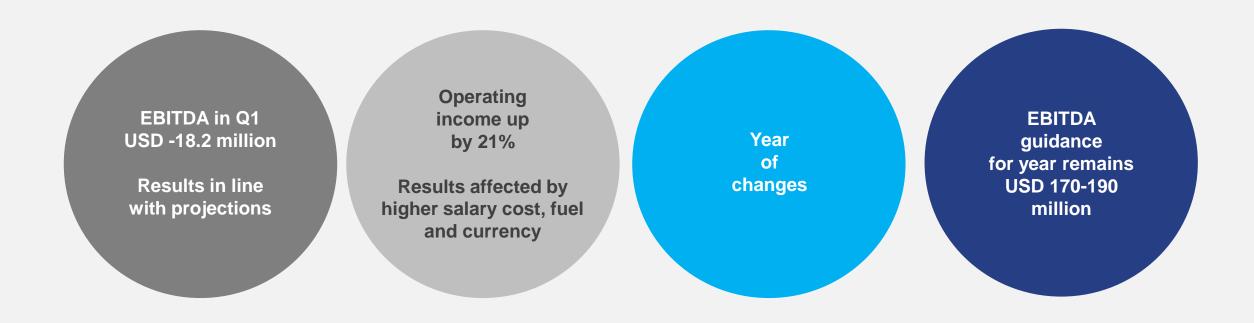


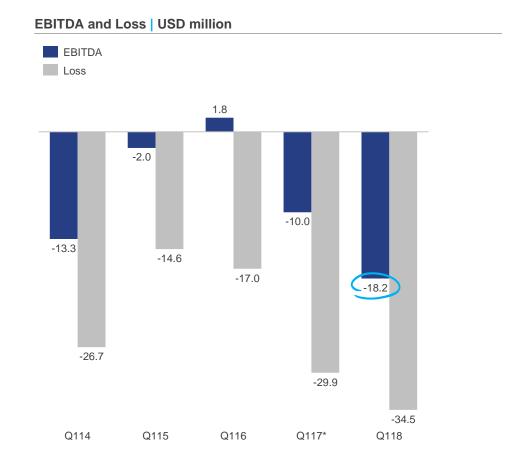
HIGHLIGHTS





EBITDA negatively affected by increased salary expenses, unfavourable currency development and higher fuel price

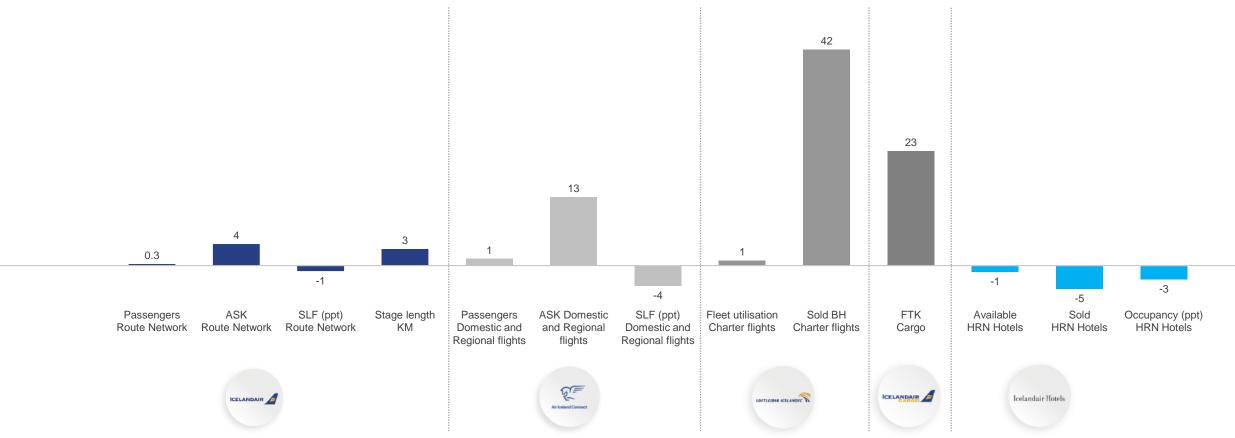
| USD million | Q1 2018 | Q1 2017 | % Chg. |
|--------------------------------------|---------|---------|----------|
| Operating Income | 267,6 | 222,1 | 21% |
| Salaries and related expenses | 113,1 | 86,3 | 31% |
| Aircraft fuel | 49,5 | 37,9 | 31% |
| Aircraft lease | 8,3 | 5,6 | 49% |
| Aircraft handling, landing and comm. | 24,2 | 20,3 | 19% |
| Aircraft maintenance expenses | 18,7 | 17,8 | 5% |
| Other expenses | 72,0 | 64,2 | 12% |
| Operating expenses | 285,8 | 232,1 | 23% |
| EBITDA | -18,2 | -10,0 | - |
| EBIT | -46,2 | -35,9 | - |
| EBT | -43,5 | -37,3 | - |
| Loss for the period | -34,5 | -29,9 | - |
| EBITDA ratio | -6,8%) | -4,5% | -2,3 ppt |
| EBITDAR | -6,3 | -1,6 | - |
| EBITDAR ratio | -2,4% | -0,7% | -1,6 ppt |



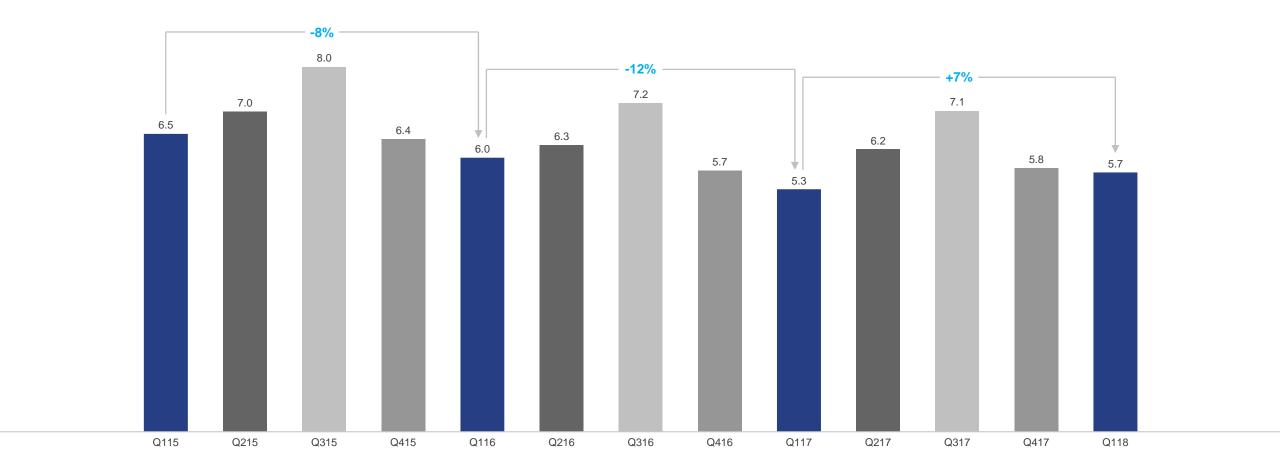


Strong growth in Charter and Cargo operations

Q1 year-on-year change in %



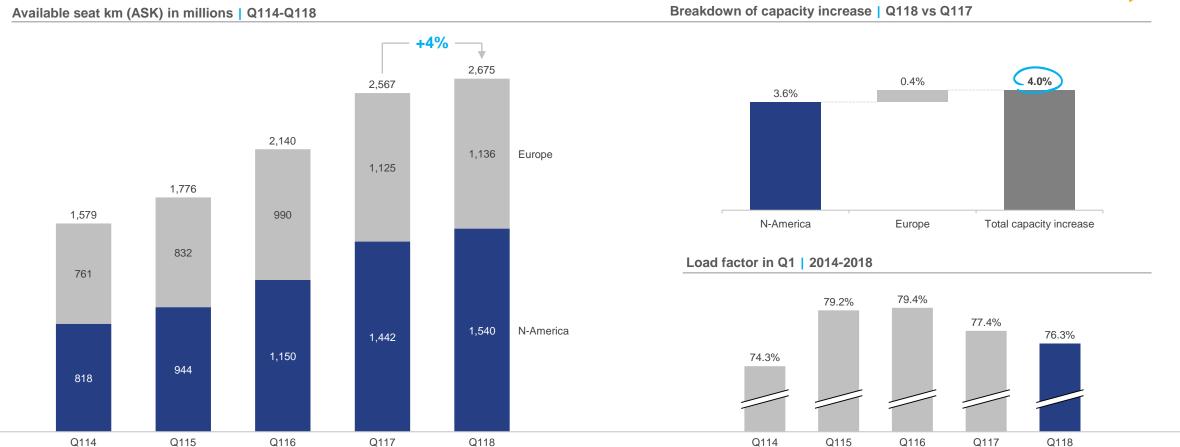
PRASK increased by 7%





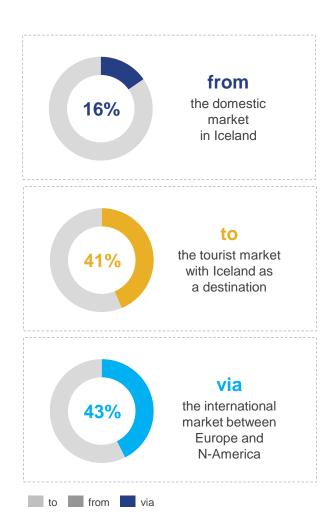
Capacity increase 4%, largely due to more flights to N-America

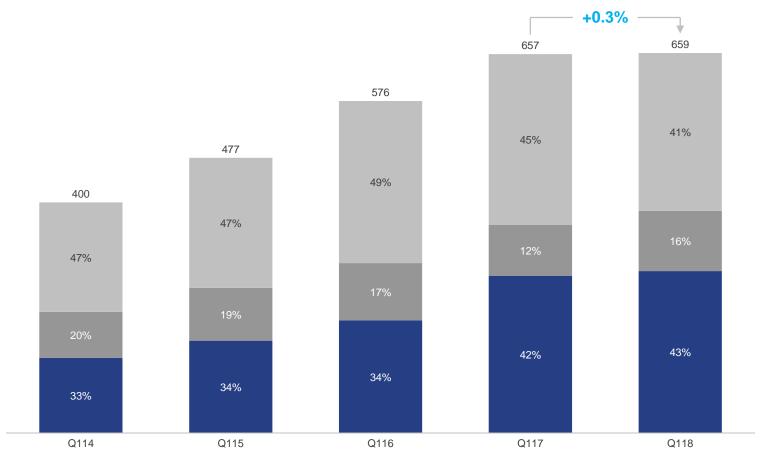


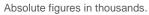




Modest growth in passengers numbers

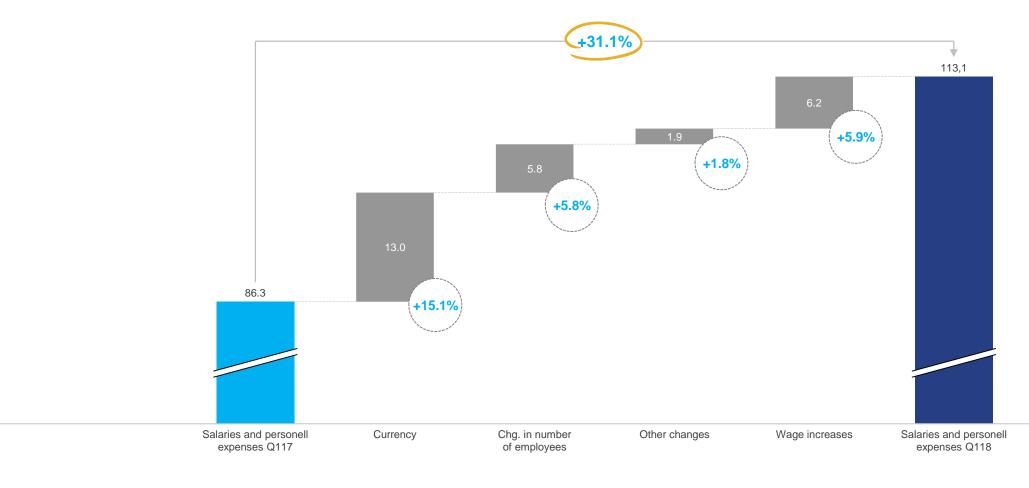






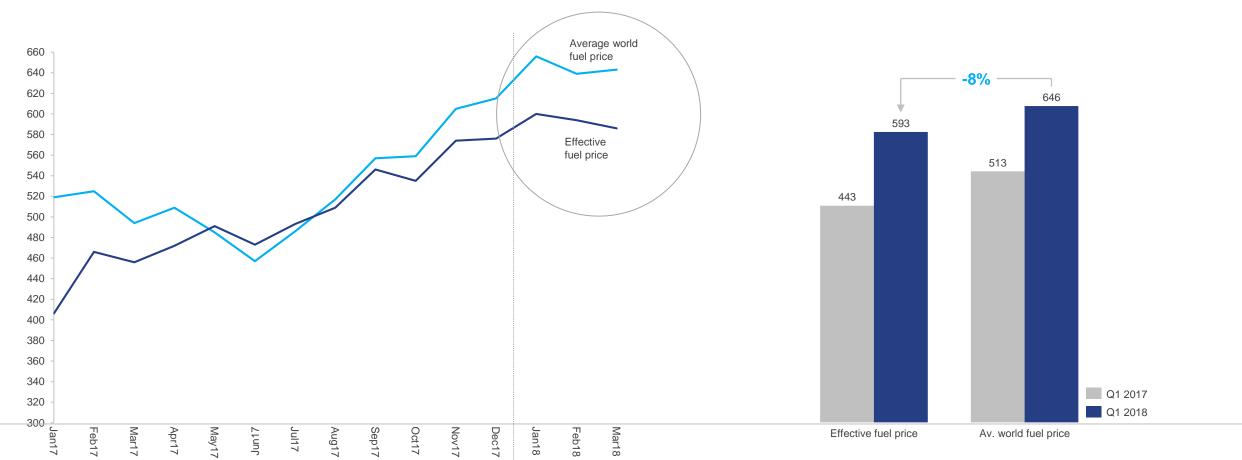


Half of the increase in salary expenses is due to unfavourable currency development



Significant increase in fuel price between years: Effective fuel price up by 34%

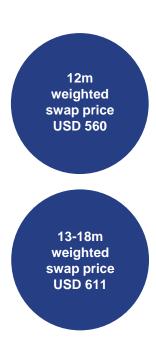
Average and effective fuel price | USD/tonne 2017-2018



54% of estimated usage for the next 12 months has been hedged at weighted average swap price of 560 USD/tonne

| Period | Estimated usage (tons) | Swap volume | % hedged | Av. Swap price USD |
|--------------|------------------------|----------------|-------------|-----------------------|
| Apr 18 | 28,482 | 14,500 | 51% | 544 |
| May 18 | 38,756 | 20,500 | 53% | 539 |
| Jun 18 | 47,652 | 27,550 | 58% | 523 |
| Jul 18 | 50,686 | 26,650 | 53% | 522 |
| Aug 18 | 50,037 | 27,650 | 55% | 543 |
| Sep 18 | 43,794 | 24,550 | 56% | 574 |
| Oct 18 | 35,309 | 18,500 | 52% | 559 |
| Nov 18 | 29,020 | 15,450 | 53% | 573 |
| Dec 18 | 27,952 | 16,450 | 59% | 586 |
| Jan 19 | 25,445 | 15,250 | 60% | 621 |
| Feb 19 | 22,406 | 12,250 | 55% | 624 |
| Mar 19 | 28,459 | 12,250 | 43% | 609 |
| 12 months | 427,998 | 231,550 | 54% | 560 |
| Apr 19 | 29,825 | 7,000 | 23% | 619 |
| May 19 | 40,629 | 15,000 | 37% | 608 |
| Jun 19 | 49,967 | 4,000 | 8% | 606 |
| Jul 19 | 53,141 | 0 | 0% | - |
| Aug 19 | 52,459 | 0 | 0% | - |
| Sep 19 | 45,918 | 0 | 0% | - |
| 13-18 months | 271,938 | 26,000 | 10% | 611 |

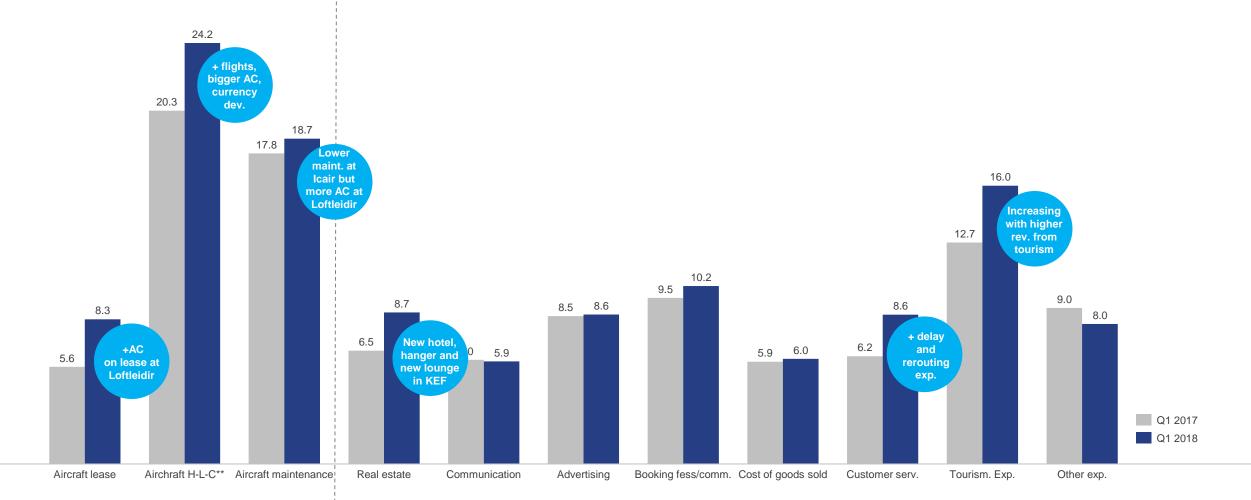
^{*} weighted average price





Aviation less fuel Other expenses

+17% +12%



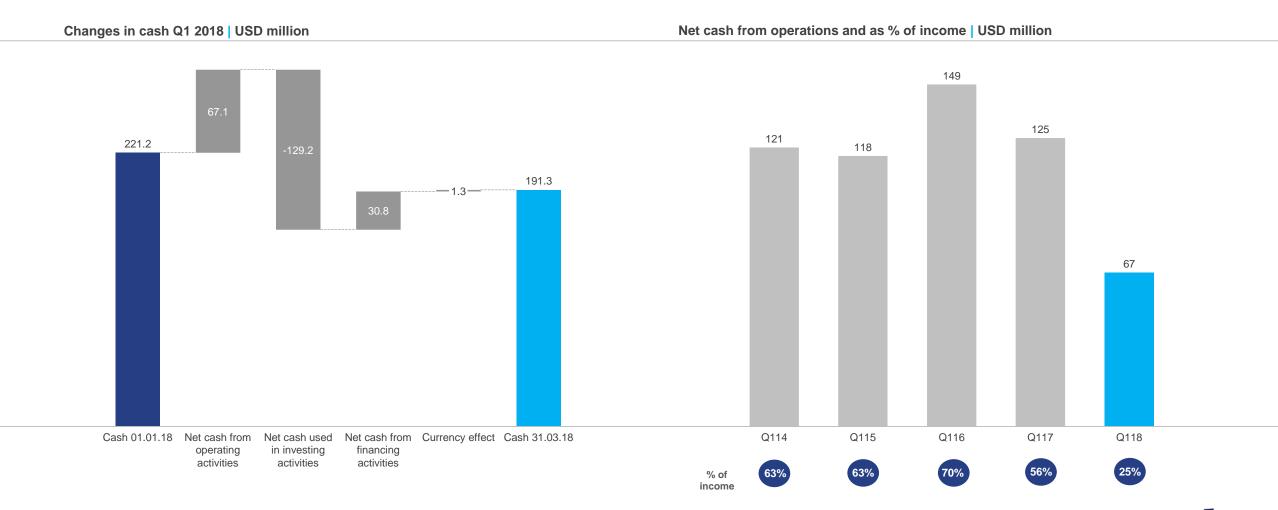
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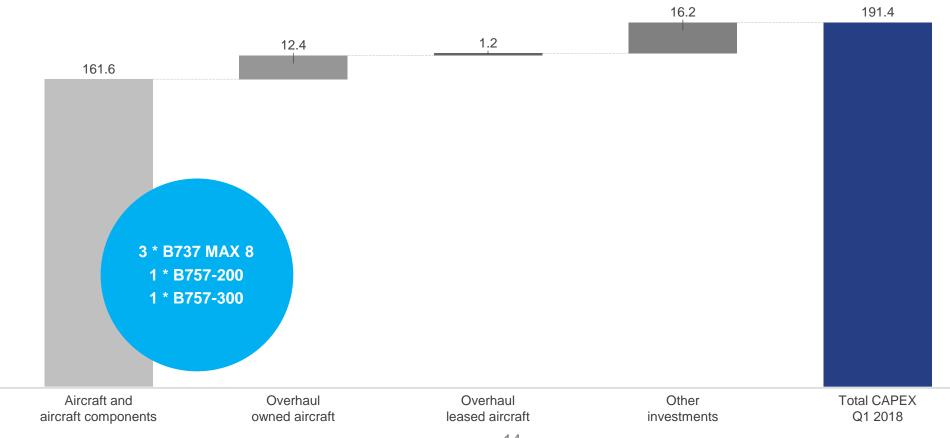
^{*} All figures are in USD millions

^{**} H-L-C = Handling, Landing, Communication

High CAPEX in Q1 2018



Investments in aircraft and aircraft components USD 161.1 million in Q1 2018



Equity ratio at 35%

| USD million | 31.03.2018 | 31.12.2017 | Diff. |
|--------------------------------|------------|------------|-------|
| Assets | | | |
| Operating Assets | 775,0 | 652,7 | 122,3 |
| Intangible assets and goodwill | 178,4 | 180,4 | -2,0 |
| Other non-current assets | 82,4 | 126,7 | -44,3 |
| Total non-current assets | 1.035,8 | 959,8 | 76,0 |
| Other current-assets | 345,5 | 238,8 | 106,8 |
| Short term investments | 14,6 | 4,1 | 10,5 |
| Cash and cash equivalents | 191,3 | 221,2 | -29,9 |
| Total current assets | 551,4 | 464,1 | 87,3 |
| Total assets | 1.587,2 | 1.423,8 | 163,3 |

Interest bearing debt USD 329.5m Debt in excess of cash USD 124.1m

| USD million | 31.03.2018 | 31.12.2017 | Diff. |
|--|------------|------------|-------------|
| Equity and liabilities | | | |
| Stockholders equity | 554,9 | 596,5 | -41,7 |
| Loans and borrowings non-current | 281,2 | 280,3 | 1,0 |
| Other non-current liabilities | 69,2 | 78,1 | -8,9 |
| Total non-current liabilites | 350,4 | 358,4 | -8,0 |
| Loans and borrowings current | 48,7 | 9,3 | 39,4 |
| Derivatives used for hedging | 0,6 | 1,4 | -0,7 |
| Trade and other payables | 256,1 | 232,2 | 23,9 |
| Deferred income | 376,5 | 226,1 | 150,5 |
| Total current liabilites | 681,9 | 468,9 | 213,0 |
| Total equity and liabilities | 1.587,2 | 1.423,8 | 163,3 |
| Equity ratio | 35% | 42% | -7% |
| Current ratio | 0,81 | 0,99 | -0,18 |
| Interest bearing debt in excess of cash* | 124,1 | 64,3 | 59,8 |
| Interest bearing debt | 329,9 | 289,5 | 40,4 |

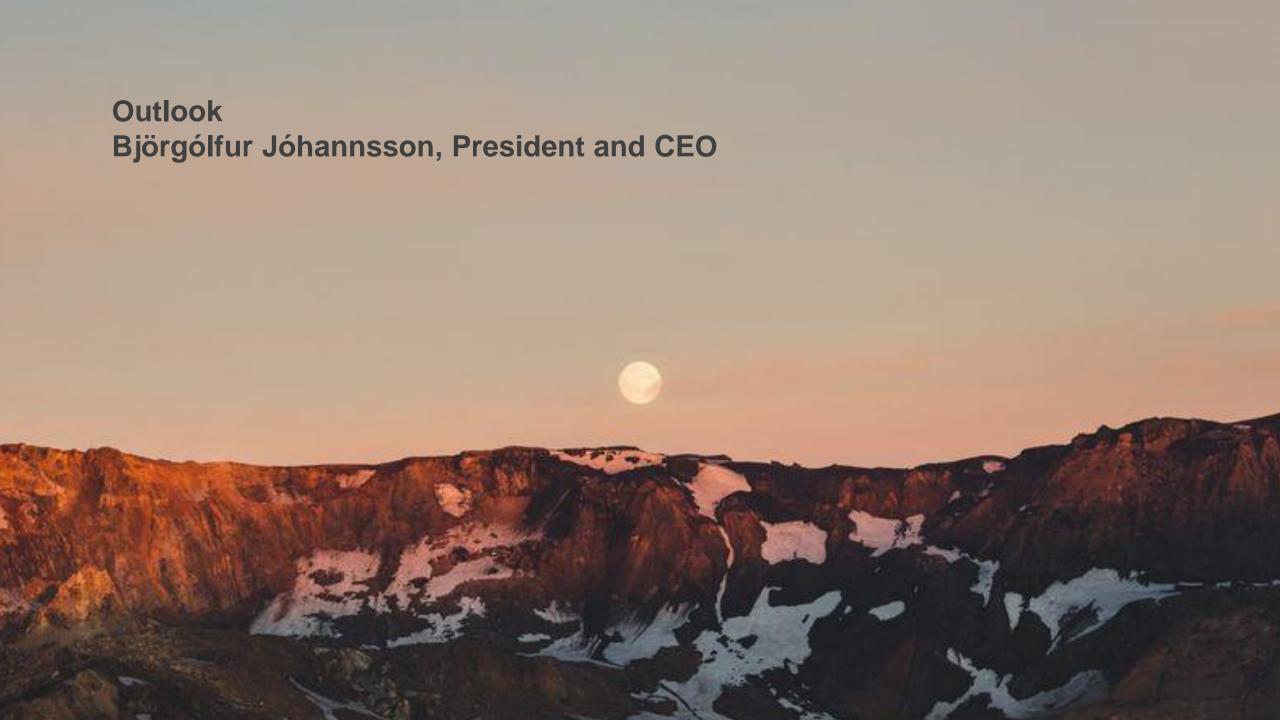
^{*} Interest bearing debt in excess of cash = interest bearing debt + cash and cash equivalents + short term investments



Financing has been arranged for all three 737 MAX 8 aircraft

- Two aircraft are financed through JOLCO (Japanese Operating Lease with Call Option), with Sumitomo Mitsui Banking Corporation Europe Limited (SMBCE) acting as financier
- One of the aircraft was financed by sale and leaseback
- Positive cash flow, resulting from the JOLCO financing, in the Q2 2018 amounts to approx. 100 USD million
- Financing terms are attractive



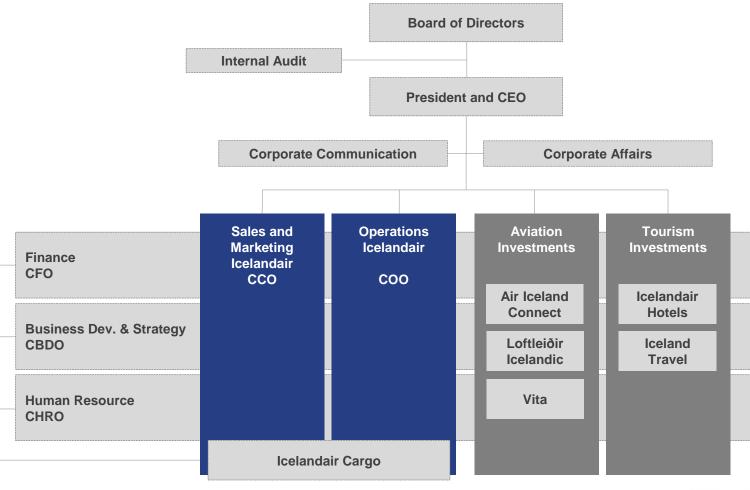


Year of Changes



Implementation of the new organisational structure going well

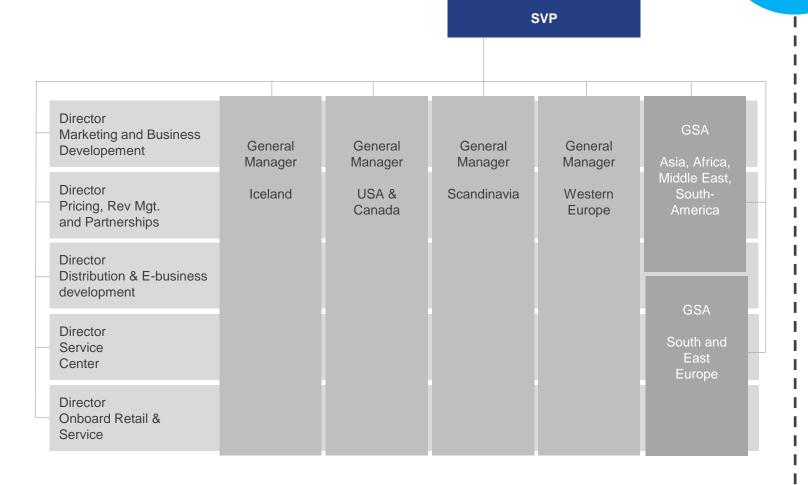
New structure
will bring about a clearer
focus on the core business
and at the same time
streamline the processes
with shorter lines of
communications and
improved operational
efficiency



Old Structure

New Structure









Old Structure

Flight

New Structure

COO Icelandair

Operations

Director Flight

Director Cabin

Director Technical

Director Maintenance

Director **Ground Handling KEF**

> Director Outstations

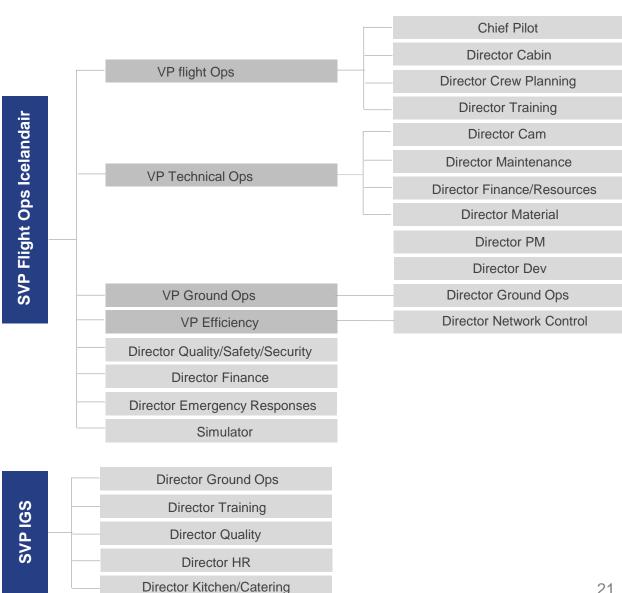
> > Director Training

Director Quality/Safety/Security

Director **Operations Support**

> Director Kitchen

> > **ICELANDAIR**



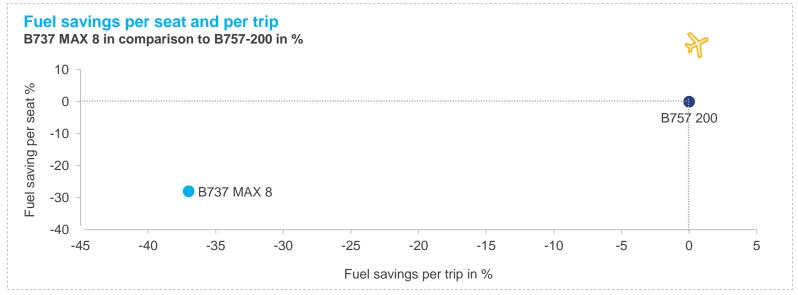


New aircraft type improves fuel efficiency

- Three B737 MAX 8 received in March and April
- Few weeks of preparation in hangar in KEF post delivery before entering into revenue service
- First aircraft in operation since April 13th
- Operational performance well in line with expectations
- Positive customer reception
- 2nd and 3rd aircraft scheduled into revenue service in May









New fare structure to meet the needs of Icelandair's various customer segments



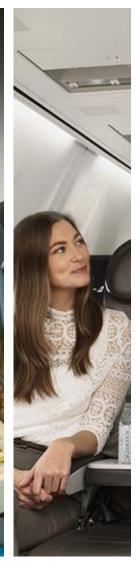
Why are we making the changes?

- The new air fares reflect better the services enjoyed by customers, from Economy Light to Saga Premium Flex.
 - Enables revenue maximum with value based pricing
 - More configuration consistency across the fleet
 - More flexibility to react to market conditions











Equity investments outlook:

Aviation Investments





- Growth and good outlook at Loftleidir Icelandic
- Good year expected for Vita
- Operation of Air Iceland Connect challenging, work in progress on further integration with Icelandair

Tourism Investments





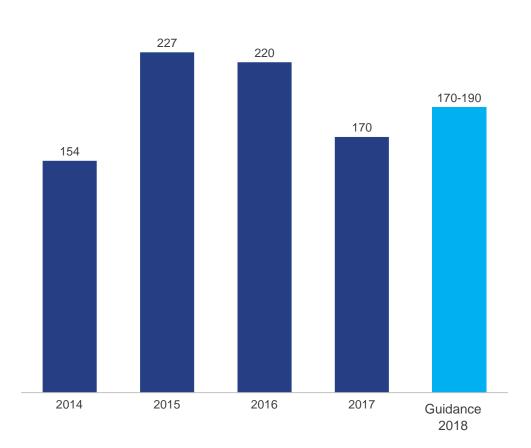
- Overall booking prospects good for Icelandair Hotels in 2018
- 2 new hotels in 2018 Reykjavik Konsulat and Hotel Alda
- Prospects good for Iceland Travel but margins have decreased
- Customers of Iceland Travel and Icelandair Hotels more price sensitive



EBITDA guidance remains USD 170-190 million in 2018

EBITDA development

2014-2018 in USD million



Main assumptions International Flight Operations:

- I EUR/USD rate assumed 1.23, ISK rate assumed 158, average fuel price (excluding hedging) 670 USD/ton
- Q2 2018 will be weaker than last year
- Different emphasis in revenue management
- Indication of higher yields
- New and more flexible fair structure and product offering
- Actions regarding integration, streamlining and other measures to improve efficiency will positively affect the operations in the coming months



Going forward



Connectivity

reflects the strength of the route network



598 Connections

75% Of via city pairs with no non-stop competition



Flexible fleet at Icelandair a base for sustainable growth

Overview seat count per aircraft type







Icelandair is working on network changes for 2019 and onwards

- Establishing a platform for further growth growth in the current bank is limited beyond 2018
- Better utilization of resources, mainly infrastructure at Keflavik Airport, fleet and manpower
- Increased profitability



The goal is to bring average EBIT ratio back to previous levels



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