

A YEAR OF CHANGES

- Total revenue up by 21% between years, to USD 267.6 million
- Income from charter operations increased by 62% between years
- EBITDA negative by USD 18.2 million, down by USD 8.2 million between years
- Equity ratio 35% at the end of March
- Cash and short-term investments USD 205.8 million
- First three B737 MAX aircraft of sixteen delivered
- EBITDA guidance unchanged at USD 170-190 million

USD thousands	Q1 2018	Q1 2017	Change	% Change	12M 2017
Operating results					
Total income	267,619	222,075	45,544	21%	1,417,987
EBITDAR	-6,300	-1,625	-4,675	-	207,765
EBITDA	-18,211	-9,977	-8,234	-	170,076
EBIT	-46,213	-35,864	-10,349	-	49,645
EBT	-43,539	-37,338	-6,201	-	48,642
Loss/profit for the period	-34,528	-29,884	-4,644	-	37,538
Balance sheet					
Total assets	1,587,162	1,422,289	164,873	12%	1,423,842
Total equity	554,861	510,065	44,796	9%	596,545
Interest bearing debt	329,898	280,531	49,367	-	289,541
Cash and short-term investments	205,816	322,850	-117,034	-36%	225,278
Interest bearing debt in excess of cash	124,082	-42,319	-166,401	-	64,263
Cash flow					
Net cash from operating activities	67,115	125,497	-58,382	-47%	205,603
Net cash used in investing activities	-129,159	-75,782	-53,377	70%	-228,419
Net cash from/used in financing activities	30,802	23,520	7,282	-	14,554
Cash and cash equivalents end of period	191,257	300,172	-108,915	-36%	221,191
Key Ratios					
Loss/profit per share expressed in US Cent	-0.72	-0.61	-0.11	18%	0.77
Intrinsic value	14.21	12.78	1.43	11%	15.08
Equity ratio	35%	36%	-0.9 ppt	-	42%
Current ratio	0.81	0.89	-0.08	-9%	0.99
CAPEX USD thousand	191,384	47,280	144,104	-	166,131
Transport revenue as % of total revenues	63.8%	67.0%	-3.2 ppt	-	72.8%
EBITDAR ratio	-2.4%	-0.7%	-1.6 ppt	-	14.7%
EBITDA ratio	-6.8%	-4.5%	-2.3 ppt	-	12.0%
Share information ISK					
Highest price in period	16.55	23.53	-6.98	-30%	23.53
Lowest price in period	14.53	13.75	0.78	6%	13.13
Price at period end	14.58	13.91	0.67	5%	14.71
Market Cap at period end (millions)	72,900	69,550	3,350	5%	73,550

BJÖRGÓLFUR JÓHANNSSON, PRESIDENT AND CEO

“Our first-quarter operating results are in line with projections. Revenue increased by 21%, but, as we had foreseen, the Company’s loss increased between years. The financial position of the Company continues strong and obtaining financing for the Company’s new aircraft has proven very successful.

In recent months, we have been making significant changes in the Company’s business. The corporate structure of the Company was changed by dividing its operations into two segments: International flight operations and Investments in aviation and tourism. Since then, profound changes have been made within the Company, most of them involving integration and streamlining, trimmed management and shorter lines of communication. At the same time, we have made significant changes in our air fare classes and revenue management. Good progress is being made on these changes, which are all designed to sharpen the focus on core business and improve the Company’s performance.

We see great opportunities for the growth and development of the Company in the coming years. Icelandair Group has a clear strategy, strong financial position and outstanding personnel. There are exciting times ahead for the Company.”

TRANSPORT FIGURES

- **Passengers on Icelandair flights 659 thousand, up by 0.3%**
- **Passenger load factor on international flights 76.3%, down by 1.1 percentage points between years**
- **Sold block hours on charter flight assignments up by 42% between years.**

	Q1 2018	Q1 2017	Change
INTERNATIONAL FLIGHTS			
Number of passengers ('000)	659.2	657.1	0.3%
Load factor (%)	76.3	77.4	-1.1 ppt
Available seat kilometres (ASK'000,000)	2,675.6	2,566.6	4%
Revenue passenger kilometres (RPK'000,000)	2,042.0	1,986.2	3%
Average stage length km	3,111.9	3,013.0	3%
REGIONAL FLIGHTS			
Number of passengers ('000)	72.4	71.5	1%
Load factor (%)	60.0	63.9	-3.9 ppt
Available seat kilometres (ASK'000,000)	44.0	38.8	13%
Revenue passenger kilometres (RPK'000,000)	26.4	24.8	6%
CHARTER			
Fleet Utilisation (%)	100.0	99.0	1.0 ppt
Sold Block Hours	8,658	6,078	42%
CARGO			
Freight Tonne Kilometres (FTK'000)	30,537	24,927	23%
HOTELS			
Available Hotel Room Nights	79,765	80,730	-1%
Sold Hotel Room Nights	61,720	64,657	-5%
Utilisation of Hotel Rooms (%)	77.4	80.1	-2.7 ppt

The North Atlantic market (Via market) was Icelandair's largest market, accounting for 43% of the total number of passengers in the first quarter of 2018. The greatest proportional increase in passenger numbers was in the domestic market from Iceland, but the number of passengers travelling to Iceland declined between years.

Passenger mix '000	Q1 2018	Q1 2017	Change	% of total '18
To	274.0	296.3	-8%	42%
From	104.3	88.1	18%	16%
Via	280.8	272.7	3%	43%
Total international flights	659.2	657.1	0.3%	100%

Icelandair implemented a new revenue accounting system in 2017. An error has been discovered in the transfer of data, which has resulted in a discrepancy in the published comparison figures for 2017 in the first quarter of 2018. Discrepancies have also appeared in other months of 2017. The total number of passengers in 2017 was 0.2% higher than the passenger number figures published earlier. The passenger load factor for the year increased to 82.7%, as compared to 82.5%. The comparison figures for the first quarter in the tables above have been adjusted accordingly. Passenger numbers in the first quarter of 2017 exceeded the figure reported in the notice to the stock exchange of last 6 April by 0.3%.

EXCHANGE RATE TRENDS

Icelandair Group's reporting currency is the USD, but since the Company operates and sells its services around the world, the exchange rate trends of other currencies against the USD significantly affect the Company's results. The ISK was 11% stronger against the USD in the first quarter, and the EUR was 4% stronger. Conversely, the CAD and NOK weakened against the USD. Revenue in Q1 of 2018 was 21% above the corresponding quarter of 2017. Calculated at a fixed exchange rate, revenue grew by 15% between years.

Currency	Av. rate Q118	Chg. from Q117	Closing rate 31.03 '18	Chg. from 31.03 '17
ISK	0.010	11%	0.010	15%
EUR	1.230	4%	1.236	0%
GBP	1.392	2%	1.411	-2%
CAD	0.792	-5%	0.777	-10%
DKK	0.165	4%	0.166	0%
NOK	0.128	-3%	0.128	-5%
SEK	0.123	0%	0.120	-6%

FIRST-QUARTER OPERATIONS

USD thousand	Q1 2018	Q1 2017	Change	% Change
EBITDAR	-6,300	-1,625	-4,675	-
EBITDA	-18,211	-9,977	-8,234	83%
EBIT	-46,213	-35,864	-10,349	29%
EBT	-43,539	-37,338	-6,201	17%
Loss for the period	-34,528	-29,884	-4,644	16%
EBITDAR %	-2.4%	-0.7%	-1.6 ppt	-
EBITDA %	-6.8%	-4.5%	-2.3 ppt	-

Icelandair Group has implemented IFRS 15 in its accounting as of 1 January 2018 and applied the standard retroactively. The general principle of IFRS 15 is the maintenance of consistency between the period in which revenue is recognised and the service provided. This results in a delay in the recognition of certain revenues as compared to the earlier method, such as booking and rebooking charges, which were recognised before at the time that the booking or rebooking occurred but is now recognised concurrently with the flight being booked or rebooked. The standard also applies to accounting procedures regarding expense incurred in the generation of revenue. The standard permits a delay in recording an expense to make it concurrent with, and proportional to, the service being provided. This applies, for instance, to expenses such as booking fees and credit card and sales commissions. For these reasons, the comparison figures of 2017 have been adjusted as if the Company had implemented the standard as of 1 January 2017. The adjustments are explained in further detail in the notes to the Interim Financial Statement.

USD thousand	Intern. flight operations		Aviation investments		Tourism investments	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Total income	179,836	154,596	52,282	35,594	35,501	31,885
EBITDAR	-15,929	-7,444	10,265	6,861	-636	-1,042
EBITDA	-18,374	-9,697	4,055	3,348	-3,892	-3,628
EBT	-37,469	-32,245	160	-165	-6,230	-4,928

International flight operations

EBITDA was negative and amounted to USD 18.4 million, down by 8.7 million between years. The decline in results between years is explained by rising fuel prices, higher salaries and personnel costs and adverse currency trends. Revenue from international flight operations amounted to a total of USD 179.8 million, up by 16%, of this figure, passenger revenue was up by 13%. Approximately 5% of the increase resulted from a positive currency effect. About 9% resulted from increased output and a rise in average air fares. A decline in the passenger load factor accounts for a 1% reduction. Freight operations showed success over the quarter, resulting in an improved performance between years.

Aviation investments

Total revenue increased by 47% between years. Loftleidir performed very well over the quarter, and the company had three more aircraft in assignments than in the first quarter of last year. Results improved between years. The operation of Air Iceland Connect, on the other hand, was difficult in the quarter. The increased capacity between years did not return improved results as a result of the lower passenger load factor and lower air fares, as compared to the corresponding period of last year. Measures have now been taken to improve these operations. These measures are discussed in further detail in the section titled Outlook and EBITDA guidance for 2018.

Tourism investments

The increase in turnover between years was 11%. Icelandair Hotels' income declined slightly between years, as part of the rooms were taken out of use at Icelandair Hotel Reykjavik Natura for renovation. The performance of Iceland Travel improved between years, particularly as a result of the strengthening of the EUR against the ISK, as just short of half of the company's expenses are incurred in ISK.

REVENUE

- **Total revenue amounted to USD 267.6 million, 21% above the level of the first quarter of 2017**
- **Passenger revenue up by 14% between years**

USD thousand	Q1 2018	Q1 2017	Change	% Change	% of rev.
Transport revenue:	170,795	148,759	22,036	15%	64%
Passengers	155,810	136,798	19,012	14%	58%
Cargo and mail	14,985	11,961	3,024	25%	6%
Aircraft and aircrew lease	33,394	20,627	12,767	62%	12%
Other operating revenue	63,430	52,689	10,741	20%	24%
Total	267,619	222,075	45,544	21%	100%

Total revenue increased by 21% between years; calculated at a fixed exchange rate, the increase was 15%. Transport revenue increased by USD 22.0 million between years, or 15%. In the International Route Network, the largest increase in revenue was in the North Atlantic market. Income from the domestic market from Iceland also increased, but income from the tourist market to Iceland declined. Income from aircraft and aircrew lease increased by USD 12.8 million, or 62%. The reason is the increased scope of operations in charter assignments, as the Company had three more aircraft on assignments than in the corresponding period last year. Other operating revenue amounted to USD 63.4 million, up by USD 10.7 million, or 20%, as compared to the first quarter of 2017. About half of the increase stems from increased revenue from tourist services. A gain on sale of operating assets amounting to USD 3.1 million was recognised in the quarter, resulting from the sale of an engine and the sale of one B737 MAX 8, which was leased back for a period of eight years.

USD thousand	Q1 2018	Q1 2017	Change	% Change
Sales in airplanes and hotels	22,180	21,570	610	3%
Revenue from tourism	24,735	19,803	4,932	25%
Aircraft and cargo handling services	5,753	3,998	1,755	44%
Maintenance revenue	819	652	167	26%
Gain on sale of operating assets	3,094	70	3,024	-
Other operating revenue	6,849	6,596	253	4%
Total	63,430	52,689	10,741	20%

EXPENSES

- **Total expenses USD 285.8 million**
- **Increased salaries and personnel expenses, fuel price hikes and a strengthening of the ISK the primary reasons for increased expenses**

USD thousand	Q1 2018	Q1 2017	Change	% Change	% of exp.
Salaries and other personnel expenses	113,129	86,261	26,868	31%	40%
Aviation expenses	100,692	81,546	19,146	23%	35%
Other operating expenses	72,009	64,245	7,764	12%	25%
Total	285,830	232,052	53,778	23%	100%

Salaries and other personnel expenses amounted to USD 113.1 million, as compared to USD 86.3 million in the first quarter of last year. The table below illustrates the increase in wage costs between years. Half of the increase is a result of unfavourable currency trends, as almost all of the Company's wage costs are in ISK.

Salaries and personnel expenses Q117	86,261
Currency	13,023
Chg. n number of employees	5,780
Contractual wage increase	6,205
Other changes	1,861
Salaries and personnel expenses Q118	113,129

Absolute figures in USD thousand

The increase in the number of full-time position equivalents can primarily be traced to two factors. On the one hand the growth of the Company required an increase in the number of aircrews, and in addition a new aircraft type called for an increase in the number of crew members in training over the preparation time. On the other hand, a strategic decision was made to insource certain functions instead of utilising third-party services. The number of full-time equivalent positions in Icelandair's maintenance division has increased by 42 between years. The change entails increased wage costs, which is offset by reduced third party maintenance expenses. The number of employees engaged in digital development increased by 20; at the same time decreasing outsourcing cost. This constitutes an investment for the future and the entire cost has been expensed. The Company's plans assume that this investment will return dividends in the form of increased revenue in the coming months as a result of an improved interface with passengers and a reduction in costs resulting from increased automation.

Aviation expenses amounted to a total of USD 100.7 million, increasing by USD 19.1 million, to the largest extent because of higher fuel costs.

USD thousand	Q1 2018	Q1 2017	Change	% Change	% of exp.
Aircraft fuel	49,547	37,857	11,690	31%	49%
Aircraft lease	8,304	5,575	2,729	49%	8%
Aircraft handling, landing and communication	24,169	20,286	3,883	19%	24%
Aircraft maintenance expenses	18,672	17,828	844	5%	19%
Total	100,692	81,546	19,146	23%	100%

Fuel expenses amounted in total to USD 49.5 million, up by USD 11.7 million, or 31%, from the corresponding time of last year. The Company's reporting price for the quarter, taking hedging into account, was on average USD 593/ton, which represents a 34% increase between years.

Aircraft lease amounted USD 8.3 million, up from the first quarter of 2017 by USD 2.7 million, which corresponds to a 49% increase. The reason is an additional aircraft leased by Loftleidir this quarter, as compared to the corresponding period of last year. Aircraft landing handling and communication expenses amounted to USD 24.1 million, up by USD 3.9 million between years, or 19%. Larger scope of business, price hikes, and proportionally more flight on bigger aircraft explain the increase. Maintenance expenses amounted to USD 18.7 million, up by USD 0.8 million between years. Maintenance expenses in Icelandair's Route Network were reduced between years, but as a result of Loftleidir's increased scope of business maintenance expenses in that business segment increased.

Other operating expenses amounted to USD 72.0 million, up by USD 7.8 million between years. The table below shows a breakdown of principal items and trends between years.

USD thousand	Q1 2018	Q1 2017	Change	% Change
Operating cost of real estate and fixtures	8,697	6,509	2,188	34%
Communication	5,883	5,979	-96	-2%
Advertising	8,583	8,490	93	1%
Booking fees and commission expenses	10,212	9,537	675	7%
Cost of goods sold	6,035	5,871	164	3%
Customer services	8,572	6,186	2,386	39%
Tourism expenses	15,978	12,717	3,261	26%
Other operating expenses	8,049	8,956	-907	-10%
Total	72,009	64,245	7,764	12%

FINANCIALS

▪ Positive currency effect over the quarter

USD thousand	Q1 2018	Q1 2017	Change	% Change
Interest income	785	612	173	28%
Interest expenses	-4,193	-3,410	-783	23%
Currency effect	4,816	854	3,962	-
Total	1,408	-1,944	3,352	-

Interest expenses in the first quarter amounted to USD 4.2 million, as compared to USD 3.4 million in the first quarter of last year. The currency effect over the quarter was positive by USD 4.8 million, as compared to USD 0.8 million in the corresponding quarter of 2017.

BALANCE SHEET AND FINANCIAL POSITION

- **Total assets USD 1.6 billion at the end of the first quarter**
- **Equity ratio 35%**
- **Interest-bearing liabilities USD 329.9 million**

USD thousands	31.03.2018	31.12.2017	Change
Total assets	1,587,162	1,423,842	163,320
Operating assets	775,018	652,705	122,313
Cash and short-term investments	205,816	225,278	-19,462
Total equity	554,861	596,545	-41,684
Interest bearing debt	329,898	289,541	40,357
Interest bearing debt in excess of cash	124,082	64,263	59,819
Equity ratio	35%	42%	-7 ppt
Current ratio	0.81	0.99	-18%

Operating assets amounted to USD 775.0 million, up by USD 122.3 million from the beginning of the year. For a further discussion of investments in operating assets, see the section on investments below. At the end of the quarter the fleet comprised 51 aircraft, five more than at the beginning of the year. Three of the five new aircraft are B737 MAX aircraft, the first of sixteen ordered by the Company from Boeing and scheduled for delivery over the next three years. Financing has been arranged for all the aircraft delivered to date. Two 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. The positive cash flow resulting from the JOLCO financing in the second quarter amounts to approx. USD 100 million. The financing terms are more favourable than anticipated at the time that the purchase was decided.

Of the 51 aircraft in the fleet, 41 are owned by the Company. The table below shows an overview of the Company's fleet at the end of the first quarter.

Type	Icelandair	Cargo	Loftleidir	Air Iceland	Fleet 31.03.18	Fleet 31.12.17	Of which own	Of which leased	Ch. as of 31.12.17
B757-200	23	2	5		30	29	27	3	1
B757-300	2				2	1	2		1
B737 MAX 8	3				3	0	2	1	3
B767-300	4		2		6	6	4	2	0
B737-700			1		1	1		1	0
B737-800			3		3	3		3	0
Bombardier Q200				3	3	3	3		0
Bombardier Q400				3	3	3	3		0
Total	32	2	11	6	51	46	41	10	5

Equity amounted to USD 554.9 million at the end of the first quarter, and the equity ratio was 35%. Repurchases of own share were entered as a reduction in equity in the amount of USD 7.5 million, together with a dividend payment approved at the Company's annual general meeting in March. The dividend amounted to 0.15 US cents per share, for a total of USD 7.3 million. The equity ratio at the end of 2017 was 42%. Main changes in equity from the beginning of the year 2018 can be seen in the table below.

USD thousands	31.03.2018
Balance at 1.1. 2018	591,535
Impact of IFRS 15 correction	5,010
Purchase of own shares	-7,485
Total comprehensive loss	-26,945
Dividend (0.15 US cent per share)	-7,254
Balance at 31.03.2018	554,861

Interest-bearing debt amounted to USD 329.9 million, as compared to USD 289.5 million at the beginning of the year. Payments on long-term liabilities in the first quarter amounted to USD 2.7 million. Cash and short-term investments amounted to a total of USD 205.8 million at the end of the first quarter of 2018, as compared to USD 225.3 million at the beginning of the year. Interest-bearing liabilities in excess of cash and short-term investments therefore amounted to USD 124.1 million at the end of the quarter.

USD thousands	31.03.2018	31.12.2017	Change
Loans and borrowings non-current	281,206	280,254	952
Loans and borrowings current	48,692	9,287	39,405
Short term investments	14,559	4,087	10,472
Cash and cash equivalents	191,257	221,191	-29,934
Interest bearing debt in excess of cash	124,082	64,263	59,819

CASH FLOW

- **Net cash provided by operating activities USD 67.1 million**
- **Cash and cash equivalents at the end of March USD 191.3 million**

USD thousand	Q1 2018	Q1 2017	Change
Net cash from operating activities	67,115	125,497	-58,382
Net cash used in investing activities	-129,159	-75,782	-53,377
Net cash from/used in financing activities	30,802	23,520	7,282
Cash and cash equivalents change	-31,242	73,235	-104,477
Cash and cash equivalents, end of period	191,257	300,172	-108,915

Net cash provided by operating activities in the first quarter amounted to USD 67.1 million, down by USD 58.4 million from the first quarter of 2017. Financing activities amounted to a total of USD 30.8 million, as shown in the table below:

USD thousand	Q1 2018	Q1 2017	Change
Purchase of treasury shares	-7,483	-10,019	2,536
Dividend paid	0	-5,044	5,044
Proceeds from non-current borrowings	0	40,000	-40,000
Repayment of non-current borrowings	-2,664	-3,695	1,031
Proceeds from short-term borrowings	40,949	2,278	38,671
Net cash from/used in financing activities	30,802	23,520	7,282

INVESTMENTS

Significant investments were made in the first quarter of 2018. Investments in operating assets amounted to a total of USD 189.5 million, for the most part constituting investments in three B737 MAX 8 aircraft, one B757-300 aircraft and one B757-200 aircraft. One of the B737 MAX 8 aircraft was sold

and leased back for a term of eight years. That transaction resulted in a trading gain, as disclosed under other income. Investments in long-term cost and intangible assets amounted to a total of USD 1.9 million.

USD thousand	Q1 2018
Operating assets:	
Aircraft and aircraft components	161,600
Overhaul own aircraft	12,367
Other	15,521
Total operating assets	189,488
Long term cost	
Overhaul leased aircraft	1,231
Intangible assets	664
Total Capex	191,384

OUTLOOK AND EBITDA GUIDANCE FOR 2018

- **Indications of a rise in average air fares**
- **Favourable prospects for the Company's hotel operations**
- **Favourable financial position**

International flight operations

Competition is intense in all Icelandair's markets, and there is some uncertainty regarding the trend in average air fares, but there are indications of their rising. The world market price of fuel has increased significantly in recent times, and the average price at the end of April is 44% above the level of the corresponding period last year. Other expenses of airline companies have also increased.

Due to a shift in focus in revenue management, among other to ensure availability of seats for certain customers that book higher airfares close to departure, a lower proportion of available seats has been sold for the period April-December than last year. For this reason, there is greater uncertainty regarding the revenue forecast for the year than at the same time last year.

Icelandair has in recent months increased the range of its product offerings with a view to meeting different passenger needs. The Economy Comfort class has been discontinued, and at the same time the terms and services offered in Saga Premium and Economy Class have been revised. With the change, the air fares better reflect the services enjoyed by customers, from Economy Light to Saga Premium Flex. The changes in the structure of the air fares are based, among other things, on extensive digital development work carried out in recent months, which enables Icelandair to develop its product offerings in an efficient manner and to react quickly to changed market circumstances when needed.

Icelandair has taken delivery of the first three B737 MAX aircraft of the sixteen that the company has purchased. The first aircraft has been in operation since mid-April, and its operational efficiency has been in line with anticipations. Its fuel consumption is significantly lower than that of Icelandair's B757-200 aircraft, by about 28% per seat. The second and third aircraft are scheduled for introduction in the fleet in May. A total of 33 aircraft will be used to serve the Icelandair's passenger routes next summer: 26 B757 and 4 B767-300 aircraft, in addition to the new B737 MAX 8 aircraft.

The number of passengers in 2018 is projected at 4.4 million, up by 350 thousand from the preceding year. As announced earlier, six new destinations will be introduced over the year: San Francisco, Kansas, Cleveland, Baltimore and Dallas in the United States, and Dublin in Ireland.

Aviation investments

Prospects for Loftleidir Icelandic's charter flight operations in 2018 are favourable. It is assumed that the company will have three more aircraft out on lease than in 2017 as a result of new long-term assignments. It is also expected that the operation of the Vita Travel Agency will be satisfactory over the year. Air Iceland Connect has six aircraft in operation in 2018. The company's operation is challenging, and efficiency measures have been taken to improve results. As of mid-May, flights between Keflavik and Akureyri with Bombardier Q400 will be discontinued, and the company will no longer offer flights to the company's two destinations in the United Kingdom, Aberdeen and Belfast. The company will concentrate its efforts on domestic flights and regional flights between Iceland and Greenland. The number of foreign tourist using domestic flights has increased, as well as their use of Iceland as a layover on flights to Greenland. Work is also in progress on further integration of Air Iceland Connect with Icelandair.

Tourism investments

The number of tourists visiting Iceland is expected to grow by about 10% in 2018. The prospects for Icelandair Hotels in 2018 are fair. The efficiency measures taken have returned results, and among other things the proportion of wage costs is projected to fall, notwithstanding the negative impact of currency trends and contractual wage increases. The booking flow is strong, but this is offset by the increased sensitivity to price among visitors, who now spend less than before. In early May, the company opened a new 50-room hotel in the centre of Reykjavik, Reykjavík Konsulat. In mid-April the company announced its acquisition of Hotel Alda, an 89-room hotel in central Reykjavik. The acquisition reflects the company's strategy of operating luxury hotels and developing accommodations for tourists seeking quality experience. At the same time, some synergy is anticipated in the operation of Hotel Alda alongside the Company's other hotels in Reykjavik. The operating outlook for Iceland Travel is also favourable. Demand is similar to the demand in 2017, and the principal emphasis has now been placed on the increased efficiency and competitiveness of the company. Nevertheless, it should be borne in mind that cost increases in Iceland have had the effect that the contribution margin of tourist-related services in Iceland has been declining, notwithstanding the surge in the number of tourists visiting Iceland. Also, foreign tourists are opting for shorter stays in Iceland than before.

EBITDA guidance for 2018

The price of jet fuel (net of hedging) is estimated at USD 670/ton on average over the period April-December 2018. Taking hedging into account, a 10% increase in fuel prices may be expected to have a USD 10.7 million adverse impact on EBITDA. The Company's fuel hedging situation is highlighted in the table below.

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 1	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

Based on revised assumptions, the average exchange rate index is projected at 158 for the remainder of the year, as compared to 162 in the last forecast, and the average exchange rate of the EUR against the USD is projected at 1.23 in the period April to December, as compared to 1.20 in the February guidance. Bookings for April have not been as strong as last year. The booking flow for May is also slower. Therefore, it is assumed that the EBITDA in Q2 will decrease between years. In spite of that, the EBITDA guidance for the year is unchanged, at USD 170-190 million.

PRESENTATION MEETING 2 MAY 2018

Icelandair Group will publish its financial statement for the first quarter of 2018 on Monday, 30 April 2018. An open presentation will be held on Wednesday 2 May 2018 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. Breakfast will be offered from 08:00 a.m. 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.

The meeting can be followed in real time on the website:

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

APPROVAL OF QUARTERLY STATEMENT

The consolidated accounts of Icelandair Group for the first quarter of 2018 were approved at a meeting of the Board of Directors on 30 April 2018.

FINANCIAL CALENDAR

- **Financial statement for the second quarter – 31 July 2018**
- **Financial statement for the third quarter – 30 October 2018**
- **Financial statement for the fourth quarter – Week 06, 2019**
- **Annual General Meeting – Week 10, 2019**

FOR FURTHER INFORMATION PLEASE CONTACT:

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