

## GOOD THIRD QUARTER RESULTS

- | Profit after taxes amounted to USD 103.1 million, up by USD 17.3 million from the preceding year
- | EBITDA amounted to USD 150.9 million, as compared to USD 123.9 million in the third quarter of 2014
- | The EBITDA ratio was 35.1%, as compared to 29.6% in the corresponding period of last year
- | Total revenue increased by 3%, the increase at a fixed exchange rate is 13%
- | The equity ratio was 46% at the end of September
- | The EBITDA guidance for 2015 increased to USD 210-215 million

| USD thousand                             | Q3<br>2015 | Q3<br>2014 | Change  | %<br>Change | 9M<br>2015 | 9M<br>2014 | Change  | %<br>Change |
|--|------------|------------|---------|-------------|------------|------------|---------|-------------|
| <b>Operating results</b>                 |            |            |         |             |            |            |         |             |
| Total income                             | 429,446    | 418,746    | 10,700  | 3%          | 909,733    | 907,816    | 1,917   | 0%          |
| EBITDAR                                  | 159,927    | 134,541    | 25,386  | 19%         | 225,271    | 186,322    | 38,949  | 21%         |
| EBITDA                                   | 150,875    | 123,883    | 26,992  | 22%         | 198,872    | 155,819    | 43,053  | 28%         |
| EBIT                                     | 127,006    | 102,515    | 24,491  | 24%         | 136,120    | 97,765     | 38,355  | 39%         |
| EBT                                      | 130,754    | 106,189    | 24,565  | 23%         | 140,373    | 97,603     | 42,770  | 44%         |
| Profit for the period                    | 103,143    | 85,801     | 17,342  | 20%         | 110,956    | 81,473     | 29,483  | 36%         |
| <b>Balance sheet</b>                     |            |            |         |             |            |            |         |             |
| Total assets                             | -          | -          | -       | -           | 1,015,460  | 877,233    | 138,227 | 16%         |
| Total equity                             | -          | -          | -       | -           | 471,634    | 403,607    | 68,027  | 17%         |
| Interest bearing debt                    | -          | -          | -       | -           | 76,208     | 55,469     | 20,739  | 37%         |
| Cash and marketable securities           | -          | -          | -       | -           | 285,025    | 254,695    | 30,330  | 12%         |
| Net interest bearing debt                | -          | -          | -       | -           | -208,817   | -199,226   | -9,591  | 5%          |
| <b>Cash flow</b>                         |            |            |         |             |            |            |         |             |
| Working capital from operations          | 157,406    | 135,211    | 22,195  | 16%         | 208,181    | 172,932    | 35,249  | 20%         |
| Net cash from operating activities       | 4,085      | 5,767      | -1,682  | -29%        | 208,496    | 210,763    | -2,267  | -1%         |
| Net cash used in investing activities    | -60,265    | -38,383    | -21,882 | 57%         | -132,435   | -86,338    | -46,097 | 53%         |
| Net cash used in financing activities    | -2,868     | -3,622     | 754     | -21%        | -3,704     | -85,676    | 81,972  | -96%        |
| Cash and cash equivalents end of period  | 256,553    | 227,576    | 28,977  | 13%         | 256,553    | 227,576    | 28,977  | 13%         |
| <b>Key Ratios</b>                        |            |            |         |             |            |            |         |             |
| Earnings per share expressed in USD Cent | 2.07       | 1.73       | 0.34    | 20%         | 2.23       | 1.64       | 0.59    | 36%         |
| Intrinsic value                          | -          | -          | -       | -           | 11.62      | 9.95       | 1.67    | 17%         |
| Equity ratio                             | -          | -          | -       | -           | 46%        | 46%        | 0.4 ppt | -           |
| Current ratio                            | -          | -          | -       | -           | 1.08       | 1.03       | 0.04    | 4%          |
| CAPEX USD thousand                       | 46,543     | 28,275     | 18,268  | 65%         | 109,616    | 69,876     | 39,740  | 57%         |
| Transport revenue as % of total revenues | 78%        | 77%        | 0.9 ppt | -           | 75%        | 73%        | 2.4 ppt | -           |
| EBITDAR ratio                            | 37.2%      | 32.1%      | 5.1 ppt | -           | 24.8%      | 20.5%      | 4.2 ppt | -           |
| EBITDA ratio                             | 35.1%      | 29.6%      | 5.5 ppt | -           | 21.9%      | 17.2%      | 4.7 ppt | -           |
| <b>Share information ISK</b>             |            |            |         |             |            |            |         |             |
| Highest price in period                  | 30.10      | 18.85      | 11.25   | 60%         | 30.10      | 19.95      | 10.15   | 51%         |
| Lowest price in period                   | 24.80      | 16.85      | 7.95    | 47%         | 20.95      | 16.45      | 4.50    | 27%         |
| Price at period end                      | -          | -          | -       | -           | 30.00      | 17.35      | 12.65   | 73%         |
| Market Cap at period end (millions)      | -          | -          | -       | -           | 150,000    | 86,750     | 63,250  | 73%         |

## BJÖRGÓLFUR JÓHANNSSON, PRESIDENT AND CEO

“Our performance in the third quarter was good and our business operations were successful. We updated our EBITDA guidance earlier this week, and now we project it in the range of USD 210-215 million. The increase is a result of the Company’s good performance in the third quarter, largely stemming from increased passenger revenues and lower fuel costs, but in addition maintenance expenses were lower than anticipated. Also, the performance outlook for the fourth quarter has improved, mostly as a result of a stronger booking situation in our international flights; in addition, the trends in external factors have favoured the Company since our last quarterly report.”

The outlook for Icelandair Group is favourable. The international flight schedule for 2016 was presented in early September, with the capacity up by 18% from 2015. The number of passengers transported is projected at 3.5 million, compared to 3.0 million passengers in the current year. Competition in the market has never been more fierce and it is likely to intensify in the near future, both to and from Iceland and across the Atlantic. The tourist industry is developing, with the tourist season becoming longer, which means less seasonal fluctuations and greater opportunities for development around the country.

The Icelandic tourist industry is going through a period of rapid growth and conditions last summer were very challenging, particularly at Keflavik International Airport. Our staff did an excellent job over the peak season.”

## TRANSPORT FIGURES

- | Passengers on international flights were 1.1 million, up by 18%
- | The load factor on international flights was 87.3%, a third-quarter record
- | Hotel room occupancy was 88.2%, up by 1.2 percentage points between years

|   | Q3 2015 | Q3 2014 | Change  |
|---|---------|---------|---------|
| <b>INTERNATIONAL FLIGHTS</b>            |         |         |         |
| Number of passengers ('000)             | 1,143.8 | 969.0   | 18%     |
| Load factor (%)                         | 87.3    | 84.2    | 3.1 ppt |
| Available seat kilometres (ASK'000,000) | 3,959.0 | 3,445.6 | 15%     |
| <b>REGIONAL- AND GREENLAND FLIGHTS</b>  |         |         |         |
| Number of passengers ('000)             | 93.4    | 90.7    | 3%      |
| Load factor (%)                         | 77.5    | 73.6    | 3.9 ppt |
| Available seat kilometres (ASK'000,000) | 53.0    | 54.0    | -2%     |
| <b>CHARTER FLIGHTS</b>                  |         |         |         |
| Fleet Utilization (%)                   | 100.0   | 92.0    | 8.0 ppt |
| Sold Block Hours                        | 6,379   | 5,298   | 20%     |
| <b>CARGO</b>                            |         |         |         |
| Available Tonne Kilometres (ATK'000)    | 76,415  | 67,402  | 13%     |
| Freight Tonne Kilometres (FTK'000)      | 24,866  | 23,905  | 4%      |
| <b>HOTELS</b>                           |         |         |         |
| Available Hotel Room Nights             | 103,918 | 100,532 | 3%      |
| Sold Hotel Room Nights                  | 91,676  | 87,476  | 5%      |
| Utilization of Hotel Rooms (%)          | 88.2    | 87.0    | 1.2 ppt |

Capacity on international flights increased by 15% in the third quarter. Capacity was increased by 20% on routes to North America and 10% on routes to Europe. Passengers on international flights were 1.1 million in the third quarter, up by 18% from the third quarter of last year. The North Atlantic market was the Company's largest market, accounting for 56% of the total number of passengers. The passenger load factor was 87.3%, as compared to 84.2% at the same time last year. This is the best third-quarter load factor ever.

Passengers on regional- and Greenland flights were just over 93 thousand over the quarter, up by 3% from last year. The capacity was reduced by 2% from the corresponding period of last year. The passenger load factor was 77.5%, up by a significant 3.9 percentage points between years. Sold block hours on charter flights over the quarter were up by 20% between years. Transported cargo increased by 4% from the preceding year. The number of sold hotel nights increased by 5% between years, with occupancy at 88.2%, as compared to 87.0% over the same period last year.

## CURRENCY TRENDS AND IMPACT ON OPERATIONS

Icelandair Group's reporting currency is the USD, which means that the trends of other currencies can have a significant impact on the Company's performance. Historically, the majority of the Company's revenues has been in European currencies while more than half of its expenses are in US dollars. The table below shows how the distribution of currencies is changing and the weight of the dollar increasing. The reason is that the growth between years in international flight operations has been greater in North America than in Europe. The table below shows the division of revenues and expenses between currencies in the third quarter of this year, as compared to the entire year 2014.

| Revenue      | Q3. 2015    | Q3 2014     | 12M 2014    | Expenses     | Q3 2015     | Q3 2014     | 12M 2014    |
|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| USD          | 43%         | 36%         | 41%         | USD          | 52%         | 54%         | 53%         |
| ISK          | 17%         | 19%         | 24%         | ISK          | 28%         | 27%         | 30%         |
| EUR          | 24%         | 25%         | 17%         | EUR          | 15%         | 14%         | 11%         |
| GBP          | 5%          | 5%          | 4%          | GBP          | 2%          | 2%          | 3%          |
| CAD          | 5%          | 6%          | 5%          | CAD          | 1%          | 1%          | 1%          |
| Other*       | 7%          | 10%         | 8%          | Other*       | 2%          | 2%          | 2%          |
| <b>Total</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>Total</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

\*Primarily Scandinavian currencies

The US dollar has remained strong over the year against most currencies, as compared to 2014. In the third quarter the EUR was 16% weaker against the USD than in the corresponding period of last year, and the ISK was weaker by 11%. Revenue in Q3 of 2015 was 3% above the corresponding quarter of 2014. At a fixed exchange rate revenue grew by 13% between years.

| Currency | Average rate Q3 2015 | Chg. from Q3 2014 | Closing rate 30.09 2015 | Chg. from 30.09 2014 |
|----------|----------------------|-------------------|-------------------------|----------------------|
| ISK      | 0,008                | -11%              | 0,008                   | -5%                  |
| EUR      | 1,112                | -16%              | 1,116                   | -12%                 |
| GBP      | 1,551                | -7%               | 1,512                   | -7%                  |
| CAD      | 0,765                | -17%              | 0,747                   | -16%                 |
| DKK      | 0,149                | -16%              | 0,150                   | -12%                 |
| NOK      | 0,122                | -24%              | 0,117                   | -25%                 |
| SEK      | 0,118                | -18%              | 0,119                   | -14%                 |

## THIRD QUARTER OPERATIONS

| USD thousand          | Q3 2015 | Q3 2014 | Change  | % Change |
|-----------------------|---------|---------|---------|----------|
| EBITDAR               | 159,927 | 134,541 | 25,386  | 19%      |
| EBITDA                | 150,875 | 123,883 | 26,992  | 22%      |
| EBIT                  | 127,006 | 102,515 | 24,491  | 24%      |
| EBT                   | 130,754 | 106,189 | 24,565  | 23%      |
| Profit for the period | 103,143 | 85,801  | 17,342  | 20%      |
| EBITDAR %             | 37.2%   | 32.1%   | 5.1 ppt | -        |
| EBITDA %              | 35.1%   | 29.6%   | 5.5 ppt | -        |

EBITDA amounted to USD 150.9 million in the third quarter, as compared to USD 123.9 million last year. The EBITDA ratio was 35.1%, up by 5.5 percentage points between years. The reason is the success of the Company's international flight operations, which is primarily a result of a favourable passenger load factor and the fall in the world price of fuel. EBIT amounted to USD 127.0 million, up by USD 24.5 million between years. Profit after taxes amounted to USD 103.1 million, as compared to USD 85.8 million last year

## INCOME

- | **Total income 3% in excess of the third quarter of 2014**
- | **Passenger revenue increased by 4% between years**
- | **Currency trends reduced the growth in income between years**

| USD thousand               | Q3 2015        | Q3 2014        | Change        | % Change  | % of rev. '15 |
|----------------------------|----------------|----------------|---------------|-----------|---------------|
| Transport revenue:         | 332,932        | 320,775        | 12,157        | 4%        | 78%           |
| Passengers                 | 321,845        | 309,758        | 12,087        | 4%        | 75%           |
| Cargo and mail             | 11,087         | 11,017         | 70            | 1%        | 3%            |
| Aircraft and aircrew lease | 19,798         | 17,060         | 2,738         | 16%       | 5%            |
| Other operating revenue    | 76,716         | 80,911         | -4,195        | -5%       | 18%           |
| <b>Total</b>               | <b>429,446</b> | <b>418,746</b> | <b>10,700</b> | <b>3%</b> | <b>100%</b>   |

Operating revenues increased by 3% between years. Calculated at a fixed exchange rate the increase in revenue was approximately 13%. Transport revenue increased by USD 12.2 million, or 4%, between years. Income from aircraft and aircrew lease increased by USD 2.7 million. Other operating revenue amounted to USD 76.7 million, down by USD 4.2 million, or 5%, as compared to the third quarter of 2014. Sales at airports and hotels fell as the Company no longer operates a restaurant service in Keflavik International Airport. The table below shows an itemisation of other operating revenue.

| USD thousand                         | Q3 2015       | Q3 2014       | Change        | % Change   |
|--------------------------------------|---------------|---------------|---------------|------------|
| Sale at airports and hotels          | 22,095        | 26,899        | -4,804        | -18%       |
| Revenue from tourism                 | 40,677        | 39,326        | 1,351         | 3%         |
| Aircraft and cargo handling services | 7,570         | 8,757         | -1,187        | -14%       |
| Maintenance revenue                  | 1,684         | 1,892         | -208          | -11%       |
| Gain on sale of operating assets     | 667           | 75            | 592           | 789%       |
| Other operating revenue              | 4,023         | 3,962         | 61            | 2%         |
| <b>Total</b>                         | <b>76,716</b> | <b>80,911</b> | <b>-4,195</b> | <b>-5%</b> |

## EXPENSES

- | **Total expenses amounted to USD 278.6 million, down by USD 16.3 million from last year**
- | **Fuel expenses fell between years as a result of the drop in fuel prices**

| USD thousand                          | Q3 2015        | Q3 2014        | Change         | % Change   | % of exp. '15 |
|---------------------------------------|----------------|----------------|----------------|------------|---------------|
| Salaries and other personnel expenses | 74,627         | 69,753         | 4,874          | 7%         | 27%           |
| Aviation expenses                     | 128,012        | 152,519        | -24,507        | -16%       | 46%           |
| Other operating expenses              | 75,932         | 72,591         | 3,341          | 5%         | 27%           |
| <b>Total</b>                          | <b>278,571</b> | <b>294,863</b> | <b>-16,292</b> | <b>-6%</b> | <b>100%</b>   |

Salaries and other personnel expenses amounted to USD 74.6 million, up by USD 4.9 million, or 7%, between years. The increase was a result of the expanded scope of the Company's business, in addition to the impact of contractual wage increases. At a fixed exchange rate the increase would be greater, as a large part of the Company's wage costs are in ISK, which has weakened against the US dollar over the comparison period. Aviation expenses amounted to USD 128.0 million, down by USD 24.5 million, or 16%.

| USD thousand                                 | Q3 2015        | Q3 2014        | Change         | % Change    | % of exp. '15 |
|--|----------------|----------------|----------------|-------------|---------------|
| Aircraft fuel                                | 76,843         | 95,783         | -18,940        | -20%        | 60%           |
| Aircraft lease                               | 5,932          | 5,732          | 200            | 3%          | 5%            |
| Aircraft handling, landing and communication | 31,679         | 29,358         | 2,321          | 8%          | 25%           |
| Aircraft maintenance expenses                | 13,558         | 21,646         | -8,088         | -37%        | 11%           |
| <b>Total</b>                                 | <b>128,012</b> | <b>152,519</b> | <b>-24,507</b> | <b>-16%</b> | <b>100%</b>   |

Fuel expenses amounted in total to USD 76.8 million, down by USD 18.9 million, or 20%, from the corresponding time of last year. The world market price of fuel was on average USD 503/ton in the third quarter of 2015, as compared to USD 938/ton over the third quarter of 2014. Because of the Company's fuel hedging, the benefit of the falling world market price is not fully reflected in the present financial statement. The Company's effective price paid in the quarter, taking hedging into account, was on average USD 687/ton, which is 37% 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 September. Aircraft lease amounted to USD 5.9 million, a similar figure as in the third quarter of 2014. Aircraft handling, landing and communication expenses amounted to USD 31.7 million up by USD 2.3 million between years. Maintenance expenses amounted to USD 13.6 million, down by USD 8.1 million between years. Maintenance expenses were particularly heavy in the third quarter of last year due to re-delivery checks of cargo aircraft, which largely explains the difference.

Other operating expenses amounted to USD 75.9 million, up by USD 3.3 million between years. The table below shows a breakdown of principal items and trends between years.

| USD thousand                               | Q3 2015       | Q3 2014       | Change       | % Change  |
|--|---------------|---------------|--------------|-----------|
| Operating cost of real estate and fixtures | 6,063         | 6,212         | -149         | -2%       |
| Communication                              | 4,323         | 4,166         | 157          | 4%        |
| Advertising                                | 5,913         | 5,991         | -78          | -1%       |
| Booking fees and commission expenses       | 14,234        | 12,485        | 1,749        | 14%       |
| Cost of goods sold                         | 6,642         | 7,560         | -918         | -12%      |
| Customer services                          | 6,723         | 7,270         | -547         | -8%       |
| Tourism expenses                           | 24,782        | 25,492        | -710         | -3%       |
| Allowance for bad debt                     | 713           | -3,367        | 4,080        | -121%     |
| Other operating expenses                   | 6,539         | 6,782         | -243         | -4%       |
| <b>Total other operating expenses</b>      | <b>75,932</b> | <b>72,591</b> | <b>3,341</b> | <b>5%</b> |

## FINANCIALS

### | Positive currency effect over the period

| USD thousand              | Q3 2015      | Q3 2014      | Change      | % Change |
|---------------------------|--------------|--------------|-------------|----------|
| Interest income           | 597          | 295          | 302         | 102%     |
| Interest expenses         | -1,672       | -1,109       | -563        | 51%      |
| Currency effect           | 4,442        | 4,460        | -18         | -        |
| <b>Net finance income</b> | <b>3,367</b> | <b>3,646</b> | <b>-279</b> | <b>-</b> |

Financial expenses in the third quarter amounted to USD 1.7 million, as compared to USD 1.1 million in the third quarter of last year. The currency effect in the quarter was positive by USD 4.4 million, main reason are proceeds of settled forward fx-contracts.

## BALANCE SHEET AND FINANCIAL POSITION

- | Total assets amounted to USD 1.0 billion at the end of the third quarter
- | Equity ratio was 46%
- | Interest-bearing debt amounted to USD 76.2 million

| USD thousand                   | 30.09.2015 | 31.12.2014 | Change  | 30.09.2014 |
|--------------------------------|------------|------------|---------|------------|
| Total assets                   | 1,015,460  | 849,220    | 166,240 | 877,233    |
| Total equity                   | 471,634    | 365,055    | 106,579 | 403,607    |
| Interest bearing debt          | 76,208     | 61,934     | 14,274  | 55,469     |
| Net interest bearing debt      | -208,817   | -153,707   | -55,110 | -199,226   |
| Cash and marketable securities | 285,025    | 215,641    | 69,384  | 254,695    |
| Equity ratio                   | 46%        | 43%        | 3 ppt   | 46%        |
| Current ratio                  | 1.08       | 0.83       | 29%     | 1.03       |

Operating assets amounted to USD 353.1 million, up by USD 33.8 million from the beginning of the year. For a further discussion of investments in operating assets see the section on cash flow and investments. The Company's largest asset is its fleet of aircraft. At the end of the quarter the fleet comprised 40 aircraft, of which 30 are owned by the Company. The table below shows an overview of the Company's fleet at the end of the third quarter.

| Type         | Icelandair | Cargo    | Loftleiðir | Air<br>Iceland | Group<br>fleet<br>30.09.15 | Group<br>fleet<br>31.12.14 | Of which<br>own | Of which<br>leased | Ch. as of<br>31.12.14 |
|--------------|------------|----------|------------|----------------|----------------------------|----------------------------|-----------------|--------------------|-----------------------|
| B757 200     | 22         | 2        | 2          |                | 26                         | 24                         | 22              | 4                  | 2                     |
| B757 300     | 1          |          |            |                | 1                          | 1                          | 1               |                    | 0                     |
| B767 300     |            |          | 3          |                | 3                          | 2                          |                 | 3                  | 1                     |
| B737 700     |            |          | 1          |                | 1                          | 1                          |                 | 1                  | 0                     |
| B737 800     |            |          | 2          |                | 2                          | 2                          |                 | 2                  | 0                     |
| Fokker F-50  |            |          |            | 5              | 5                          | 5                          | 5               |                    | 0                     |
| Dash 8-200   |            |          |            | 2              | 2                          | 2                          | 2               |                    | 0                     |
| <b>Total</b> | <b>23</b>  | <b>2</b> | <b>8</b>   | <b>7</b>       | <b>40</b>                  | <b>37</b>                  | <b>30</b>       | <b>10</b>          | <b>3</b>              |

Equity amounted to USD 471.6 million at the end of the third quarter and the equity ratio was 46%, the same figure as at the end of September last year.

Interest-bearing debt amounted to USD 76.2 million, as compared to USD 61.9 million at the beginning of the year. A bond was issued early in the year in the amount of USD 23.7 million. Payments on long-term debts in the third quarter amounted to USD 2.9 million. Cash and marketable securities amounted to a total of USD 285.0 million at the end of the third quarter of 2015, as compared to USD 254.7 million at the same time last year. Net interest-bearing debt was therefore negative in the amount of USD 208.8 million at the end of the quarter.

| USD thousands                    | 30.09.2015      | 31.12.2014      | Change         | 30.09.2014      |
|----------------------------------|-----------------|-----------------|----------------|-----------------|
| Loans and borrowings non-current | 63,700          | 49,671          | 14,029         | 42,957          |
| Loans and borrowings current     | 12,508          | 12,263          | 245            | 12,512          |
| Marketable securities            | 28,472          | 30,879          | -2,407         | 27,119          |
| Cash and cash equivalents        | 256,553         | 184,762         | 71,791         | 227,576         |
| <b>Net interest bearing debt</b> | <b>-208,817</b> | <b>-153,707</b> | <b>-55,110</b> | <b>-199,226</b> |

## CASH FLOW AND INVESTMENTS

- | **Cash and cash equivalents at the end of September amounted to USD 256.6 million**
- | **Investments amounted to a total of USD 46.5 million**

| USD thousand                                    | Q3 2015        | Q3 2014        | Change        |
|---|----------------|----------------|---------------|
| Working capital from operations                 | 157,406        | 135,211        | 22,195        |
| Net cash from operating activities              | 4,085          | 5,767          | -1,682        |
| Net cash used in investing activities           | -60,265        | -38,383        | -21,882       |
| Net cash used in financing activities           | -2,868         | -3,622         | 754           |
| Cash and cash equivalents change                | -59,048        | -36,238        | -22,810       |
| <b>Cash and cash equivalents, end of period</b> | <b>256,553</b> | <b>227,576</b> | <b>28,977</b> |

Net cash provided by operating activities in the third quarter amounted to USD 4.1 million, down by USD 1.7 million from the third quarter of 2014. Cash decreased by USD 59.0 million over the quarter. The decrease over the same period last year was USD 36.2 million.

Investments in operating assets amounted to USD 38.9 million; the largest share was due to investments in aircraft and related equipment, mostly payments on three Bombardier Q400 aircraft over the period. A 50% share in the real estate company that owns buildings on the Landsíma-field downtown Reykjavik, where a 160 room luxury hotel will open in 2017, was bought in the quarter. Investments in long-term expenses and intangible assets amounted to a total of USD 7.6 million.

| USD thousand                     | Q3 2015       |
|----------------------------------|---------------|
| Operating assets:                |               |
| Aircraft and aircraft components | 24,345        |
| Overhaul own aircraft            | 7,425         |
| Other                            | 7,123         |
| Total operating assets           | 38,893        |
| Long term cost                   |               |
| Overhaul leased aircraft         | 7,546         |
| Intangible assets                | 104           |
| <b>Total Capex</b>               | <b>46,543</b> |

## OUTLOOK FOR ICELANDAIR GROUP HF.

- | **Continued profitable organic growth projected**
- | **New destinations and larger aircraft in the international Route Network operations**
- | **New fleet in the regional airline operations**
- | **Development of quality hotels continues**

Prospects in the operations of the Route Network are favourable. The flight schedule for 2016 was presented in early September, with the number of available seat kilometres up by 18% from 2015. The number of passengers carried is projected at 3.5 million, as compared to 3.0 million passengers in the current year. Flights will be offered to 42 destinations, increasing the previous number by three. The new destinations are Chicago in the U.S., Montreal in Canada and Aberdeen in Scotland. However, the growth of the Route Network is mostly a result of increased frequencies to current destinations on both sides of the Atlantic, in North America and Europe.



In 2016 a total of 26 aircraft will be utilised in the Route Network, two more than in 2015. Two Boeing 767-300 will be added to the Company's fleet. The new aircraft will carry 262 seated passengers, while the Company's current Boeing 757 aircraft carry 183 passengers. This addition to the fleet, in addition to the longer hauls in the Route Network next year, has the effect that the increase in flight numbers will be 14%, as compared to an increase of 18% in available seat kilometres.

The Company's Route Network is based on two connection banks in Iceland. The main bank features departures from Keflavik International Airport to Europe in the mornings and to North America and Canada in the afternoon. In recent years the Company has been developing a second connection bank with departures to the United States just before noon and at midnight to Europe. The enlargement of this second bank will provide an opportunity for two different departure times to destinations within the same day, which will ease the congestion at Keflavik Airport and provide support for the Company's principal bank. In 2016 a large part of the growth will take place within the second bank and outside the peak summer season.

In the coming months three Bombardier Q400 aircraft will be introduced for use on the Company's domestic and Greenland routes. Five Fokker 50 aircraft will be sold. The regional fleet will thus consist of three Bombardier Q400 and two Bombardier Q200 aircraft. Also, a new destination, Kangerlussuaq, will be introduced next year. This will be the Company's fifth destination in Greenland. The Bombardier Q400 will also be used for international flights to Aberdeen.

Icelandair Group's hotel operations have expanded greatly in recent years, and further large hotel projects have been announced. A Canopy Hotel of 115 rooms will be opened in Reykjavik City Centre in early 2016 in co-operation with the Hilton Hotel chain. There are also plans to open two high-quality hotels in the heart of Reykjavik in 2017. One hotel will have 50 rooms and the other 160 rooms. No decisions have been made regarding the branding of these two hotels, but their opening is part of the Company's strategy of increasing the offering of high quality accommodation in Reykjavik. Work is also in progress on developing a hotel at Lake Mývatn in northern Iceland. The plan is to open a hotel with 40-50 rooms within two years, which represents a part of the Company's strategy of strengthening winter tourism and spreading the flow of tourists to new areas of the country.

The Group's business operations in tourism-related services is showing success and growing as the number of passengers to Iceland increases and the Route Network grows. The prospects in cargo operations are favourable and an increase is anticipated between years in both imports and exports. Charter and leasing operations are showing success and the project situation is good.

The Company's early October fuel hedging situation is highlighted in the table below.

| Period       | Estimated usage (tons) | Option volume | Swap volume    | Total swap & option contracts | % hedged   | Av. Hedge price USD | Bought call strike | Sold put strike |
|--------------|------------------------|---------------|----------------|-------------------------------|------------|---------------------|--------------------|-----------------|
| Oct'15       | 24,181                 | 4,000         | 9,570          | 13,570                        | 56%        | 662                 | 900                | 831             |
| Nov'15       | 20,109                 |               | 10,640         | 10,640                        | 53%        | 658                 | -                  | -               |
| Dec'15       | 19,092                 |               | 11,620         | 11,620                        | 61%        | 596                 | -                  | -               |
| Jan'16       | 19,252                 |               | 10,460         | 10,460                        | 54%        | 608                 | -                  | -               |
| Feb'16       | 17,527                 |               | 10,410         | 10,410                        | 59%        | 642                 | -                  | -               |
| Mar'16       | 21,076                 |               | 10,390         | 10,390                        | 49%        | 615                 | -                  | -               |
| Apr'16       | 22,062                 |               | 12,430         | 12,430                        | 56%        | 618                 | -                  | -               |
| May'16       | 33,523                 |               | 19,420         | 19,420                        | 58%        | 646                 | -                  | -               |
| Jun'16       | 40,463                 |               | 23,400         | 23,400                        | 58%        | 639                 | -                  | -               |
| Jul'16       | 42,370                 |               | 20,400         | 20,400                        | 48%        | 599                 | -                  | -               |
| Aug'16       | 42,390                 |               | 21,300         | 21,300                        | 50%        | 535                 | -                  | -               |
| Sep'16       | 36,851                 |               | 9,300          | 9,300                         | 25%        | 554                 | -                  | -               |
| <b>Total</b> | <b>338,896</b>         | <b>4,000</b>  | <b>169,340</b> | <b>173,340</b>                | <b>51%</b> | -                   | -                  | -               |

## EBITDA GUIDANCE FOR 2015

The updated EBITDA guidance for 2015 is USD 210-215 million, up by USD 30 million from the July projection. The increase is a result of the good performance in the third quarter in addition to the strengthening booking situation in the Route Network in the fourth quarter. In addition, external factors have shown favourable trends for the Company since the last report. The world price of fuel has gone down, and in addition there are prospects of a stronger EUR against the USD.

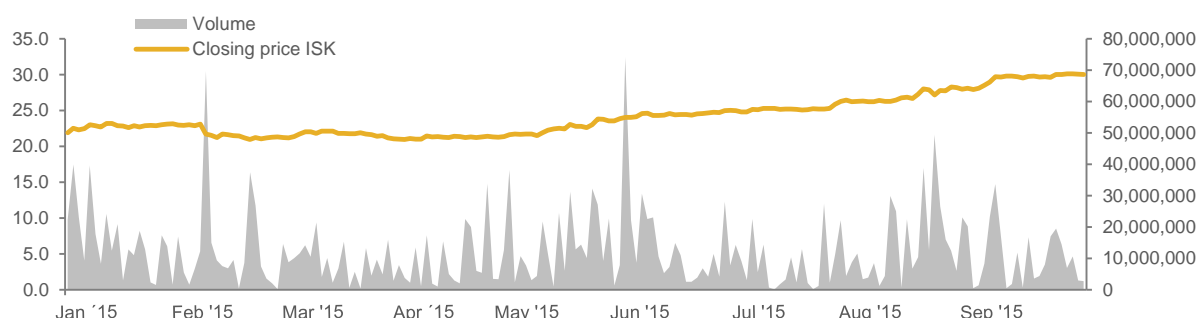
The current projection assumes an average exchange rate of the EUR against the USD of 1.12 in the period from October to December, while the July forecast assumed an average cross rate of 1.10 over the same period. The price of jet fuel (net of hedging) is projected at USD 490/ton in October, USD 480/ton in November and 550/ton in December, as compared to an average of USD 600/ton in the fourth quarter projected in the last forecast.

## SHAREHOLDERS

- | Icelandair Group's share price was ISK 30.0 per share at the end of the third quarter
- | The market value at the end of September was ISK 150 billion

The highest closing price per share of the third quarter was ISK 30.10, the lowest price was ISK 24.80 per share, and the average price over the period was ISK 27.25 per share. Trades in Icelandair Group shares were 1,003 over the quarter and the volume of trading was ISK 19.9 billion. The average trading size was ISK 19.8 million. The price of shares in the Company rose by 20.2% over the quarter and the number of shareholders was 2,193 at the end of the quarter, as compared to 2,099 at the beginning of the year. The number of issued shares on 30 September 2015 was 5,000,000,000, and the number of outstanding shares at the same time was 4,974,540,000.

### Share prices and volume – trend in the first nine months of 2015:



### PRESENTATION MEETING 30 OCTOBER 2015

An open presentation for stakeholders will be held on Friday 30 October 2015 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 begin at 8:30 a.m. in room 4-5. The presentation material will be available after the meeting on the Icelandair Group website, [www.icelandairgroup.is](http://www.icelandairgroup.is), and on the Nasdaq OMX Iceland hf. news system.

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

<http://www.icelandairgroup.is/investors/reports-and-presentations/webcast-2015/>

### APPROVAL OF QUARTERLY STATEMENT

The consolidated accounts of Icelandair Group for the third quarter report of 2015 were approved at a meeting of the Board of Directors on 29 October 2015.

### FINANCIAL CALENDAR

- | Financial statement for the fourth quarter – week 06, 2016
- | Annual General Meeting – Week 11, 2016

### FOR FURTHER INFORMATION PLEASE CONTACT:

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