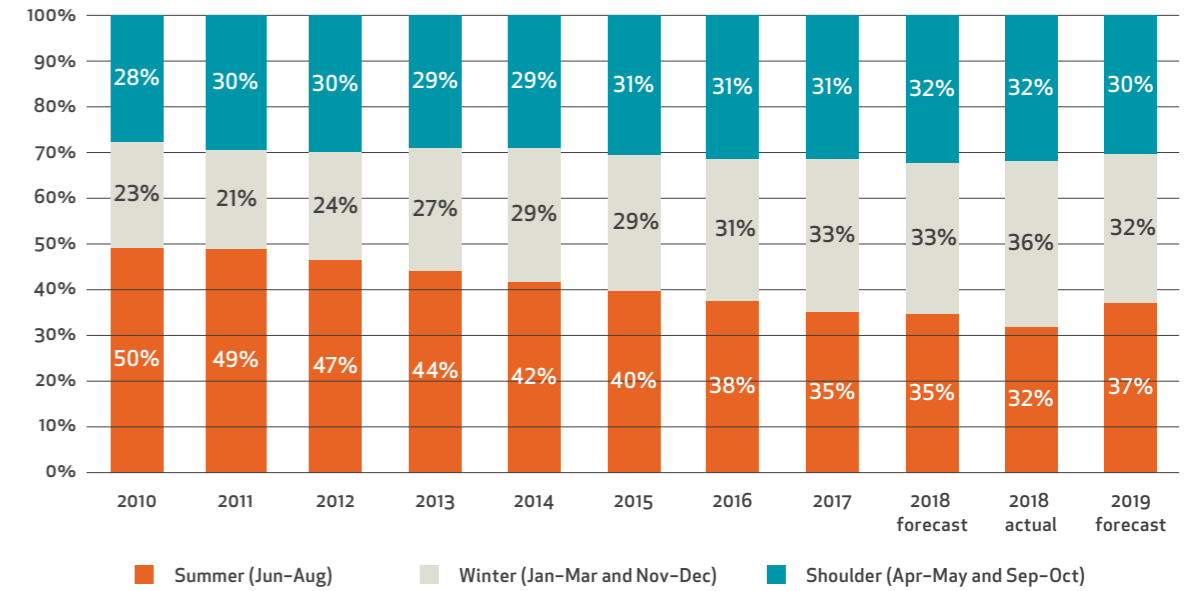
ICELANDIC PASSENGERS

According to the counts carried out by Isavia and the Icelandic Tourist Board of departure passengers at Keflavik Airport, the number of trips taken by

Icelanders increased by almost 8% in 2018 and were, therefore, 668 thousand. In our forecast in November 2017, we assumed that the number of Icelanders would be around 667 thousand, while the updated forecast in May 2018, we anticipated that there would be 671 thousand Icelanders. It is clear, therefore, that both these projections were quite close to the final number. In our forecast for 2019, we anticipate a decrease in the number of Icelanders to the tune of 3.3%, something that can be attributed to decreasing availability offered by aircraft operators. Trips taken by Icelanders, therefore, will be around 646 thousand if projections are correct. This still represents 4.4% more trips than were taken in 2017, which was a record year in travel by Icelanders.

INTERNATIONAL PASSENGERS

Isavia's travel forecast in November 2017 assumed that 2.5 million foreign travellers would come to Iceland, or an increase of almost 11%. In the updated forecast from May, this figure had been decreased to 2.25 million, or an increase of 2.6% due to availability changes. The real figures for 2018 ended up being quite close to these figures, or 2.3 million. The 2019 figures do not forecast much of a decrease in the arrival of foreign travellers. A decrease of 2.4% is anticipated. The number of foreign travellers, therefore, if the forecast proves to be correct, will be 2.26 million. The proportion of travellers during the summer months has



Distribution of foreign travellers between periods.

decreased in recent years, while the proportion of winter travellers has increased. These figures will change slightly in 2019, and the proportion of those visiting Iceland during the summer will increase slightly as compared to 2018.

In recent years, Isavia's one-year passenger forecasts have been fairly accurate, as they are based on good data and created in close co-operation with the airlines. The main issues that have generally skewed the forecasts are unexpected changes by airlines, for example if they add more or larger aircraft to their fleet on short notice.

AIRCRAFT OPERATORS' INTENTIONS

Last year, two of America's largest airlines, American Airlines and United Airlines began flying to Keflavik Airport. They will return again together with 24 other airlines. Primera Air has ceased operations, and Luxair, which began last summer for a short while, will not be returning. A few destinations will be discontinued: WOW air destinations after their restructuring, and the destinations of Primera. The total number of destinations will be 81, decreasing from 101 during the summer period (Apr-Oct) in 2018. It is quite likely that some charter companies will come into the market as the summer draws closer and that some summer destinations will be added. It is, however, clear that

Iceland's connections as a destination are decreasing in number. This will have an effect on the options that Icelanders will have for travel. In addition, cargo transportation will also suffer from fewer connections.

DISCLAIMER

The passenger forecast for Keflavik International Airport in 2018 is based on analysis and assessment of factors that affect passenger demand for flights to and from Keflavik International Airport as well as estimated availability of airlines for the coming year.

The assumptions made based on the forecast can change with relatively short notice and should therefore be taken with the provision that the current forecasts of airline companies are met.

The contents of the passenger survey may not be published in whole or in part without the consent of Isavia.

APPENDIX 1

Actual figures for Keflavík Airport

PASSENGERS ACTUAL 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% of PAX
Departures	190,219	199,190	232,189	198,286	223,788	299,382	338,212	340,623	290,249	266,380	202,582	189,754	2,970,854	30.3%
Arrivals	177,050	204,278	227,792	198,131	233,819	307,650	345,940	335,012	269,986	253,695	194,691	203,294	2,951,338	30.1%
Transfer	202,063	140,233	214,004	253,483	376,775	481,750	503,510	513,615	422,593	328,611	231,916	213,570	3,882,123	39.6%
Total	569,332	543,701	673,985	649,900	834,382	1,088,782	1,187,662	1,189,250	982,828	848,686	629,189	606,618	9,804,315	
Change	15.3%	11.7%	15.6%	5.0%	27.0%	16.8%	8.0%	9.9%	13.0%	16.3%	5.8%	-0.1%	12.0%	

Passenger forecast for 2019 by month

2019 PASSENGER FORECAST

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% of PAX
Departures	187,512	169,101	186,454	190,928	218,412	312,100	360,664	366,837	284,508	227,258	205,750	197,178	2,906,701	32.5%
Arrivals	172,778	172,620	184,993	191,547	228,453	319,506	361,632	357,171	270,107	217,684	198,286	213,786	2,888,561	32.3%
Transfer	188,259	131,341	175,546	213,887	301,069	371,757	360,231	359,495	333,890	264,564	229,969	226,712	3,156,719	35.3%
Total	548,549	473,062	546,993	596,361	747,934	1,003,362	1,082,527	1,083,503	888,505	709,506	634,005	637,676	8,951,982	
Change	-3.7%	-13.0%	-19.0%	-8.2%	-10.4%	-7.8%	-8.9%	-8.9%	-9.6%	-16.4%	0.8%	5.1%	-8.7%	

To/from

-1.9% -15.3% -19.5% -3.5% -2.4% 4.0% 5.7% 7.2% -1.0% -14.4% 1.7% 4.6% -2.2%

Transfer

-6.8% -6.4% -18.0% -15.6% -20.1% -22.8% -28.6% -30.0% -21.0% -19.5% -0.8% 6.2% -18.7%

Forecast for 2019 of Icelandic and foreign departure passengers by month

ICELANDIC PASSENGERS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2018	39,067	40,222	56,767	52,773	62,836	71,208	66,239	56,131	57,821	63,961	51,445	49,623	668,093
2019	40,398	35,873	42,983	62,051	58,496	67,868	66,576	58,173	58,819	54,295	52,356	48,477	646,367
Change	3.4%	-10.8%	-24.3%	17.6%	-6.9%	-4.7%	0.5%	3.6%	1.7%	-15.1%	1.8%	-2.3%	-3.3%

FOREIGN PASSENGERS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2018	147,569	160,078	173,061	147,551	165,240	233,874	278,613	291,344	231,681	199,626	150,058	137,230	2,315,925
2019	147,114	133,228	143,471	128,877	159,916	244,231	294,088	308,664	225,688	172,963	153,394	148,700	2,260,335
Change	-0.3%	-16.8%	-17.1%	-12.7%	-3.2%	4.4%	5.6%	5.9%	-2.6%	-13.4%	2.2%	8.4%	-2.4%

