

ICELANDAIR GROUP ORGANIC GROWTH CONTINUES

- | Losses after taxes USD 18.3 million, as compared to USD 13.2 million in the preceding year
- | Performance in the quarter exceeded management projections
- | EBITDA negative by USD 8.3 million, as compared to negative USD 3.0 million last year
- | Passenger revenues increased by 24% between years
- | Total revenue increased by 10%
- | Equity ratio was 32% at the end of March
- | Net cash provided by operating activities USD 78.5 million, as compared to USD 86.1 million in the preceding year

USD thousands	Q1 2013	Q1 2012	Change	% Change	12M 2012
Operating results					
Total income	173,045	157,698	15,347	10%	898,866
EBITDAR	4,122	11,136	-7,014	-63%	165,772
EBITDA	-8,314	-3,048	-5,266	-173%	109,646
EBIT	-22,998	-16,723	-6,275	-38%	50,787
EBT	-22,923	-16,627	-6,296	-38%	57,448
Profit / loss for the period	-18,289	-13,189	-5,100	-39%	44,275
Balance sheet					
Total assets	834,910	780,269	54,641	7%	762,895
Total equity	267,308	241,338	25,970	11%	295,932
Interest bearing debt	140,506	171,154	-30,648	-18%	150,906
Cash and marketable securities	165,224	145,565	19,659	14%	132,794
Net interest bearing debt	-24,718	25,588	-50,306	-197%	18,112
Cash flow					
Working capital to / from operations	-1,481	2,457	-3,938	-160%	141,490
Net cash from operating activities	78,453	86,138	-7,685	-9%	166,743
Net cash used in investing activities	-40,795	-12,509	-28,286	226%	-76,476
Net cash used in / from financing activities	-11,239	-25,714	14,475	-56%	-51,453
Cash and cash equivalents end of period	143,958	126,580	17,378	14%	117,060
Key Ratios					
Profit / loss per share expressed in USD Cent	-0.45	-0.33	-0.12	-36%	0.89
Intrinsic value	6.59	5.95	0.64	11%	7.29
Equity ratio	32%	31%	1%	4%	39%
Current ratio	0.76	0.81	-0.05	-6%	0.94
CAPEX USD thousand	43,102	22,978	20,124	88%	95,874
Transport revenue as % of total revenues	64%	58%	6%	11%	67%
EBITDAR ratio	2.4%	7.1%	-4.7%	-66%	18.4%
EBITDA ratio	-4.8%	-1.9%	-2.9%	-149%	12.2%
Share information ISK					
Highest price in period	11.90	6.10	5.80	95%	8.24
Lowest price in period	8.22	4.83	3.39	70%	4.83
Price at period end	11.35	6.10	5.25	86%	8.22
Market Cap at period end (millions)	56,750	30,500	26,250	86%	41,100

BJÖRGÓLFUR JÓHANNSSON, PRESIDENT AND CEO

"Icelandair Group's performance over the quarter was better than our budget projected and estimates of continued growth materialised. Capacity on international flights increased by just short of a quarter in the first three months of the year, and the increase in passenger numbers over the same period was 18%. The greatest increase was in the number of passengers on the North Atlantic market, about 40%. The number of passengers in the tourist market to Iceland also increased significantly from last year, with a positive impact for all tourist services in Iceland. The Group's freight activities have shown a turnaround. Freight charter projects have been downsized systematically, and the focus has been shifted to scheduled air freight services, which has returned good results.

At the start of the year we issued an EBITDA forecast for 2013 in the range of USD 115-120 million. The performance in the first quarter was in excess of the forecast, and in addition operating prospects are generally positive. Based on adjusted assumptions, EBITDA for the year is now projected at USD 122-127 million."

TRANSPORT FIGURES

- | **Passengers on international flights were 358 thousand, increasing in number by 18%**
- | **The passenger load factor on international flights was 74.2%**
- | **Sold block hours in charter projects were down by 11% between years**

	Q1 2013	Q1 2012	Change
INTERNATIONAL FLIGHTS			
Number of passengers ('000)	358.3	304.9	18%
Load factor (%)	74.2	75.3	-1.1 ppt
Available seat kilometers (ASK'000,000)	1,368.3	1,099.9	24%
REGIONAL- AND GREENLAND FLIGHTS			
Number of passengers ('000)	70.5	78.1	-10%
Load factor (%)	70.7	68.7	2.1 ppt
Available seat kilometers (ASK'000,000)	31.5	35.9	-12%
CHARTER FLIGHTS			
Fleet Utilization (%)	84.3	87.1	-2.8 ppt
Sold Block Hours	7,225	8,112	-11%
CARGO			
Available Tonne Kilometers (ATK'000)	39,508	36,697	8%
Freight Tonne Kilometers (FTK'000)	22,509	22,131	2%
HOTELS			
Available Hotel Room Nights	66,600	54,082	23%
Sold Hotel Room Nights	41,891	33,420	25%
Utilization of Hotel Rooms (%)	62.9	61.8	1.1 ppt

Capacity on international flights increased by 24% in the first quarter and passenger numbers over the same period increased by 18%. Passenger numbers increased in all markets, with the biggest increase in the North Atlantic market, at 40%. The increase in the tourist market to Iceland was just short of 23%. The passenger load factor was 74.2%, as compared to 75.3% at the same time last year.

Passengers on regional flights and Greenland routes were just over 70 thousand over the period, down by 10% from last year. Capacity was 12% below last year's levels. The passenger load factor was 70.7%, increasing by 2.1 percentage points between years. The number of sold block hours in the quarter fell between years as a result of reduced demand in the charter markets. Freight on scheduled flights increased by 2% from the preceding year. The number of sold hotel room nights increased by a quarter in the first three months of the year. The utilisation of hotel rooms was 62.9%, as compared to 61.8% at the same time last year.

FIRST-QUARTER OPERATIONS

USD thousand	Q1 2013	Q1 2012	Change
EBITDAR	4,122	11,136	-7,014
EBITDA	-8,314	-3,048	-5,266
EBIT	-22,998	-16,723	-6,275
EBT	-22,923	-16,627	-6,296
Loss for the period	-18,289	-13,189	-5,100
EBITDAR %	2.4%	7.1%	-4.7 ppt
EBITDA %	-4.8%	-1.9%	-2.9 ppt

EBITDA was negative by USD 8.3 million, as compared to negative USD 3.0 million in the preceding year. The EBITDA ratio was -4.8% in the first quarter, as compared to -1.9% over the same period in 2012. When Icelandair Group published its EBITDA forecast for 2013 at the beginning of the year, it was stated that first quarter 2013 would be weaker than in 2012. The reason stated that the cost of increased business activity over the peak season would partly be expensed in the first half of the year, such as the implementation cost of new aircraft, booking and agency fees and credit card commissions. In addition a gain on sale of operating assets in first quarter of 2012 amounted to USD 2.6 million and bonus payments to all employees of the Group amounted USD 2.8 million (were not paid in 2012). EBITDA over the quarter exceeded management projections, mostly because of increased passenger revenues, particularly in the tourist market to Iceland. Income in the North Atlantic market also exceeded projections.

EBIT was USD -23.0 million, as compared to USD -16.7 million at the same time last year. Loss after taxes came to USD 18.3 million, as compared to a loss of USD 13.2 million in the corresponding quarter of 2012. EBITDAR amounted to USD 4.1 million, as compared to USD 11.1 million in the first quarter of 2012. The EBITDAR ratio was 2.4%, as compared to 7.1% at the same time last year.

INCOME

- | **Total revenue was 10% in excess of the first quarter of 2012**
- | **Passenger revenues increased by 24% between years**
- | **Transport revenue was 64% of total revenue**

USD thousand	Q1 2013	Q1 2012	Change	% Change	% of rev. '13
Transport revenue:					
Passengers	99,976	80,705	19,271	24%	58%
Cargo and mail	10,091	9,989	102	1%	6%
Aircraft and aircrew lease	28,352	30,411	-2,059	-7%	16%
Other operating revenue	34,626	36,593	-1,967	-5%	20%
Total	173,045	157,698	15,347	10%	100%

Transport revenue increased by USD 19.4 million, or 21%; of this figure, passenger revenue increased by USD 19.3 million, or 24%. Aircraft and aircrew lease decreased by USD 2.1 million because of one less aircraft was deployed in charter projects than last year. Other operating revenues amounted to USD 34.6 million, down by USD 2.0 million, or 5%, as compared to the first quarter of 2012. The reduction is explained largely by gain on sale of operating assets in the first quarter of last year and reduced income from maintenance services, as shown in the table below.

USD thousand	Q1 2013	Q1 2012	Change	% Change
Sale at airports and hotels	7,827	6,661	1,166	18%
Revenue from tourism	11,727	11,367	360	3%
Aircraft and cargo handling services	7,413	6,458	955	15%
Maintenance revenue	1,289	3,628	-2,339	-64%
Gain on sale of operating assets	61	2,550	-2,489	-98%
Other operating revenue	6,309	5,929	380	6%
Total	34,626	36,593	-1,967	-5%

EXPENSES

- | **Total expenses increased by USD 20.6 million**
- | **Cost increases mostly a result of increased capacity on international flights**
- | **Implementation costs, booking and agency costs of the increased peak-season capacity were expensed in the quarter**
- | **Aircraft and aircrew lease was reduced with the purchase of a Boeing 757-200 aircraft, which had previously been on lease**

USD thousand	Q1 2013	Q1 2012	Change	% Change	% of exp '13
Salaries and other personnel expenses	52,086	43,137	8,949	21%	29%
Aircraft fuel	43,423	38,067	5,356	14%	24%
Aircraft and aircrew lease	16,954	18,559	-1,605	-9%	9%
Aircraft handling, landing and communication	12,393	10,788	1,605	15%	7%
Aircraft maintenance expenses	12,358	12,157	201	2%	7%
Other operating expenses	44,145	38,038	6,107	16%	24%
Total	181,359	160,746	20,613	13%	100%

Salaries and personnel expenses increased by USD 8.9 million, or 21%, as compared to the first quarter of 2012. The increase was a result of the expanded scope of the Company's business, the impact of contractual wage increases in addition to bonus payments to all employees of the Group in 2013 in the amount of USD 2,8 million.

Fuel costs increased by USD 5.4 million, which represents an increase of 14% from the preceding year, mainly due to increased capacity in the Route Network. The world market price of oil was on average USD 1,038/ton in the first quarter of 2013, as compared to USD 1,062/ton over the same period in 2012.

Aircraft and aircrew lease decreased in comparison with the first quarter of 2012 by USD 1.6 million, or 9%, due to purchasing of aircraft in the quarter which were previously held on lease and a reduction in lease price.

Landing, handling and navigation expenses increased by USD 1.6 million between years, or 15%, as a result of increased capacity and general price increases. Maintenance expenses amounted to USD 12.4 million, increasing by 2% year on year. Other expenses amounted to USD 44.1 million, increasing

by USD 6.1 million between years. The table below shows a breakdown of principal items and trends between years.

USD thousand	Q1 2013	Q1 2012	Change	% Change
Operating cost of real estate and fixtures	4,700	4,027	673	17%
Communication	3,504	3,070	434	14%
Advertising	5,267	5,575	-308	-6%
Booking fees and commission expenses	9,387	7,566	1,821	24%
Cost of goods sold	3,921	3,310	611	18%
Customer services	2,230	2,016	214	11%
Tourism expenses	6,136	5,129	1,007	20%
Allowance for bad debt	2,115	1,442	673	47%
Other operating expenses	6,885	5,903	982	17%
Total other operating expenses	44,145	38,038	6,107	16%

FINANCIALS

Financial items were positive in Q1 2013

USD thousand	Q1 2013	Q1 2012	Change	% Change
Interest income	698	931	-233	-25%
Interest expenses	-2,521	-3,264	743	-23%
Currency effect	1,852	2,472	-620	-25%
Net finance income	29	139	-110	-79%

Financial expenses in the first quarter amounted USD 2.5 million, down by USD 0.7 million between years. The currency effect in the quarter was positive by USD 1.9 million, as compared to a positive amount of USD 2.5 million in the same quarter of 2012. Owing to debts in excess of assets in ISK in the balance sheet, the weakening of the Icelandic króna against the dollar resulted in an exchange rate gain in the quarter.

BALANCE SHEET AND FINANCIAL POSITION

Total assets amounted to USD 834.9 million at the end of the first quarter

The equity ratio was 32%

Interest bearing debt amounted to USD 140.5 million, down from the level of the beginning of the year

USD thousand	31.03.2013	31.12.2012	Change	31.03.2012
Total assets	834,910	762,895	72,015	780,269
Total equity	267,308	295,932	-28,624	241,338
Interest bearing debt	140,506	150,906	-10,400	171,154
Net interest bearing debt	-24,718	18,112	-42,830	25,588
Cash and marketable securities	165,224	132,794	32,430	145,565
Equity ratio	32%	39%	-7 ppt	31%
Current ratio	0.76	0.94	-19%	0.81

Operating assets amounted to USD 309.4 million, increasing by USD 26.3 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 26 are owned by the Company. The table below shows an overview of the Company's fleet at the end of the first quarter.

Aircraft type	Icelandair	Cargo	Loftleiðir	Air Iceland	Group fleet 31.03.13	Group fleet 31.12.12	Of which own	Of which leased	Ch. as of 31.12.12
B757 200	17	4	3		24	23	16	8	1
B757 300	1				1	1	1		0
B767 300			5		5	5		5	0
B737 800			1		1	1		1	0
Fokker F-50				6	6	6	6		0
Dash 8-200				2	2	2	2		0
A-320					1	1	1		0
Total	18	4	9	8	40	39	26	14	1

Equity amounted to USD 267.3 million at the end of the first quarter and the equity ratio was 32%, increasing compared to the end of the first quarter of 2012, when the equity ratio was 31%. A dividend approved at the annual general meeting was entered under liabilities and as a reduction in equity. The dividend was paid out in April. The dividend amounted to USD 0.30 per share, for a total of USD 11.8 million. The equity ratio at the end of 2012 was 39%.

Interest-bearing debt amounted to USD 140.5 million, as compared to USD 150.9 million at the turn of the year. Payments on long-term liabilities in the first quarter amounted to USD 11.2 million. Cash and marketable securities amounted to a total of USD 165.2 million at the end of the first quarter of 2013, as compared to USD 132.8 million at the beginning of the year. Net interest-bearing debt amounted to USD -24.7 million at the end of the quarter, down by USD 42.8 million from the turn of the year.

CASH FLOW AND INVESTMENTS

- | **Cash amounted to USD 144.0 million**
- | **Investments in operating assets amounted to USD 41.0 million**
- | **Payments on long-term liabilities amounted to USD 11.2 million**

USD thousand	Q1 2013	Q1 2012	Change
Working capital used in (from) operations	-1,481	2,457	-3,938
Net cash from operating activities	78,453	86,138	-7,685
Net cash used in investing activities	-40,795	-12,509	-28,286
Net cash used in financing activities	-11,239	-25,714	14,475
Increase in cash and cash equivalents	26,419	47,915	-21,496
Cash and cash equivalents end of period	143,958	126,580	17,378

Net cash provided by operating activities in the first quarter amounted to USD 78.5 million, down by USD 7.7 million from the first quarter of 2012. Investments in operating assets amounted to USD 41.0 million. Investments in long-term expense and intangible assets amounted to USD 2.1 million.

USD thousand	Q1 2013
Operating assets:	
Aircraft and aircraft components	32,085
Overhaul own aircraft	6,652
Other	2,294
Total operating assets	41,031
Long term cost	
Overhaul leased aircraft	1,542
Intangible assets	529
Total Capex	43,102

Re-payments of long-term borrowings amounted to USD 11.2 million in the quarter. Cash increased by 26.4 million over the quarter. The increase over the same period last year was USD 47.9 million.

OUTLOOK FOR ICELANDAIR GROUP HF.

- | **Continued organic growth**
- | **Turnaround in freight operations**

Continued organic growth is planned in 2013, with a 15% larger flight schedule in the international Route Network than in 2012. The growth is projected as proportionally greater over the winter months than over the summer, which reflects the Company's strategy of reducing seasonal fluctuations and a continuing development of Iceland as a year-round destination. The first quarter started well, with the increase in capacity at 24% in comparison with the corresponding quarter of last year, combined with an 18% increase in passenger numbers.

The Company's forecasts passenger numbers around 2.3 million in 2013, as compared to just over 2 million in 2012. The booking status for the summer is in line with the increase in capacity. The greatest proportional growth in the number of passengers is expected to be in the market across the North Atlantic. The number of passengers visiting Iceland is also expected to grow, with the booking situation on that market favourable for the summer and into the fall.

The international Route Network is the main growth driver of Icelandair Group's operations. Increased capacity and growing numbers of passengers have a positive impact on other business of the Group, whether hotel operations, services to tourists in Iceland or freight carriage between countries; these activities are expected to grow over the year.

The Company's regional flight operations are facing a challenging operating environment for reasons that include large increases in public levies in Iceland in recent years. The response has been to reduce capacity. The Company has plans to reduce its regional flight schedule by 4% from 2012 for these reasons.

Icelandair Group's freight activities have shown a turnaround. Charter flight activities have been reduced with an increasing focus on scheduled air services. Freight operations now have four aircraft, two in freight assignments to and from Iceland and Europe and North America, and two which are engaged in fixed charter assignments in Europe. The belly space of the passenger aircraft in the Route Network are also used for freight. An announcement was issued in February that contract with the Dutch company TNT was extended to 1 April 2015, which is consistent with the length of the lease contract with the aircraft's leasing company.

Icelandair Group's hotels have undergone extensive renovation in the past two years, with continued renovations planned in 2013. The introduction of new destinations in Icelandair Group's international Route Network and the systematic marketing of Iceland as a year-round destination have had a positive impact on the utilisation of the Company's hotels, particularly over the winter months. The booking status for the summer is good and similar to that of recent years.

The Company's fuel hedging situation is highlighted in the table below. The table shows that 41% of the projected use over the period from April to December 2013 has been hedged through contracts. In addition to contractual hedges, the Company defines the interaction of the USD/EUR and fuel prices as a natural hedge.

2013	Estimated usage (tons)	Hedge and option contracts	Av. Hedge price USD	% hedged
April	15,001	7,250	1,027	48%
May	18,538	10,250	1,026	55%
June	24,396	12,300	1,014	50%
July	26,245	12,400	1,030	47%
August	26,191	12,400	1,021	47%
September	21,109	10,250	999	49%
October	17,776	4,000	993	23%
November	15,216	2,000	991	13%
December	13,959	2,000	1,004	14%
Total	178,431	72,850	1,017	41%

* Included in the column "Hedge and option contracts".

EBITDA FORECAST FOR 2013

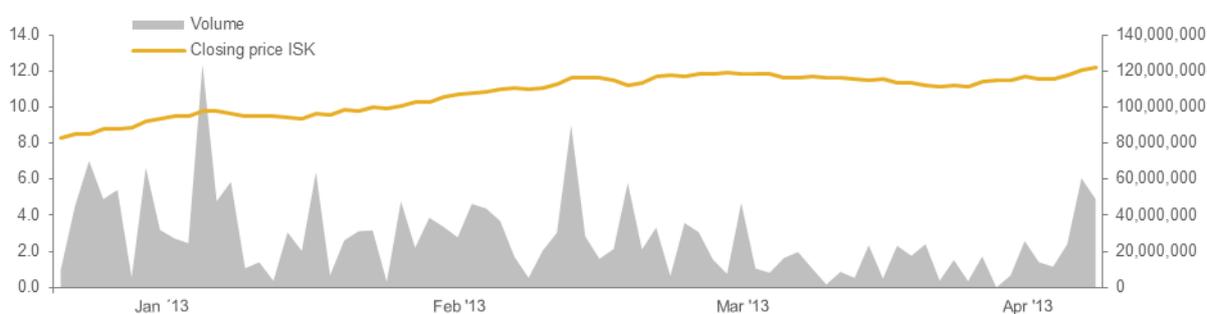
At the start of the year Icelandair Group issued an EBITDA forecast for 2013 in the range of USD 115-120 million. According to a new forecast (based on actual figures for the first three months of the year and updated assumptions for other months), EBITDA is now projected to increase to USD 122-127 million. The forecast assumes an average fuel price of USD 992/ton in April and USD 1,050 in the period from May to December, and an average EUR/USD cross rate of 1.30.

SHAREHOLDERS

- | **The share price of Icelandair Group has increased by 38% since the turn of the year**
- | **The market value of the Company at the end of March was ISK 56.8 billion**

The Company's market value was ISK 56.8 billion at the end of the first quarter of 2013. The closing price at the end of the quarter was ISK 11.35 per share. The highest close-of-day price per share of the quarter was ISK 11.90, the lowest price was ISK 8.22 per share, and the average price over the period was ISK 10.57 per share. The number of issued shares on 31 March 2013 was 5,000,000,000, and the number of outstanding shares at the same time was 4,974,540,000. The price of shares in the Company increased by 38% in the first quarter of 2013 and the number of shareholders was 1,696, increasing by 238 from the beginning of the year.

Share prices and volume – trend in the first quarter of 2013:



PRESENTATION MEETING 2 MAY 2013

An open presentation for investors and stakeholders will be held on Thursday 2 May 2013 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. 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.

APPROVAL OF QUARTERLY STATEMENT

The consolidated accounts of Icelandair Group for the first quarter of 2013 were approved at a meeting of the Board of Directors on 30 April 2013.

FINANCIAL CALENDAR

- | **Financial statement for the second quarter – week 31, 2013**
- | **Financial statement for the third quarter – week 44, 2013**
- | **Financial statement for the fourth quarter – week 6, 2014**

FOR FURTHER INFORMATION PLEASE CONTACT

- | **Björgólfur Jóhannsson, President and CEO of Icelandair Group, tel: +354 896-1455**
- | **Bogi Nils Bogason, Chief Financial Officer of Icelandair Group, tel: +354 665-8801**