

GOOD RESULTS IN 2016 – STRONG BALANCE SHEET

- Net profit in 2016 USD 89.1 million, as compared to USD 111.2 million in 2015
- Q4 EBITDA USD 2.5 million, as compared to USD 22.9 million in Q4 2015
- A fall in average air fares and unfavourable currency trends largely account for the reduced results
- Total revenue increased by 12% in Q4 2016
- Strong financial position: 44% equity ratio and cash and marketable securities USD 250.1 million at year-end 2016
- Increased uncertainty in the global airline industry
- EBITDA forecast for 2017 at USD 140-150 million

USD thousand	Q4 2016	Q4 2015	Change	% Change	12M 2016	12M 2015	Change	% Change
Operating results								
Total income	256,472	229,966	26,506	12%	1,285,574	1,139,699	145,875	13%
EBITDAR	12,007	31,587	-19,580	-62%	254,960	261,710	-6,750	-3%
EBITDA	2,453	22,942	-20,489	-89%	219,845	226,666	-6,821	-3%
EBIT	-24,367	1,868	-26,235	-	118,437	142,840	-24,403	-17%
EBT	-22,194	-150	-22,044	-	120,111	140,223	-20,112	-14%
Loss/profit for the period	-22,870	267	-23,137	-	89,068	111,223	-22,155	-20%
Balance sheet								
Total assets	-	-	-	-	1,292,493	971,979	320,514	33%
Total equity	-	-	-	-	568,213	456,531	111,682	24%
Interest bearing debt	-	-	-	-	242,382	65,530	176,852	270%
Cash and short term investment	-	-	-	-	250,125	214,119	36,006	17%
Net interest bearing debt	-	-	-	-	-7,743	-148,589	140,846	-95%
Cash flow								
Working capital to/from operations	-1,070	3,079	-13,780	-	210,801	211,260	-459	-0%
Net cash to/from operating activities	-39,471	36,640	-76,111	-	209,024	245,136	-36,112	-15%
Net cash used in investing activities	-69,986	-87,507	17,521	-20%	-291,759	-219,942	-71,817	33%
Net cash used in financing activities	147,727	-10,616	158,343	-	113,643	-14,320	127,963	-
Cash and cash equivalents end of period	226,889	194,586	32,303	17%	226,889	194,586	32,303	17%
Key Ratios								
Profit / Loss per share expressed in US Cent	-0.46	0.01	-0.47	-	1.79	2.24	-0.45	-20%
Intrinsic value	-	-	-	-	13.99	11.24	2.75	24%
Equity ratio	-	-	-	-	44%	47%	-3.0 ppt	-6%
Current ratio	-	-	-	-	0.92	0.80	0.12	15%
CAPEX USD thousand	39,723	100,784	-61,061	-61%	243,397	210,400	32,997	16%
Transport revenue as % of total revenues	72.4%	71.0%	1.5 ppt	-	73.7%	74.5%	-0.8 ppt	-1%
EBITDAR ratio	4.7%	13.7%	-9.1 ppt	-	19.8%	23.0%	-3.1 ppt	-14%
EBITDA ratio	1.0%	10.0%	-9.0 ppt	-	17.1%	19.9%	-2.8 ppt	-14%
Share information ISK								
Highest price in period	26.53	35.40	-8.87	-25%	38.90	35.40	3.50	10%
Lowest price in period	22.95	30.35	-7.40	-24%	22.95	20.95	2.00	10%
Price at period end	-	-	-	-	23.10	35.40	-12.30	-35%
Market Cap at period end (millions)	-	-	-	-	115,500	177,000	-61,500	-35%

BJÖRGÓLFUR JÓHANNSSON, PRESIDENT AND CEO

“The results for the year are the second best in the Company’s 80-year history, and on the whole operations were successful over the year in challenging conditions. The Company carried just short of 3.7 million passengers on international flights, which represents an increase from the preceding year of 20%, or 600 thousand passengers. Hotel operations showed significant growth, with good hotel room occupancy, at just short of 82%. Regional flights also showed success, with a 9% increase in passenger numbers between years; it is a matter of satisfaction to see foreign tourists increasingly making use of domestic flight services. Cargo operations were also successful.

At the beginning of this year, however, it is clear that circumstances are very challenging. As we reported last week, Icelandair’s flow of bookings has taken a negative turn. Bookings are slower than expected, and average airfares in the market have fallen below projected levels. In the last few days we have seen news confirming that this development is affecting the airline industry in general. This trend can principally be traced to increased competition, but it can also be argued that uncertainty resulting from changes in international politics has affected demand. The seamen’s strike in Iceland has had a negative impact on the Company’s cargo operations. Currency trends have been unfavourable for the Company compared to last year; in addition, fuel prices are rising. Prospects in our hotel operations are positive.

We need to look to the future and determine how we intend to meet these changed circumstances acting in the Company’s long term interest. Actions have already been taken in the Group’s operations, which are expected to improve efficiency and increase revenue. Icelandair will make adjustments in the structure of its air fares and increase the diversity of its product offerings. This adaptation, which has been in preparation since last fall, is intended to meet increased competition and changed patterns of consumer behaviour. The purpose with the changes is to enable the Company to reach out to new customers, enhance the Company’s visibility to certain target groups in internet search engines and broaden the Company’s revenue base. Since last fall cost containment measures have also been significantly reinforced in the Company.

It is the Company’s goal that the actions relating to revenue and expenditure will improve financial results by USD 30 million annually when they are fully implemented in the beginning of 2018.

The Company’s balance sheet remains strong, with the equity ratio at 44% and cash and marketable securities at well over USD 250 million. The Company’s strategy of maintaining financial strength has always rested on the reasoning that the operating environment of air carriers is highly subject to fluctuations. The Company is therefore well placed to address the fluctuations in its operating environment. We are projecting moderate organic growth over the year, and the Company’s long-term prospects are favourable.”

TRANSPORT FIGURES

- **Record number of passengers in 2016: 3.7 million, up by 20%**
- **Passengers on international flights in Q4 at 769.5 thousand and passenger load factor at 79.8%**
- **Record hotel room occupancy at 81,5% in 2016**

	Q4 2016	Q4 2015	Change	12M 2016	12M 2015	Change
INTERNATIONAL FLIGHTS						
Number of passengers ('000)	769.5	631.4	22%	3,674.5	3,074.2	20%
Load factor (%)	79.8	80.7	-0.9 ppt	82.2	83.2	-1.0 ppt
Available seat kilometres (ASK '000,000)	2,952.7	2,339.6	26%	13,653.3	11,083.3	23%
REGIONAL FLIGHTS						
Number of passengers ('000)	72.5	64.8	12%	322.7	296.2	9%
Load factor (%)	63.7	73.7	-10.0 ppt	69.3	74.4	-5.1 ppt
Available seat kilometres (ASK '000,000)	40.8	27.6	48%	179.6	145.0	24%
CHARTER						
Fleet Utilisation (%)	100.0	100.0	0.0 ppt	100.0	100.0	0.0 ppt
Sold Block Hours	5,488	5,829	-6%	23,523	23,263	1%
CARGO						
Freight Tonne Kilometres (FTK '000)	26,907	26,520	1%	105,379	100,497	5%
HOTELS						
Available Hotel Room Nights	82,493	71,926	15%	352,214	325,941	8%
Sold Hotel Room Nights	62,871	48,804	29%	287,160	254,842	13%
Utilisation of Hotel Rooms (%)	76.2	67.9	8.4 ppt	81.5	78.2	3.3 ppt

Icelandair transported 770 thousand passengers on international flights, 22% more than in the fourth quarter of 2015. Capacity over the same period increased by 26%, and the passenger load factor was 79.8%, as compared to 80.7% last year. Passengers on Air Iceland flights were just short of 73 thousand over the quarter, up by 12% between years. Sold block hours on charter flights were down by 6% between years. Cargo transport increased by 1% from last year. The Company's hotel room occupancy was 76.2%, as compared to 67.9% in the fourth quarter of last year.

Icelandair's passenger numbers in 2016 totalled 3.7 million, a record number for the Company on international flights. The increase in passenger numbers between years was proportionality greatest in the tourist market to Iceland, at 23%. This market accounts for 38% of the year's total passenger numbers. Passengers on the transatlantic market via Iceland also increased significantly, by 22%; this market is the Company's largest market, accounting for 50% of total passenger numbers in 2016. The increase in passenger numbers in the domestic market from Iceland was 3% between years.

Passengers on Air Iceland flights were 323 thousand over the year, up by 9% between years. Capacity increased by 24% between years, with flights to Aberdeen accounting for about half of the increase. The passenger load factor was 69.3%, as compared to 74.4% last year. Sold block hours on charter flights increased by 1% between years, and transported cargo by 5% from the preceding year. Hotel room occupancy at the Company's hotels in 2016 was a record-high 81.5%.

FOURTH-QUARTER OPERATIONS

USD thousand	Q4 2016	Q4 2015	Change	% Change
EBITDAR	12,007	31,587	-19,580	-62%
EBITDA	2,453	22,942	-20,489	-89%
EBIT	-24,367	1,868	-26,235	-
EBT	-22,194	-150	-22,044	-
Loss/profit for the period	-22,870	267	-23,137	-
EBITDAR %	4.7%	13.7%	-9.1 ppt	-
EBITDA %	1.0%	10.0%	-9.0 ppt	-

EBITDA amounted to USD 2.5 million in the fourth quarter, as compared to USD 22.9 million over the same period last year. The loss over the quarter was USD 22.9 million, as compared to a profit of USD 0.3 last year. The principal cause of the deterioration in results was the reduction in average air fares in the Company's international air carrier operations, combined with the currency trend.

INCOME

- **Total revenue 12% in excess of the fourth quarter of 2015**

USD thousand	Q4 2016	Q4 2015	Change	% Change	% of rev. '16
Transport revenue:	185,786	163,182	22,604	14%	72%
Passengers	171,845	152,313	19,532	13%	67%
Cargo and mail	13,941	10,869	3,072	28%	5%
Aircraft and aircrew lease	18,375	25,113	-6,738	-27%	7%
Other operating revenue	52,311	41,671	10,640	26%	20%
Total	256,472	229,966	26,506	12%	100%

Total revenue increased by 12%. Transport revenue increased by USD 22.6 million between years, or 14%. Passenger revenue increased by 13%, with the largest increase in the tourist market to Iceland and in the North Atlantic market. Income from cargo and mail carriage increased by USD 3.0 million. As of 1 June 2016 a part of the revenue from aircraft and cargo handling services counts as cargo revenue, which largely accounts for the increase. This is set off by a reduction in aircraft and cargo handling services under other operating revenue, as shown in the table below. Income from aircraft and aircrew lease amounted to USD 18.4 million, down by USD 6.7 million. Other operating revenue amounted to USD 52.3, up by USD 10.6 million, or 26%, as compared to the fourth quarter of 2015.

USD thousand	Q4 2016	Q4 2015	Change	% Change
Sales at airports and hotels	24,721	13,918	10,803	78%
Revenue from tourism	17,860	14,447	3,413	24%
Aircraft and cargo handling services	4,377	6,234	-1,857	-30%
Maintenance revenue	729	706	23	3%
Gain on sale of operating assets	46	704	-658	-93%
Other operating revenue	4,578	5,662	-1,084	-19%
Total	52,311	41,671	10,640	26%

EXPENSES

- **Total expenses amounted to USD 254.0 million**
- **Expenses increased as a result of expanded scope of business, the strengthening of the ISK and general wage hikes**

USD thousand	Q4 2016	Q4 2015	Change	% Change	% of exp. '16
Salaries and other personnel expenses	98,175	76,350	21,825	29%	39%
Aviation expenses	88,592	79,087	9,505	12%	35%
Other operating expenses	67,252	51,587	15,665	30%	26%
Total	254,019	207,024	46,995	23%	100%

Salaries and other personnel expenses amounted to USD 98.2 million, as compared to USD 76.4 million in the fourth 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. The profit from currency hedging balanced against wage costs in the fourth quarter of 2016 by USD 3.3 million; the corresponding figure for the fourth quarter of 2015 was approximately USD 1.2 million.

Aviation expenses amounted in total to USD 88.6 million over the quarter, up by 12%, or USD 9.5 million.

USD thousand	Q4 2016	Q4 2015	Change	% Change	% of exp. '16
Aircraft fuel	45,203	39,714	5,489	14%	51%
Aircraft lease	5,351	4,878	473	10%	6%
Aircraft handling, landing and communication	21,052	17,249	3,803	22%	24%
Aircraft maintenance expenses	16,986	17,246	-260	-2%	19%
Total	88,592	79,087	9,505	12%	100%

Fuel expenses amounted in total to USD 45.2 million, up by USD 5.5 million, or 14%, from the corresponding period of last year. The world market price of fuel was 11% higher in the fourth quarter of 2016, as compared to the corresponding quarter of 2015. However, the Company's reporting price in the quarter, taking hedging into account, was on average USD 481/ton, 15% lower than in the fourth quarter of 2015. The section on the Outlook for Icelandair Group hf. below provides an overview of the Company's fuel hedging position at year-end. Aircraft lease amounted to USD 5.4 million over the quarter, up from the fourth quarter of 2015. The reason is that one B767-300 aircraft was added to Icelandair's fleet. Aircraft handling, landing and navigation expenses increased by USD 3.8 million between years, or 22%, as a result of a rise in handling fees and increased scope of business. Maintenance expenses amounted to USD 17.0 million, down slightly, by 2% year on year.

Other operating expenses amounted to USD 67.3 million, up by USD 15.7 million between years. The table below shows a breakdown of principal items and trends between years.

USD thousand	Q4 2016	Q4 2015	Change	% Change
Operating cost of real estate and fixtures	6,823	5,369	1,454	27%
Communication	6,456	5,051	1,405	28%
Advertising	7,837	7,581	256	3%
Booking fees and commission expenses	12,359	10,684	1,675	16%
Cost of goods sold	8,173	4,555	3,618	79%
Customer services	7,381	3,798	3,583	94%
Tourism expenses	10,784	7,042	3,742	53%
Other operating expenses	7,439	7,507	-68	-1%
Total	67,252	51,587	15,665	30%

FINANCIALS

▪ Positive currency effect over the period

USD thousand	Q4 2016	Q4 2015	Change	% Change
Interest income	1,194	951	243	26%
Interest expenses	-2,384	-3,256	872	-27%
Currency effect	2,766	299	2,467	825%
Total	1,576	-2,006	3,582	-179%

Financial expenses in the fourth quarter amounted to USD 2.4 million, as compared to USD 3.3 million in the fourth quarter of last year. The currency effect relating to the position of financial assets and liabilities at the end of the quarter was positive by USD 2.8 million, as compared to USD 0.3 million in the corresponding quarter of 2015.

The Company hedges cash flow risk resulting from currency mismatches up to twelve months in advance. The mismatch is for the most part a result of income and expenses. In the fourth quarter the profit from settled contracts amounted to USD 3.2 million, leading to a corresponding increase in EBITDA.

BALANCE SHEET AND FINANCIAL POSITION

- Total assets amounted to USD 1.3 billion at year-end 2016
- Equity ratio was 44%
- Interest-bearing liabilities amounted to USD 242.4 million

USD thousand	31.12.2016	31.12.2015	Change
Total assets	1,292,493	971,979	320,514
Operating assets	602,615	419,071	183,544
Cash and short term investment	250,125	214,119	36,006
Total equity	568,213	456,531	111,682
Interest bearing debt	242,382	65,530	176,852
Net interest bearing debt	-7,743	-148,589	140,846
Equity ratio	44%	47%	-3 ppt
Current ratio	0.92	0.80	14%

Operating assets amounted to USD 602.6 million, up by USD 183.5 million from the beginning of the year. Investments in operating assets are further discussed in the section on cash flow and investments. At the end of the quarter the fleet comprised 48 aircraft, of which 40 were 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 year-end.

Aircraft type	Icelandair	Cargo	Loftleiðir	Air Iceland	Fleet 31.12.16	Fleet 31.12.15	Owned aircraft	Leased aircraft	Chg. from 31.12.15
Boeing 757 200	23	2	4		29	26	26	3	3
Boeing 757 300	1				1	1	1		0
Boeing 767 300	4		2		6	4	4	2	2
Boeing 737 700			1		1	1		1	0
Boeing 737 800			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	28	2	9	9	48	43	40	8	5

The Company has ordered 16 new Boeing 737 MAX 8 and MAX 9 aircraft. The first of these aircraft will be delivered in the first quarter of 2018. The Company's investment in the aircraft, including pre-delivery payment, is as follows during the next four years:

USD million

2017	82
2018	177
2019	248
2020	192

The Company issued bonds in 2016, in part to finance pre-delivery payments for the new aircraft. The Company is currently working on financing the aircraft scheduled for delivery in 2018 and 2019. It is expected that up to six of the aircraft scheduled for delivery in 2018 and 2019 will be on Sale-Lease-back. Negotiations with lessors are currently under way and are expected to conclude in the first quarter 2017.

Equity amounted to USD 568.2 million at year-end, and the equity ratio was 44%. The equity ratio at the end of 2015 was 47%.

USD thousand

Balance at 1.1. 2016	456,531
Total comprehensive income	138,650
Dividend (0.54 US cent per share)	-26,968
Balance at 31.12.2016	568,213

Interest-bearing liabilities amounted to USD 242.4 million, as compared to USD 65.5 million at the beginning of the year. In October 2016 Icelandair Group issued an unsecured bond in the amount of USD 150 million. The bond was placed at a coupon of 3 month LIBOR + 3.50% with no LIBOR floor. The proceeds from the bond issue will be used to finance pre-delivery payments on new aircraft and for Icelandair Group general corporate purposes.

Payments on long-term debts in the fourth quarter amounted to USD 2.3 million. Cash and marketable securities amounted to a total of USD 250.1 million at the end of the fourth quarter of 2016, as compared to USD 214.1 million at the beginning of the year. Cash in excess of interest-bearing debt therefore amounted to USD 7.7 million at the end of the year.

USD thousand	31.12.2016	31.12.2015	Change
Loans and borrowings non-current	196,722	55,387	141,335
Loans and borrowings current	45,660	10,143	35,517
Short term investment	23,236	19,533	3,703
Cash and cash equivalents	226,889	194,586	32,303
Cash in excess of interest bearing debt	-7,743	-148,589	140,846

CASH FLOW

- **Net cash for use in operating activities was USD 39.5 million**
- **Cash and cash equivalents at year-end 2016 amounted to USD 226.9 million**

USD thousand	Q4 2016	Q4 2015	Change
Working capital to/from operations	-10,701	3,079	-13,780
Net cash to/from operating activities	-39,471	36,640	-76,111
Net cash used in investing activities	-69,986	-87,507	17,521
Net cash used in financing activities	147,727	-10,616	158,343
Cash and cash equivalents change	38,270	-61,483	99,753
Cash and cash equivalents, end of period	226,889	194,586	32,303

Net cash for use in operating activities in the fourth quarter amounted to USD 39.5 million, as compared to net cash provided by operating activities in the amount of USD 36.6 million in the fourth quarter of 2015. Cash increased by USD 38.3 million over the quarter.

INVESTMENTS

Investments in operating assets amounted to USD 37.6, most of them relating to engine overhauls. Investments in long-term expenses and intangible assets amounted to a total of USD 2.2 million. Investments over the year amounted to USD 243.4 million

USD thousand	Q4 2016	12M 2016
Operating assets:		
Aircraft and aircraft components	7,186	107,074
Overhaul own aircraft	22,557	70,574
Other	7,818	53,468
Total operating assets	37,561	231,116
Long term cost		
Overhaul leased aircraft	1,473	10,678
Intangible assets	689	1,603
Total Capex	39,723	243,397

EBITDA GUIDANCE AND OUTLOOK FOR ICELANDAIR GROUP HF.

- **Increased uncertainty in the global airline industry**
- **EBITDA forecast for 2017 at USD 140-150 million**

The EBITDA guidance for 2017 projects a decrease in EBITDA between years to the range of USD 140-150 million. The following section reveals the principal items explaining the estimated change in EBITDA between years.

USD million	
EBITDA 2016	220
Icelandair:	
Net EBITDA increase due to new production	26
Declining RASK, driven by lower yields	-57
FX effects, incl. Hedges	-21
Fuel effects, incl. Hedges	-11
Contracted salary increase and other cost increases	-16
Rest of Group:	
Other changes	6
EBITDA guidance 2017	140-150

After mid-January average air fares fell more rapidly than the Company had assumed. There are prospects of continued downward pressure on air fares. This trend can principally be traced to increased competition, but it can also be argued that uncertainty resulting from changes in international politics has affected demand. In addition, currency trends have been unfavourable in comparison with the preceding year and fuel prices have gone up. These are the assumptions underlying the earnings estimate for 2017 and sensitivity analysis regarding currencies and fuel.

Prospects in other Icelandair Group operations are good. Hotel operations are showing success and the outlook is for good room occupancy resulting from continued growth in number of tourists visiting Iceland. On the other hand, the seamen's strike in Iceland has had a negative impact on the performance of the Group's cargo operation, while the strong króna is affecting the performance of the domestic tourist services provided by Iceland Travel, where bookings remain strong.

As revealed in announcements from the Company at mid-year 2016, the Company has assumed that operating conditions would deteriorate. Since that time, the Company has focused on projects that are designed to increase revenue and reduce cost.

Icelandair will make adjustments in its fare structure and increase the diversity of its product offerings. This adaptation, which has been in preparation since the fall, is intended to meet increased competition and changed circumstances in the Company's markets and changed patterns of consumer behaviour. The purpose of the changes is to enable the Company to reach out to new customers, enhance the Company's visibility to certain target groups in Internet search engines and broaden the Company's revenue base. Among other things, new air fares will be introduced, where a customer can elect to forego certain services which are presently included and pay for certain other services of choice, such as baggage allowances. At the same time, new value-added services will be introduced in the economy class along with more favourable fares in business class. Implementation will begin in the second quarter.

The Company has recently changed its rules regarding baggage charges, with passengers now paying for the second bag on all routes. The changes are projected to increase ancillary income. Customers can now make payments on air fares using frequent flyer points, regardless of the amount of the points.

Since last fall, cost containment measures have been significantly reinforced in the Company. Among the measures are the following: All processes relating to aircraft and passenger handling are under review and IATA consultants have been hired to assist in the work with the goal of achieving optimum results. The Company has been investing in digital solutions, which will be a point of focus in 2017. The Company projects that this will increase ancillary revenue and increase automation and reinforce processes, thereby reducing cost.

It is the Company's goal that the actions relating to revenue and expenditure will improve financial results by USD 30 million annually when they are fully implemented in the beginning of 2018. The EBITDA guidance for 2017 is therefore USD 140-150 million.

The EBITDA guidance for the year assumes that the average exchange rate of the EUR against the USD will be 1.07 on average, and the exchange rate index of the ISK will be 164 on average in 2017. The table below shows, what 10% strengthening of the main currencies against the USD (taking hedging into account) have on the EBITDA guidance:

USD thousand	ISK	EUR	GBP	CAD
Effect on EBITDA guidance	-12,501	2,641	2,539	4,220

The price of fuel (net of hedging) is forecasted USD 540/ton on average in 2017. A 10% decrease in average fuel price (taking hedging into account) has USD 9.3 million positive effect on EBITDA. The Company's fuel hedging position at the beginning of the year is highlighted in the table below.

Period	Estimated usage (tons)	Swap volume	% hedged	Av. Swap price USD
Jan 17	22,873	12,450	54%	410
Feb 17	21,105	15,450	73%	457
Mar 17	25,322	15,550	61%	476
Apr 17	26,463	19,550	74%	489
May 17	35,143	24,550	70%	493
Jun 17	46,686	26,550	57%	484
Jul 17	49,229	26,750	54%	500
Aug 17	48,981	26,750	55%	497
Sep 17	42,853	23,550	55%	538
Oct 17	33,509	17,300	52%	508
Nov 17	25,462	10,300	40%	538
Dec 17	24,532	9,300	38%	552
12 months	402,158	228,050	57%	495
Jan 18	21,368	4,000	19%	565
Feb 18	19,568	0	0%	0
Mar 18	23,658	0	0%	0
Apr 18	24,835	2,000	8%	578
May 18	33,841	3,000	9%	578
Jun 18	45,332	0	0%	0
13-18 months	168,602	9,000	5%	572

SHAREHOLDERS

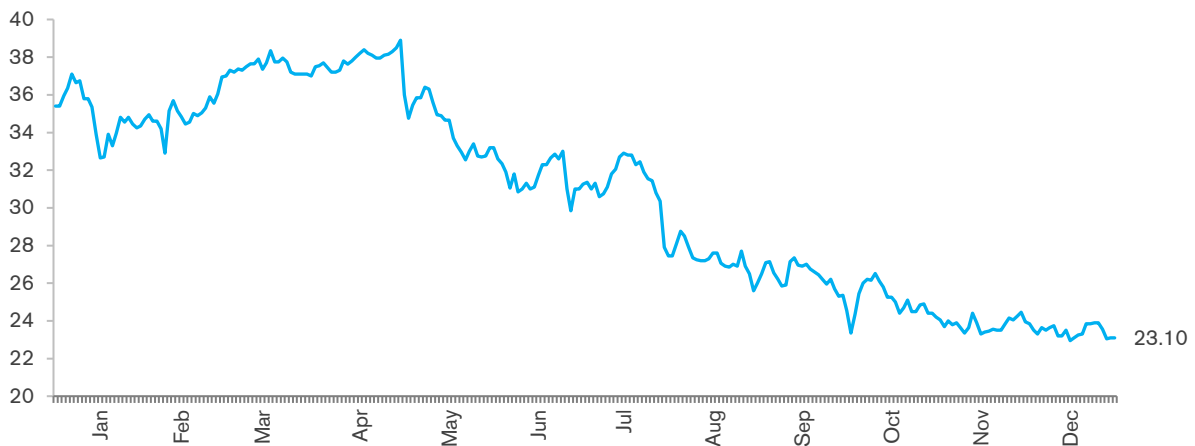
- The Company's market value at the end of 2016 was ISK 115.5 billion
- Icelandair Group's share price was ISK 23.10 at the end of 2016

The highest close-of-day price per share in the fourth quarter was ISK 26.53, the lowest price was ISK 22.95 per share, and the average close-of-day price over the period was ISK 24.12 per share. Trades in Icelandair Group shares in 2016 were 6,407, and the total turnover was ISK 140.1 billion. The average size of individual trades in 2016 was ISK 21.9 million. The number of shareholders was 2,560 at the end of the year, up by 173 from the beginning of the year. The number of issued shares on 31 December 2016 was 5,000,000,000, and the number of outstanding shares at the same time was 4,974,540,000. Following the publication of the Company's earnings estimate for 2017 in the stock

exchange in early February the price of the Company's shares fell significantly, with the end-of-day price on 7 February 2017 at ISK 15.00.

The Board of Directors of Icelandair Group has decided to repurchase the Company's own shares up to the amount of ISK 1.7 billion in accordance with a resolution that was approved at the annual general meeting in 2016. The Board of Directors proposes a payment of 565 million ISK in dividends to shareholders in 2017. This corresponds to ISK 0.11 per share.

The Chart below shows the share-price trend in 2016 in ISK:



PRESENTATION MEETING 8 FEBRUARY 2017

An open presentation for stakeholders will be held on Wednesday 8 February 2017 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 4-5, 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 ANNUAL FINANCIAL STATEMENT

The consolidated accounts of Icelandair Group for the fourth quarter and the annual statement for 2016 were approved at a meeting of the Board of Directors on 7 February 2016.

FINANCIAL CALENDAR

- **Annual General Meeting, 3.03 2017**
- **Financial statement for the first quarter – 27.04.2017**
- **Financial statement for the second quarter – 27.07.2017**
- **Financial statement for the third quarter – 26.10.2017**
- **Financial statement for the fourth quarter – week 06, 2018**
- **Annual General Meeting – Week 10, 2018**

FOR FURTHER INFORMATION PLEASE CONTACT:

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