

GOOD SECOND-QUARTER RESULTS. GOOD OUTLOOK FOR THE YEAR DESPITE NEGATIVE IMPACT OF EXTERNAL FACTORS ON EBITDA GUIDANCE.

- EBITDA in Q2 USD 52.4 million, as compared to USD 50.3 million last year
- 18% increase in passenger numbers on international flights and good passenger load factor
- Total income up by 13%
- Profit after taxes USD 26.2 million, up by 17% between years
- Equity ratio 39% at the end of June
- Net cash from operating activities USD 119.6 million, as compared to USD 86.7 million last year
- Operating conditions set to be more difficult in the second half of the year, as terrorist activities in Europe and the outcome of the Brexit referendum create market uncertainty

USD thousands	Q2 2016	Q2 2015	Change	% Change	6M 2016	6M 2015	Change	% Change
Operating results								
Total income	331,355	294,212	37,143	13%	543,192	480,287	62,905	13%
EBITDAR	60,954	59,140	1,814	3%	70,457	65,344	5,113	8%
EBITDA	52,405	50,265	2,140	4%	53,502	47,997	5,505	11%
EBIT	29,207	28,393	814	3%	8,536	9,114	-578	-6%
EBT	32,764	27,923	4,841	17%	11,480	9,619	1,861	19%
Profit for the period	26,169	22,365	3,804	17%	9,173	7,813	1,360	17%
Balance sheet								
Total assets	-	-	-	-	1,217,725	1,038,402	179,323	17%
Total equity	-	-	-	-	470,558	373,186	97,372	26%
Interest bearing debt	-	-	-	-	61,481	78,499	-17,018	-22%
Cash and short term investment	-	-	-	-	287,612	351,208	-63,596	-18%
Net interest bearing debt	-	-	-	-	-226,131	-272,709	46,578	-17%
Cash flow								
Working capital from operations	57,310	49,611	7,699	16%	60,333	50,775	9,558	19%
Net cash from operating activities	119,636	86,724	32,912	38%	268,428	204,411	64,017	31%
Net cash used in investing activities	-58,277	-34,559	-23,718	69%	-158,078	-72,170	-85,908	119%
Net cash used in financing activities	-28,500	-20,716	-7,784	38%	-31,795	-836	-30,959	-
Cash and cash equivalents end of period	274,416	314,903	-40,487	-13%	274,416	314,903	-40,487	-13%
Key Ratios								
Profit per share expressed in US Cent	0.52	0.45	0.07	16%	0.18	0.16	0.02	13%
Intrinsic value	-	-	-	-	11.60	9.20	2.40	26%
Equity ratio	-	-	-	-	39%	36%	3.0 ppt	8%
Current ratio	-	-	-	-	0.72	0.90	-0.18	-20%
CAPEX USD thousand	100,325	36,726	63,599	173%	157,043	63,073	93,970	149%
Transport revenue as % of total revenues	75.5%	76.3%	-1.7 ppt	-	71.6%	73.4%	-1.9 ppt	-3%
EBITDAR ratio	18.4%	20.1%	-1.7 ppt	-	13.0%	13.6%	-0.6 ppt	-5%
EBITDA ratio	15.8%	17.1%	-1.3 ppt	-	9.8%	10.0%	-0.1 ppt	-1%
Share information ISK								
Highest price in period	38.90	24.95	13.95	56%	38.90	24.95	13.95	56%
Lowest price in period	29.85	21.00	8.85	42%	29.85	20.95	8.90	42%
Price at period end	-	-	-	-	31.25	24.95	6.30	25%
Market Cap at period end (millions)	-	-	-	-	156,250	124,750	31,500	25%

BJÖRGÓLFUR JÓHANSSON, PRESIDENT AND CEO

"The Group's operations over a challenging period were successful and we have never seen better second-quarter results. The scope of the Company's operations has been greatly expanded; to give an example we transported almost 150 thousand more passengers on international flights during the quarter, than the year before. The number of tourists visiting Iceland is still growing and tourism is becoming an increasingly important factor of the Icelandic economy. It is crucial for the development of infrastructure to keep pace with the increase in tourism and for investment to take account of the income being generated for the economy by the sector.

We have now lowered our earnings estimate in light of market uncertainties. Terrorist attacks in Europe and the outcome of the Brexit referendum have caused decline in average airfares and created a situation of uncertainty in the markets, rendering air carriers' operating conditions more difficult. Nevertheless, the Group's financial position is strong, and the Company remains flexible despite its rapid growth in recent years. We are therefore well prepared to respond to the challenges resulting from the upcoming market turbulence and also to seize any opportunities that present themselves for the long term.

We are now in our peak tourist season and these are important months in our operations. The Company has grown rapidly in recent years and our staff and partners have performed fantastically, year after year, in serving our customers. The booking position in international flights for the coming months is good and the Company's prospects for the remainder of the year and beyond are favourable despite lower airfares."

TRANSPORT FIGURES

- **Passengers on international flights 972 thousand, up by 18%**
- **80.8% passenger load factor on international flights**
- **Occupancy in the Group's hotels increased between years, to 80.1%**

	Q2 2016	Q2 2015	Change
INTERNATIONAL FLIGHTS			
Number of passengers ('000)	971.8	822.9	18%
Load factor (%)	80.8	82.3	-1.5 ppt
Available seat kilometers (ASK'000,000)	3,679.0	3,009.2	22%
DOMESTIC- AND GREENLAND FLIGHTS			
Number of passengers ('000)	77.6	74.9	4%
Load factor (%)	70.3	72.1	-1.8 ppt
Available seat kilometers (ASK'000,000)	38.9	36.4	7%
CHARTER			
Fleet Utilisation (%)	100.0	100.0	0.0 ppt
Sold Block Hours	5,547	5,838	-5%
CARGO			
Freight Tonne Kilometers (FTK'000)	26,856	24,618	9%
HOTELS			
Available Hotel Room Nights	84,847	83,587	2%
Sold Hotel Room Nights	67,994	64,373	6%
Utilisation of Hotel Rooms (%)	80.1	77.0	3.1 ppt

Capacity on international flights increased by 22% in the second quarter of the year. Capacity was increased by 26% on routes to North America, and 18% on routes to Europe. Passengers on international flights were approximately 972 thousand in the second quarter, up by 18% from the second quarter of last year. Passenger numbers grew in all markets. The largest proportional increase in passenger numbers was in the tourist market to Iceland, at 21%. The increase in the North Atlantic market, the Company's largest market, accounting for 53% of the total number of passengers, was 20%. The passenger load factor was 80.8%, as compared to 82.3% last year, which was the Company's record second-quarter load factor.

Passengers on domestic and Greenland routes were 78 thousand over the quarter, up by 4% from last year. Capacity was 7% above last year's second quarter. The passenger load factor in the quarter was 70.3%, down by 1.8 percentage points between years. Sold block hours on charter flights were down by 5% between years for reasons of aircraft maintenance. Transported cargo increased by 9% from the preceding year. The number of sold hotel nights increased by 6% between years, with occupancy at 80.1%, as compared to 77.0% over the same period last year.

CURRENCY TRENDS AND IMPACT ON OPERATIONS

Icelandair Group's reporting currency is the USD, but as the Company operates and sells its services around the world the exchange rate trends of other currencies against the dollar affect the Company's results. The table below shows the division of revenues and expenses between currencies.

Revenues	Q2 2016	Q2 2015	12M 2015	Expenses	Q2 2016	Q2 2015	12M 2015
USD	48%	45%	43%	USD	48%	51%	52%
ISK	20%	22%	23%	ISK	34%	31%	30%
EUR	17%	16%	17%	EUR	13%	13%	13%
GBP	4%	5%	6%	GBP	3%	2%	2%
CAD	5%	5%	4%	CAD	1%	1%	1%
Other*	6%	7%	7%	Other*	1%	2%	2%
Total	100%	100%	100%	Total	100%	100%	100%

* Other mainly Scandinavian currencies

The USD weakened against the ISK, but strengthened against most of the Company's other business currencies in the second quarter of 2016, as compared to 2015. The ISK is thus 8% stronger against the USD, while the EUR is 5% weaker. Revenues in the second quarter of 2016 were 13% above the corresponding quarter of last year, and the increase calculated at a fixed exchange rate was the same.

Currency	Average rate Q2 2016	Chg. from Q2 2015	Closing rate 30.06 2016	Chg. from 30.06 2015
ISK	0.008	8%	0.008	7%
EUR	1.129	-5%	1.106	-7%
GBP	1.435	-13%	1.325	-21%
CAD	0.776	-12%	0.769	-10%
DKK	0.152	-5%	0.148	-7%
NOK	0.121	-13%	0.119	-12%
SEK	0.122	-5%	0.117	-8%

SECOND-QUARTER OPERATIONS

USD thousand	Q2 2016	Q2 2015	Change	% Change
EBITDAR	60,954	59,140	1,814	3%
EBITDA	52,405	50,265	2,140	4%
EBIT	29,207	28,393	814	3%
EBT	32,764	27,923	4,841	17%
Profit for the period	26,169	22,365	3,804	17%
EBITDAR %	18.4%	20.1%	-1.7 ppt	-
EBITDA %	15.8%	17.1%	-1.3 ppt	-

Second-quarter operations were largely favourable. However, the wage dispute between air traffic control personnel and Isavia had a disruptive impact on international and domestic flight operations. Considerable delays ensued and some flights were cancelled with resulting costs. The cost of the disruptions is estimated around 2.5 million USD. Capacity in international flight operations increased by 22%, as compared to the second quarter of last year, and passenger numbers increased by 18%. Average fares were down between years, which is in line with the general trend among air carriers. The world market price of fuel in the second quarter was somewhat higher than in the first quarter, but still favourable in comparison with the corresponding period of last year. The scope of the Company's other business increased between years, with passenger numbers on regional flights up by 4%, freight up by 9% and hotel room occupancy up by 3.1 percentage points to a very acceptable 80.1%. Sold block hours on charter flights were down between years for reasons of aircraft maintenance checks. EBITDA was USD 52.4 million in the second quarter, up by USD 2.1 million between years. The EBITDA ratio was 15.8% in the quarter, as compared to 17.1% over the corresponding quarter in 2015.

INCOME

- Total income was 13% in excess of the second quarter of 2015
- Passenger revenue increased by 9% between years

USD thousand	Q2 2016	Q2 2015	Change	% Change	% of rev. '16
Transport revenue:	246,987	224,415	22,572	10%	75%
Passengers	234,347	214,240	20,107	9%	71%
Cargo and mail	12,640	10,175	2,465	24%	4%
Aircraft and aircrew lease	20,713	18,266	2,447	13%	6%
Other operating revenue	63,655	51,531	12,124	24%	19%
Total	331,355	294,212	37,143	13%	100%

Total revenue increased by 13%. Transport revenue increased by USD 22.6 million between years, or 10%. Passenger revenue on international flights increased in all markets, with most of the increase in the tourist market to Iceland, where passenger numbers were up by 21%. Income from aircraft and aircrew lease increased by USD 2.4 million, or 13%. Other operating revenue amounted to USD 63.7 million, up by USD 12.1 million, or 24%, as compared to the second quarter of 2015. The principal reason was the increased scope of business between years.

USD thousand	Q2 2016	Q2 2015	Change	% Change
Sale at airports and hotels	20,999	17,432	3,567	20%
Revenue from tourism	28,668	22,230	6,438	29%
Aircraft and cargo handling services	7,058	7,114	-56	-1%
Maintenance revenue	751	533	218	41%
Gain on sale of operating assets	305	55	250	-
Other operating revenue	5,874	4,167	1,707	41%
Total	63,655	51,531	12,124	24%

EXPENSES

- Total expenses amounted to USD 279.0 million
- Other expenses up as a result of increased business

USD thousand	Q2 2016	Q2 2015	Change	% Change	% of exp. '16
Salaries and other personnel expenses	91,963	71,359	20,604	29%	33%
Aviation expenses	116,087	115,636	451	0%	42%
Other operating expenses	70,900	56,952	13,948	24%	25%
Total	278,950	243,947	35,003	14%	100%

Salaries and other personnel expenses amounted to USD 92.0 million, as compared to USD 71.4 million in the second quarter of last year. The reasons for the increase are the expanded scope of business, contractual wage increases and the strengthening of the ISK against the USD over the comparison period, as most of the Company's wage costs are in ISK.

Aviation expenses amounted to USD 116.1 million and because of the lower fuel prices in the quarter, as compared to the same period of last year, they rose only slightly, by USD 0.5 million, despite the significant increase in the scope of the Company's business.

USD thousand	Q2 2016	Q2 2015	Change	% Change	% of exp. '16
Aircraft fuel	61,065	67,105	-6,040	-9%	53%
Aircraft lease	5,543	6,398	-855	-13%	5%
Aircraft handling, landing and communication	29,205	21,852	7,353	34%	25%
Aircraft maintenance expenses	20,274	20,281	-7	0%	17%
Total	116,087	115,636	451	0%	100%

Fuel expenses amounted in total to USD 61.1 million, down by USD 6.0 million, or 9%, from the corresponding period of last year. The world market price of fuel was 28% lower in the second quarter of 2016, as compared to the corresponding quarter of 2015. The Company's reporting price in the quarter, taking hedging into account, was on average USD 532/ton, which is 22% above the world market price. The section on the Outlook for Icelandair Group hf. below provides an overview of the position of the Company's fuel hedging position at the end of June. Aircraft lease amounted to USD 5.5 million over the quarter, down from the second quarter of 2015, as fewer aircraft were on lease. Aircraft servicing, handling and navigation expenses increased by USD 7.4 million between years, or 34%, as a result of a rise in servicing fees and increased scope of business. Maintenance expenses amounted to USD 20.3 million, about the same as last year.

Other operating expenses amounted to USD 70.9 million, up by USD 13.9 million between years. The table below shows a breakdown of principal items and trends between years.

USD thousand	Q2 2016	Q2 2015	Change	% Change
Operating cost of real estate and fixtures	6,313	5,650	663	12%
Communication	5,807	4,301	1,506	35%
Advertising	6,415	4,445	1,970	44%
Booking fees and commission expenses	13,364	11,615	1,749	15%
Cost of goods sold	6,764	5,682	1,082	19%
Customer services	6,590	6,060	530	9%
Tourism expenses	18,233	13,488	4,745	35%
Allowance for bad debt	224	384	-160	-42%
Other operating expenses	7,190	5,327	1,863	35%
Total	70,900	56,952	13,948	24%

FINANCIALS

▪ Positive currency effect over the period

USD thousand	Q2 2016	Q2 2015	Change	% Change
Interest income	906	811	95	12%
Interest expenses	-1,092	-1,740	648	-37%
Currency effect	3,801	459	3,342	-
Total	3,615	-470	4,085	-

Financial expenses in the second quarter amounted to USD 1.1 million, as compared to USD 1.7 million in the second quarter of last year. The currency effect over the quarter was positive by USD 3.8 million, as compared to USD 0.5 million in the corresponding quarter of 2015. Part of the exchange rate gain is a result of redeemed currency swaps, as the Company hedges its currency risk 12 months forward. In the second quarter USD 1.6 million were recognised in respect of currency swaps.

BALANCE SHEET AND FINANCIAL POSITION

- Total assets amounted to USD 1.2 billion at the end of the second quarter 2016
- Equity ratio was 39%
- Interest-bearing liabilities amounted to USD 61.5 million

USD thousands	30.06.2016	31.12.2015	Change
Total assets	1,217,725	971,979	245,746
Operating assets	521,497	419,071	102,426
Cash and short term investment	287,612	214,119	73,493
Total equity	470,558	456,531	14,027
Interest bearing debt	61,481	65,530	-4,049
Net interest bearing debt	-226,131	-148,589	-77,542
Equity ratio	39%	47%	-8 ppt
Current ratio	0.72	0.80	-10%

Operating assets amounted to USD 521.5 million, up by USD 102.4 million from the beginning of the year. For a further discussion of investments in operating assets, see the section on cash flow and investments. At the end of the quarter the fleet comprised 47 aircraft, of which 40 are owned by the Company. The Company's F-50 aircraft are in the process of being sold. The table below shows an overview of the Company's fleet at the end of the second quarter.

Type	Icelandair	Cargo	Loftleiðir	Air Iceland	Fleet 30.06.16	Fleet 31.12.15	Of which own	Of which leased	Ch. as of 31.12.15
B757 200	25	2	1		28	26	26	2	2
B757 300	1				1	1	1		0
B767 300	4		2		6	4	4	2	2
B737 700			1		1	1		1	0
B737 800			2		2	2		2	0
Bombardier Q200				2	2	2	2		0
Bombardier Q400				3	3	3	3		0
Fokker F-50				4	4	4	4		0
Total	30	2	6	9	47	43	40	7	4

Equity amounted to USD 470.6 million at the end of the second quarter, and the equity ratio was 39%. The equity ratio at the end of 2015 was 47%.

USD thousand	30.06.2016
Balance at 1.1. 2016	456,531
Total comprehensive income	40,995
Dividend (0.54 US cent per share)	-26,968
Balance at 31.06. 2016	470,558

Interest-bearing liabilities amounted to USD 61.5 million, as compared to USD 65.5 million at the beginning of the year. Payments on long-term debts in the second quarter amounted to USD 2.2 million. Cash and marketable securities amounted to a total of USD 287.6 million at the end of the second quarter of 2016, as compared to USD 214.1 million at the beginning of the year. Cash and marketable securities in excess of interest-bearing debt therefore amounted to USD 226.1 at the end of the quarter.

USD thousands	30.06.2016	31.12.2015	Change
Loans and borrowings non-current	51,008	55,387	-4,379
Loans and borrowings current	10,473	10,143	330
Short term investment	13,196	19,533	-6,337
Cash and cash equivalents	274,416	194,586	79,830
Net interest bearing debt	-226,131	-148,589	-77,542

CASH FLOW

- **Net cash from operating activities was USD 119.6 million**
- **Cash and cash equivalents at the end of June amounted to USD 274.4 million**

USD thousand	Q2 2016	Q2 2015	Change
Working capital from operations	57,310	49,611	7,699
Net cash from operating activities	119,636	86,724	32,912
Net cash used in investing activities	-58,277	-34,559	-23,718
Net cash used in financing activities	-28,500	-20,716	-7,784
Cash and cash equivalents change	32,859	31,449	1,410
Cash and cash equivalents, end of period	274,416	314,903	-40,487

Net cash from operating activities in the second quarter amounted to USD 119.6 million, up by USD 32.9 million from the second quarter of 2015. Cash increased by 32.9 million over the quarter.

INVESTMENTS

Investments in operating assets amounted to USD 100.3 million in the second quarter, for the most part due to investments in aircraft and aircraft components, as two Boeing 767 aircraft were purchased in the course of the quarter for use in the Company's Route Network in 2017. Other investments relate mostly to the Company's hotel operations. Investments in long-term expenses and intangible assets amounted to a total of USD 8.2 million.

USD thousand	Q2 2016
Operating assets:	
Aircraft and aircraft components	51,649
Overhaul own aircraft	12,782
Other	27,685
Total operating assets	92,116
Long term cost	
Overhaul leased aircraft	8,016
Intangible assets	193
Total Capex	100,325

OUTLOOK FOR ICELANDAIR GROUP HF.

- **Market prospects for international air carriers have deteriorated somewhat in recent weeks**
- **Two Boeing 767 wide-body aircraft to be added to fleet in 2017**
- **Development of high-quality hotels in Iceland continues**

Considerable changes have occurred in the external operating environment of international air carriers following repeated terrorist attacks in Europe, the outcome of the Brexit referendum and general market uncertainty. Average air fares have fallen and more difficult operating conditions are anticipated in the coming months than airlines have experienced for a long time. The booking situation in Icelandair Group's international operations for the second half of the year is favourable and in line with anticipations, but in light of the market trend of air fares a reduction is foreseeable in passenger revenues.

The Company's financial position is strong, and the Company remains flexible despite its rapid growth in recent years. The Company is therefore well prepared to respond to the challenges resulting from the upcoming market turbulence and also to seize any opportunities that present themselves for the long term.

The Company's international flight schedule in 2016 is expected to be 24% larger than the 2015 schedule. The number of passengers is projected at 3.7 million, as compared to 3.1 million in 2015. Flights will be offered to 43 destinations, four more than last year. However, the increase in capacity is mostly a result of the increase in the number of flights to the Company's existing destinations in North America and Europe. Twenty-eight aircraft are used in the Route Network, four more than in 2015. Two Boeing 767-300 wide-body aircraft were added to the Company's fleet in the second quarter, and have proven a successful investment. The decision has been made to add two aircraft of this type to the fleet in 2017, with contracts on their purchase already finalised. The 767 aircraft will seat 262 passengers, while the Company's Boeing 757 aircraft carry 183 passengers.

The Company's cargo operations are showing good results. The principal emphasis is on transport in the holds of passenger aircraft. The introduction of two Boeing 767-300 aircraft in the Company's fleet has increased the available hold space and opened new opportunities. Two additional cargo aircraft are used on scheduled freight services. The Company's assumes an increase in both Icelandic exports and imports in 2016, but there are also signs of increased competition.

The Company's charter operations are also showing success, with good prospects. Six aircraft were leased out during the quarter. In addition, agreements have been reached on a new project in Russia, to be launched soon, together with a project in the U.S. on flights to the Caribbean.

All three Bombardier Q-400 aircraft acquired by Air Iceland last year to replace its Fokker aircraft are now in operation. Two Bombardier Q-200 aircraft that the Company has had in use for about a decade will continue in service. Since March, flights have been offered to Aberdeen in Scotland in partnership with Icelandair, and a new destination in Greenland, Kangerlussuaq, has been added as the Company's fifth destination in that country. The great increase in the number of tourists visiting Iceland has resulted in a growing number of foreign travellers on domestic flights, and this trend is expected to continue.

Icelandair Group's hotel operations have seen extensive development in recent years. In early July Canopy Reykjavik, a hotel of 112 rooms, was opened in Central Reykjavik in co-operation with the Hilton Hotel chain to excellent customer reception. In addition, an agreement has been reached with the Hilton Hotel chain on the operation of two high-quality hotels in the heart of Reykjavik under the Curio-collection brand, a chain of unique high-quality hotels in the world. The first will have 50 rooms and is scheduled to open in 2017. The second will have 160 rooms and is expected to open in 2018. The opening of these hotels will enable the Company to offer a new style of high-quality lodging in prime locations in Reykjavik.

The number of tourists visiting Iceland has grown significantly in recent years, and this trend is expected to continue for some time. The figures on the growth in the number of tourists to Iceland in the first six months of 2016 reflect this trend, with the growth between years at 35%. The opportunities for the Company's expansion in tourism-related services therefore remain extensive, and work will continue on increasing the proportion of tourists outside the peak season and strengthening the tourist infrastructure throughout the country.

The Company's fuel hedging position at the end of June is highlighted in the table below. In addition to contractual hedges, the Company defines the interaction of the USD/EUR and fuel prices as an internal hedge.

Period	Estimated usage (tons)	Swap volume	% hedged	Av. Swap price USD
Jul 16	43,760	23,800	54%	592
Aug 16	44,106	24,700	56%	536
Sep 16	38,707	22,600	58%	521
Oct 16	31,192	18,500	59%	514
Nov 16	23,915	12,500	52%	499
Dec 16	23,354	13,500	58%	470
Jan 17	24,727	14,250	58%	423
Feb 17	21,251	10,250	48%	399
Mar 17	24,722	12,250	50%	444
Apr 17	27,174	15,250	56%	476
May 17	32,618	19,250	59%	489
Jun 17	43,192	24,000	56%	493
12 months	378,719	210,850	56%	499*
Jul 17	45,869	8,000	17%	458
Aug 17	45,927	8,000	17%	482
Sep 17	40,756	8,000	20%	489
Oct 17	32,984	4,000	12%	531
Nov 17	25,499	3,000	12%	512
Dec 17	24,871	3,000	12%	523
13-18 months	215,906	34,000	16%	490*

* weighted average price

The Company also hedges its open currency position risk 12 months forward. At the end of June the open currency swap position was positive by USD 6.1 million and positions in swaps with less than six months to maturity stood at USD 4.2 million.

EBITDA GUIDANCE FOR 2016

The Company's updated EBITDA guidance for 2016 is in the range of USD 210-220 million, down from the forecast of USD 235-245 which was issued in April. Terrorist attacks in Europe and the outcome of the Brexit referendum have created a situation of uncertainty in the markets, rendering air carriers' operating conditions more difficult. In addition, the U.K. market is important over the winter period, and the weakening of the GBP will have a negative impact on the Company's performance in the second half of the year. Icelandair Group's passenger revenues are expected to fall as a result. In addition, fuel prices have gone up since the publication of the last forecast and the strengthening of the ISK against the USD exceeded the Company's projections, with a resultant negative impact on earnings, as about of third of the Company's total expenses are in ISK, including most of the Company's wage cost. Below is an overview over the principle items:

USD million

EBITDA guidance April 2016 (median)	240.0
Lower yields	-14.2
Fuel net of hedging	-8.1
Currency	-3.2
ATC* wage dispute Iceland	-2.5
Other	2.9
New guidance (median)	215.0

* ATC = Air Traffic Control Personnel

It should be noted that the Company hedges its cash-flow risk resulting from currency mismatches twelve months into the future. The mismatches relate for the most part to income and expenses. When

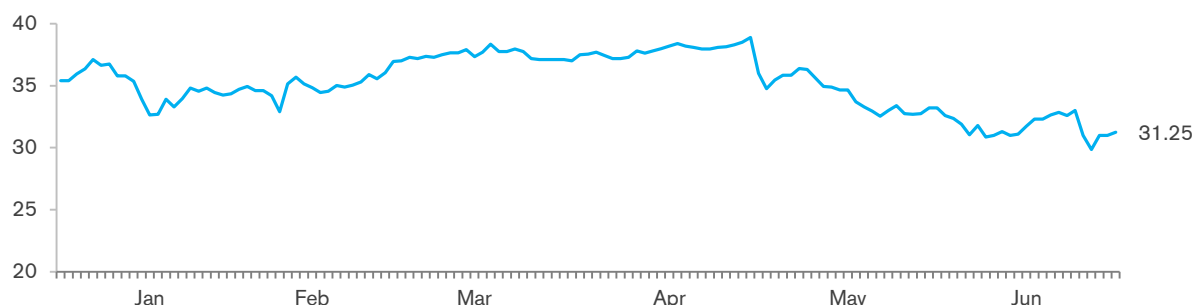
currency swaps are redeemed the resulting figures are entered under financial items. In the second quarter USD 1.6 million were recognised in respect of currency swaps and USD 2.4 million in the first six months of the year. At the end of June the positive position of swaps maturing in 2016 was USD 4.2 million.

The revised forecast assumes the price of fuel (net of hedging) at USD 468 USD/ton in July and at 460 USD/ton in August – December, as compared to 400 USD/ton in the April forecast. Updated projections assume an unchanged exchange rate of the EUR against the USD, averaging 1.12 from July to December, and an average exchange rate index for the ISK of 182 over the same period, as compared to 191 in the last forecast.

SHAREHOLDERS

- **Icelandair Group's share price was ISK 31.25 at the end of the second quarter**
- **The market value at the end of June was ISK 156.3 billion**

The highest closing price per share of the second quarter was ISK 38.90, the lowest price was ISK 29.85 per share, and the average price over the period was ISK 34.53 per share. Trades in Icelandair Group shares were 1,805 over the quarter and the total volume of trading was ISK 38.2 billion. The average size of individual trades was ISK 21.2 million. The price of shares in the Company fell by 16.8% over the quarter and the number of shareholders was 2,569, increasing by 182 from the beginning of the year. The number of issued shares on 30 June 2016 was 5,000,000,000, and the number of outstanding shares at the same time was 4,974,540,000. The Chart below shows the share-price trend in 2016 in ISK:



PRESENTATION MEETING 28 JULY 2016

An open presentation for stakeholders will be held on Thursday, 28 July 2016, at the Icelandair Hotel Reykjavik Natura. Björgólfur Jóhannsson, President and CEO of Icelandair Group, and Bogi Nils Bogason, CFO, will present the Company's results and respond to questions, together with other senior management. The presentation will be held in Room 2, starting at 08:30. The presentation material will be available after the meeting on the Icelandair Group website, www.icelandairgroup.is, and on the Nasdaq OMX Iceland hf. news system.

Please note that the meeting will also be webcast in Icelandic at:

<http://www.icelandairgroup.is/investors/reports-and-presentations/webcast-next/>

APPROVAL OF QUARTERLY STATEMENT

The consolidated accounts of Icelandair Group for the second quarter of 2016 were approved at a meeting of the Board of Directors on 27 July 2016.

FINANCIAL CALENDAR

- **Financial statement for the third quarter – 28 October 2016**
- **Financial statement for the fourth quarter – week 06, 2017**
- **Annual General Meeting – Week 11, 2017**

FOR FURTHER INFORMATION PLEASE CONTACT:

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