

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



1 1 January—31 March 2022

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 31 March 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". All amounts are stated in thousands of USD.

According to the Consolidated Statement of Comprehensive Income, loss for the period from 1 January to 31 March 2022 amounted to USD 49.7 million. Total comprehensive loss for the period was USD 39.8 million. Equity at 31 March 2022 amounted to USD 207.0 million according to the Consolidated Statement of Financial Position and share capital amounted to USD 287.0 million. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. The Condensed Consolidated Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

The impact of the Covid-19 pandemic on Icelandair's operations was milder than in Q1 2021 despite the Omicron variant negatively affecting travel, especially in January and February. The Company is financially strong with an equity ratio of 15% and USD 383 million in total available liquid funds at the end of the quarter.

The total capacity in the route network increased almost ninefold compared to 2021 and reached 58% of the Q1 2019 capacity levels. The total number of passengers was 422 thousand compared to 66 thousand in Q1 2021. The load factor was 67.2% compared to 34.7% in Q1 last year. The Company has strong focus on disciplined network management and adapting capacity to demand at any given time. Actions were taken to mitigate downward market developments due to the impact of Omicron which resulted in 15% less capacity in the quarter than originally planned.

The market "to" Iceland was the largest market with 47% of total passengers. The "via" market, almost non-existent in Q1 last year due to strict travel restrictions, accounted for 21% of total passengers. Passengers on the home market travelling "from" Iceland accounted for 20% and domestic passengers "within" Iceland for 12%.

The cargo business continued to be strong in Q1 2022 although export reduced somewhat year-on-year. Freight volume, measured in Freight Ton Kilometers (FTK), was similar to Q1 2021. Export of fish products decreased as a consequence of weather disruptions and less salmon production in Iceland, especially in February. Imports and transit freight increased between years. Demand is expected to be strong in all markets throughout the year. Sold block hours in the leasing operation increased by 4% year-on-year, and the near-term outlook is improving.

Increased scope of business and investments in preparation for an ambitious flight schedule in the peak season impacted operating expenses in the first quarter of 2022. The average number of full-time employees was 2,486 in Q1 2022 and increased by 935 compared to Q1 last year. The number of employees increased by 183 in Q1, including pilots, cabin crew and ground handling staff who all underwent training during the quarter. The Company took delivery of three new 737 MAX aircraft during the quarter.

A 75% hike in average fuel price year-on-year significantly increased fuel costs. The average world market price in the first quarter was USD 929 per metric ton, as compared to USD 532 per metric ton in the first quarter of 2021. The hedge levels in Q1 2022 equaled 29% of the consumption at an average price of USD 664 per metric ton.

Icelandair started to take careful steps in rebuilding a modest hedging position in Q1 2022 after having suspended its oil hedging activities during the height of the Covid-19 pandemic. Current hedge levels equal 23% of the estimated consumption in Q2 at an average price of USD 664 per metric ton and 18% of the estimated consumption in Q3 at an average price of USD 935 per metric ton.

Icelandair started including monthly reports of its CO2 emissions in its Traffic Data as of January 2022. The Company has set clear and ambitious goals of reducing its carbon emissions by 50% per operational ton kilometer (OTK) by 2030 and to achieve net zero emission by 2050. In the first quarter, Icelandair reduced its CO2 emission by 43% per OTK compared to Q1 2021. This was achieved through improved load factor and a larger proportion of B737 MAX aircraft within the fleet than in Q1 2021.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Statement by the Board of Directors and the CEO, contd.:

At the beginning of February 2022, the Company terminated an undrawn government guaranteed credit facility of USD 120 million that was established as part of the financial restructuring in 2020.

In February, new shares were issued in relation to the exercise of an outstanding warrant class. The positive effect on equity and cash position amounted to USD 18.0 million. The exercised warrants represented 97.5% of the warrant class and increased the nominal value of the registered share capital of the Company by ISK 1,869,618,075.

Icelandair's flight schedule is expected to reach around 77% of 2019 capacity levels in Q2 2022 and 85% in Q3 2022. The Company will ramp up gradually as traffic returns through the spring and at its peak the airline will offer around 412 trips per week out of Keflavik compared to 260 in 2021. Flights will be offered to 49 destinations during the year and the number of connection possibilities within the route network will reach 644.

Bookings in Q2 2022 are steadily building up but continue to materialize later than pre-Covid. There are clear signs of pent-up demand particularly on the markets "to" and "from" Iceland. The "via" market is recovering more cautiously but bookings are expected to strengthen considerably when requirements for Covid testing will be eased in the US, mirroring the experience from Canada. Booking status for Q3 is healthy and resembles pre-pandemic booking behavior.

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the three month period ended 31 March 2022, its assets, liabilities and consolidated financial position as at 31 March 2022 and its consolidated cash flows for the period then ended.

Further, in our opinion, the Condensed Consolidated Interim Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 31 March 2022 and confirm them by means of their signatures.

Reykjavík, 28 April 2022.

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason

Consolidated Income Statement and other Comprehensive Income for the period from 1 January to 31 March 2022

	Notes	2022 Q1	2021 Q1
Operating income			
Transport revenue	6	125,202	36,844
Aircraft and aircrew lease		13,673	11,009
Other operating revenue	6	19,790	9,475
		158,665	57,328
Operating expenses			
Salaries and salary related expenses		66,162	35,290
Aviation expenses		78,969	21,395
Other operating expenses		45,263	18,695
	7	190,394	75,380
Operating loss before depreciation and amortization (EBITDA)		(31,729)	(18,052)
Depreciation and amortization	8	(26,609)	(28,157)
Operating loss (EBIT)		(58,337)	(46,210)
Finance income		1,662	2,114
Finance costs		(5,489)	(4,200)
Fair value changes		(345)	9,599
Net finance (loss) income	9	(4,172)	7,513
Share of profit (loss) of associates, net of tax		14	(1,464)
Loss before tax (EBT)		(62,495)	(40,162)
Income tax		12,795	10,062
Loss for the period		(49,700)	(30,100)
Other comprehensive loss:			
Currency translation differences		2,171	92
Net profit on hedge of investment, net of tax		803	70
Cash flow hedges - effective portion of changes in fair value, net of tax		3,409	7,632
Cash flow hedges - reclassified to profit or loss		3,567	(1,401)
Other comprehensive profit for the period		9,950	6,393
Total comprehensive loss for the period		(39,750)	(23,707)
Loss attributable to:			
Owners of the Company		(49,896)	(30,061)
Non-controlling interest		196	(39)
Loss for the period		(49,700)	(30,100)
Total comprehensive loss attributable to:			
Owners of the Company		(40,051)	(23,668)
Non-controlling interest		301	(40)
Total comprehensive loss for the period		(39,750)	(23,707)
Earnings per share:			
Basic earnings per share in US cent per share		(0.14)	(0.10)
Diluted earnings per share in US cent per share		(0.14)	(0.10)

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Financial Position

as at 31 March 2022

	Notes	31.3.2022	31.12.2021
Assets			
Operating assets		439,792	391,293
Right-of-use assets		268,314	224,794
Intangible assets and goodwill		55,433	55,614
Investments in associates		11,810	11,592
Receivables and deposits		20,418	18,987
Deferred tax asset		72,056	60,647
Non-current assets		<u>867,823</u>	<u>762,927</u>
Inventories		24,893	24,398
Derivatives used for hedging		10,034	2,853
Trade and other receivables		177,984	118,417
Marketable securities		62,485	58,197
Cash and cash equivalents		268,496	204,767
Current assets		<u>543,892</u>	<u>408,632</u>
Total assets		<u>1,411,715</u>	<u>1,171,559</u>
Equity			
Share capital		286,964	272,204
Share premium		37,385	34,178
Reserves		35,257	24,116
Accumulated deficit		(150,524)	(105,876)
Equity attributable to equity holders of the Company		<u>209,082</u>	<u>224,622</u>
Non-controlling interest		(2,042)	(2,238)
Total equity		<u>207,040</u>	<u>222,384</u>
Liabilities			
Loans and borrowings	10	252,473	222,139
Lease liabilities	11	252,793	212,042
Payables		28,129	23,384
Non-current liabilities		<u>533,395</u>	<u>457,565</u>
Loans and borrowings	10	42,153	35,646
Lease liabilities	11	38,720	33,617
Warrants	12	12,869	18,395
Derivatives used for hedging		53	1,136
Trade and other payables		173,549	143,736
Deferred income	13	403,936	259,080
Current liabilities		<u>671,280</u>	<u>491,610</u>
Total liabilities		<u>1,204,675</u>	<u>949,175</u>
Total equity and liabilities		<u>1,411,715</u>	<u>1,171,559</u>

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 31 March 2022

	Attributable to equity holders of the Company									
	Share capital	Share premium	Reserves				Accumulated deficit	Total	Non-controlling interest	Total equity
			Hedging reserve	Translation reserve	Other reserves	Total				
1 January to 31 March 2021										
Equity 1 January 2021	212,969	13,208	(31,999)	23,679	16,693	0	234,550	(1,741)	232,809	
Loss for the period						(30,061)	(30,061)	(40)	(30,101)	
Currency translation differences				92			92		92	
Net profit on hedge of investment, net of tax				70			70		70	
Effective portion of changes in fair value of cash flow hedges, net of tax			6,231				6,231		6,231	
Effects of profit or loss and of subsidiaries and associates					485	(485)	0		0	
Equity 31 March 2021	212,969	13,208	(25,768)	23,841	17,178	(30,544)	210,884	(1,781)	209,103	
1 January to 31 March 2022										
Equity 1 January 2022	272,204	34,178	92	4,970	19,054	(105,876)	224,622	(2,238)	222,384	
Shares issued	14,760	3,207					17,967		17,967	
Warrants exercised						6,439	6,439		6,439	
Loss for the period						(49,896)	(49,896)	196	(49,700)	
Currency translation differences				2,171			2,171		2,171	
Net profit on hedge of investment, net of tax				803			803		803	
Effective portion of changes in fair value of cash flow hedges, net of tax			6,976				6,976		6,976	
Effects of profit or loss and of subsidiaries and associates					1,191	(1,191)	0		0	
Equity 31 March 2022	286,964	37,385	7,068	7,944	20,245	(150,524)	209,082	(2,042)	207,040	

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Cash Flows for the three months ended 31 March 2022

	Notes	2022 Q1	2021 Q1
Cash flows from (to) operating activities			
Loss for the period		(49,700)	(30,100)
Adjustments for:			
Depreciation and amortization	8	26,609	28,157
Expensed deferred cost		4,836	2,436
Net finance cost	9	3,827	2,086
Changes in fair value	9	345	(9,599)
Gain on sale of operating assets		(1,259)	(2,496)
Share in loss of associates		(14)	1,464
Deferred income tax		(12,795)	(10,062)
		(28,151)	(18,114)
Changes in:			
Inventories		(443)	983
Trade and other receivables		(73,399)	(17,537)
Trade and other payables		45,723	(21,667)
Deferred income		144,625	14,903
		116,506	(23,318)
Interest received		673	150
Interest paid		(5,145)	(4,012)
Net cash from (used in) operating activities		83,883	(45,294)
Cash flows to investing activities:			
Acquisition of operating assets		(165,001)	(6,383)
Proceeds from sale of operating assets		102,182	11,797
Deferred cost		(597)	(1,985)
Acquisition of intangible assets		(206)	(31)
Non-current receivables, change		8,311	209
Cash attributable to assets held for sale		0	(451)
Marketable securities, change		(3,421)	(14,107)
Net cash used in investing activities		(58,732)	(10,951)
Cash flows from financing activities:			
Shares issued		17,967	0
Proceeds from non-current borrowings		42,002	3,229
Repayment of non-current borrowings		(12,899)	(6,749)
Repayment of lease liabilities		(8,802)	(4,359)
Net cash from (used in) financing activities		38,268	(7,879)
Change in cash and cash equivalents		63,419	(64,124)
Effect of exchange rate fluctuations on cash held		310	(67)
Cash and cash equivalents at beginning of the period		204,767	117,657
Cash and cash equivalents at period end		268,496	53,466

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

Notes

1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is at Reykjavíkurlflugvöllur in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the three months ended 31 March 2022 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities" and the Group's interests in associates. The Group primarily operates in the airline and tourism industry. The Company is listed on the Nasdaq Main Market Iceland.

The Group's audited Consolidated Financial Statements as at and for the year ended 31 December 2021 are available at its website address, www.icelandairgroup.com and at the Nasdaq Main Market Iceland website address, <http://www.nasdaqomxnordic.com>.

2. Basis of accounting

a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2022 have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated Financial Statements as at and for the year ended 31 December 2021.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 28 April 2022.

b. Basis of measurement

The Consolidated Financial Statements are prepared on the historical cost basis except that derivative financial instruments, part of deferred income and certain short-term investments are stated at their fair values.

c. Going Concern

These Consolidated Financial Statements are prepared on a going concern basis. Despite uncertainty due to COVID-19, the Board of Directors believes that it is appropriate to prepare these Consolidated Financial Statements on a going concern basis.

d. Functional and presentation currency

The Company's functional currency is U.S. dollars (USD). These Condensed Consolidated Interim Financial Statements are presented in U.S. dollars (USD). All financial information presented in USD has been rounded to the nearest thousand, unless otherwise indicated.

3. Use of estimates and judgements

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimations of uncertainty were the same as those that applied to the audited Consolidated Financial Statements as at and for the year ended 31 December 2021.

4. Changes in accounting policies

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2021. A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed Consolidated Interim Financial Statements and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, contd.:

5. Operating segments

The Group's operations are identified and reported as one operating segment.

Geographic segments for the three months ended 31 March 2022

	North America	Europe	Iceland	Other	Total
Transport revenue	41,749	35,957	44,415	3,080	125,201
Aircraft and aircrew lease	3,082	536	1,747	8,308	13,673
Other operating revenue	524	1,005	18,147	115	19,791
Total revenue	45,355	37,498	64,309	11,503	158,665
Total revenue %	29%	24%	41%	7%	100%

Geographic segments for the three months ended 31 March 2021

	North America	Europe	Iceland	Other	Total
Transport revenue	2,198	8,926	25,602	119	36,845
Aircraft and aircrew lease	1,079	0	1,083	8,847	11,009
Other operating revenue	104	540	8,761	69	9,474
Total revenue	3,381	9,466	35,446	9,035	57,328
Total revenue %	6%	17%	62%	16%	100%

Notes, contd.:

6. Operating income

	2022 Q1	2021 Q1
Transport revenue is specified as follows:		
Passengers	92,707	11,195
Passenger ancillary revenue	9,976	2,566
Cargo	22,519	23,083
Total transport revenue	125,202	36,844
Other operating revenue is specified as follows:		
Sale at airport	1,687	259
Revenue from tourism	10,173	987
Aircraft and cargo handling services	3,142	2,455
Maintenance revenue	336	806
Gain on sale of operating assets	1,259	2,496
Other operating revenue	3,193	2,472
Total other operating revenue	19,790	9,475

7. Operating expenses

	2022 Q1	2021 Q1
Salaries and salary related expenses are specified as follows:		
Salaries	49,269	28,862
Contributions to pension funds	8,310	5,064
Other salary-related expenses	8,583	1,364
Total salaries and salary related expenses	66,162	35,290
Aviation expenses are specified as follows:		
Aircraft fuel	45,311	7,848
Aircraft lease	0	191
Aircraft handling, landing and navigation	18,341	4,468
Aircraft maintenance expenses	15,317	8,888
Total aviation expenses	78,969	21,395
Other operating expenses are specified as follows:		
Operating cost of real estate and fixtures	2,020	1,150
Communication	5,813	4,070
Advertising	4,148	1,892
Booking fees and commission expenses	5,217	494
Cost of goods sold	1,366	192
Customer services	6,373	1,066
Travel and other employee expenses	8,617	2,102
Tourism expenses	6,530	22
Allowance for bad debt	(1,794)	1,044
Other operating expenses	6,973	6,663
Total other operating expenses	45,263	18,695

8. Depreciation and amortization

	2022 Q1	2021 Q1
The depreciation and amortization charge in profit or loss is specified as follows:		
Depreciation of operating assets	18,225	22,787
Depreciation of right-of-use assets	7,996	4,564
Amortization of intangible assets	388	806
Depreciation and amortization	26,609	28,157

Notes, contd.:

9. Finance income and finance costs

	2022 Q1	2021 Q1
Finance income and finance costs are specified as follows:		
Interest income on cash and cash equivalents	125	163
Interest income on lease receivables	0	96
Other interest income	1,537	160
Net currency exchange gain	0	1,695
Finance income total	1,662	2,114
Interest expenses on loans and borrowings	1,869	2,377
Interest on lease liabilities	2,639	1,432
Other interest expenses	524	391
Net currency exchange gain	457	0
Finance costs total	5,489	4,200
Changes in fair value of warrants, see note 12	(345)	9,599
Net finance (loss) income	(4,172)	7,513

10. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost, and changes during the year.

	31.3.2022	31.12.2021
Non-current loans and borrowings:		
Secured bank loans	265,825	238,612
Unsecured loans	28,801	19,173
Total loans and borrowings	294,626	257,785
Current maturities	(42,153)	(35,646)
Total non-current loans and borrowings	252,473	222,139
Current loans and borrowings:		
Current maturities	42,153	35,646
Total current loans and borrowings	42,153	35,646
Total loans and borrowings	294,626	257,785

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				31.3.2022	31.12.2021
Secured bank loans	USD	3.5%	2023-2034	211,044	180,115
Secured bank loans	EUR	0.9%	2028	54,781	58,497
Unsecured loans	ISK	4.4%	2023-2026	28,801	19,173
Total interest-bearing liabilities				294,626	257,785

Included in Unsecured loans are deferred payroll tax payments that formed a part of general government measures in 2020 and 2021 to mitigate the negative effects of COVID-19. The loans carry zero interest and are measured at net present value. The deferred payments granted in 2020 are payable in monthly installments over a 48-month period from July 2022 – June 2026. Payments deferred in 2021 due in January 2022 was extended to six instalments from September 2022 to February 2023, at year end 2021 the amount USD 8.9 million was included in Other payables.

Icelandair Group has two committed credit lines in place with local banks in the total amount of USD 52 million. The lines were undrawn as at 31 March 2022.

Notes, contd.:

10. Loans and borrowings, contd.:

Repayments of loans and borrowings are specified as follows:	31.3.2022	31.12.2021
Repayments in 2022 (9 months)(2021: 12 months)	36,337	35,646
Repayments in 2023	49,782	46,847
Repayments in 2024	59,257	58,541
Repayments in 2025	37,767	34,605
Repayments in 2026	28,632	25,328
Subsequent repayments	82,851	56,818
Total loans and borrowings	<u>294,626</u>	<u>257,785</u>

As part of its financial restructuring the Group signed deferral agreements with all major lenders in Q3 2020. The deferral agreements included temporary waivers from certain pre-Covid financial covenants, originally set to resume in the period of Q1-Q3 2022. On 7 February 2022 the Company terminated a loan agreement with two local banks in the amount of USD 120 million which was 90% guaranteed by the Icelandic government. In relation to the termination the Company renegotiated the timeline according to which the pre-Covid financial covenants would resume to take effect. The pre-Covid financial covenants are now set to resume gradually from Q3 2022 - Q4 2023.

The Group was not in breach of any financial covenants at 31 March 2022.

11. Lease liabilities

This note provides information of the Group's lease liabilities, which are measured at amortized cost, and changes during the year.

	Currency	Interest rates	Year of maturity	Total remaining balance	
				31.3.2022	31.12.2021
Lease liabilities	USD	3.9%	2021-2031	280,339	233,988
Lease liabilities indexed	ISK	3.9%	2021-2038	10,100	10,160
Lease liabilities	GBP	2.2%	2021-2025	886	972
Lease liabilities	other	3.3%	2021-2028	188	539
Current maturity				(38,720)	(33,617)
Total lease liabilities				<u>252,793</u>	<u>212,042</u>

Repayments of lease liabilities are specified as follows:	31.3.2022	31.12.2021
Repayments in 2022 (9 months)(2021: 12 months)	28,293	33,617
Repayments in 2023	38,628	31,219
Repayments in 2024	33,760	28,614
Repayments in 2025	33,637	28,003
Repayments in 2026	32,818	26,908
Subsequent repayments	124,377	97,298
Total loans and borrowings	<u>291,513</u>	<u>245,659</u>

The Group has made lease agreements for two 737 MAX aircraft that are scheduled to be delivered in Q2 2022, and one 767 freighter that is scheduled to be delivered in the second half of 2022. The lease liability for these three aircraft will amount to approximately USD 75 million.

Notes, contd.:

12. Warrant liabilities

Warrant liabilities are specified as follows:

Assumptions	ICEAIRW 120822	Bain Capital 120822
Issue date	18.9.2020	23.7.2021
Exercise period end date	12.8.2022	12.8.2022
Share price (ISK) at issue date	1.00	1.43
Share price (ISK) at reporting date	1.91	1.91
Exercise price (ISK)	1.30	1.64
Interest rate (annual)	15.0%	15.0%
First interest date	23.9.2020	24.7.2021
Volatility (annual)	50.3%	50.3%
Risk free rate	4.0%	4.0%
Time to maturity (Years)	0.37	0.37
Fair value per warrant (ISK) at reporting date	0.60	0.36

The warrants outstanding and the fair value (USD) of each class of warrants on the respective exercise dates are as follows:

Warrant liabilities	ICEAIRW 130821	ICEAIRW 180222	ICEAIRW 120822	Bain Capital 120822	Total
Total warrant liabilities 31.12.2020	9,129	9,001	9,634	0	27,764
Issued warrants				3,300	3,300
Gain on change					
in fair value of warrant liability	(5,043)	(997)	(2,077)	(65)	(8,182)
Foreign exchanges difference	9	(139)	(154)	(108)	(392)
Exercised warrants	(4,095)	0	0	0	(4,095)
Fair value at 31.12.2021	0	7,865	7,403	3,127	18,395
Loss (gain) on change					
in fair value of warrant liability	0	(1,795)	1,374	766	345
Foreign exchanges difference	0	531	140	60	730
Exercised warrants	0	(6,601)	0	0	(6,601)
Fair value as of period ending	0	0	8,917	3,953	12,869

Warrant class ICEAIRW180222 was exercisable in Q1 with 97.6% of warrant holders opting to exercise their rights to purchase new shares in the Company at a price of ISK 1.22 pr. share. The total proceeds to the Company amounted to USD 17.9 million. Warrant classes ICEAIRW120822 and the Bain Capital warrant will become exercisable in August 2022.

If warrant holders in both remaining classes exercise their warrants in full a total of 3,331,440,284 new shares in the Company will be issued and the proceeds approx. USD 37.5 million.

13. Deferred income

Sold unused tickets, fair value of unutilized frequent flyer points and other prepayments are presented as deferred income in the Consolidated Statement of Financial Position.

Deferred income is specified as follows:

	31.3.2022	31.12.2021
Sold unused tickets and vouchers	369,184	223,975
Frequent flyer points	18,182	19,798
Other prepayments	16,570	15,307
Total deferred income	403,936	259,080

The amount allocated to sold unused tickets and vouchers is the book value of fares and fuel surcharges that the Group has collected and is liable for to passengers. Thereof vouchers amounted to USD 68.9 million (2021: USD 83.7 million). The vouchers are generally valid for 3 years from the date of issuance.

Notes, contd.:

14. Financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows. The table does not include fair value information for financial assets and liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value:

	31.3.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	9,981	9,981	1,717	1,717
Unsecured bond issue	(28,801)	(29,771)	(19,173)	(19,308)
Secured loans	(265,825)	(284,667)	(238,612)	(248,043)
Warrants	(12,869)	(12,869)	(18,395)	(18,395)
Lease liabilities	(291,513)	(291,513)	(245,659)	(245,659)
Total	(589,027)	(608,839)	(520,122)	(529,688)

15. Group entities

The Company held the following significant subsidiaries at the end of March 2022:

	Share
FERIA ehf. (VITA)	100%
IceCap Insurance PCC Ltd.	100%
Iceignir ehf.	100%
Icelandair ehf.	100%
CAE Icelandair Flight Training ehf.	67%
Flugfélag Íslands ehf.	100%
Icelandair Cargo ehf.	100%
Loftleiðir - Icelandic ehf.	100%

The subsidiaries further own six minor operating companies that are also included in the Condensed Consolidated Interim Financial Statements. Two of those have non-controlling shareholders.

16. Investment and financing without cash flow effect

Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of the Group and should be excluded from the statements of cash flows. The exclusion of non-cash transactions from the statement of cash flows as these items do not involve cash flows in the current period.

	2022	2021
	Q1	Q1
Investment and financing without cash flow effect:		
Acquisition of right-of-use assets	(55,786)	(26)
New or renewed leases	53,492	26
Gain on sale due to sales and leaseback	(1,159)	0
Non-current receivables	3,453	0
Loans and borrowings	8,927	0
Trade and other payables	(8,927)	0
Warrants	(6,439)	0
Retained earnings	6,439	0

Alternative performance measures (APMs)

	2022	2021
Traffic	Q1	Q1
ASK ('000)	1,704	195
RASK (USD cent)	6.5	7.3
CASK (USD cent)	10.5	33.6
RPK ('000)	1,144	68
PAX	421,978	66,231
OTP	71.8%	86.0%
Passenger flights	2,129	758
LF	67.2%	34.7%
BH	3,433	3,224
FTK ('000)	33,739	33,694
Passenger mix		
To	198,103	12,923
From	84,672	10,812
Via	87,496	797
Within	51,707	41,699
Capital structure	31.3.2022	31.12.2021
Total cash and marketable securities (USD '000)	330,981	262,964
Liquidity (USD '000)	382,981	434,964
Net interest-bearing debt (USD '000)	(36,354)	(5,179)
Net lease liabilities (USD '000)	283,075	238,137
Current ratio	0.81	0.83
Equity ratio	0.15	0.19
Equity ratio without warrants	0.16	0.21
Intrinsic value of share capital	0.72	0.82
Other	2022	2021
	Q1	Q1
Effective fuel price (USD pr. Metric tonn)	902	634
CAPEX, gross	165,804	8,399
CAPEX, net	63,622	(3,398)
FTE	2,486	1,551

Definitions

Traffic

ASK	Available seat kilometers, which is the total number of seats available on scheduled flights multiplied by the number of kilometers these seats were flown
RASK	Total revenues on a given flight divided by the ASK on that same flight
CASK	Total operational cost per available seat kilometer is calculated by dividing total operational cost on a given flight by available seat kilometers (ASK) on that flight
RPK	Revenue passenger kilometers, the number of revenue passengers carried on scheduled flights multiplied by the number of kilometers those seats were flown
PAX - Passenger	Each passenger is counted by the number of flight coupons his journey requires. A passenger flying KEF-CPH is counted as one passenger, a passenger flying NYC-KEF-CPH is counted as two passengers
OTP	Arrival on time performance, a measure of flights arriving within 15 minutes of scheduled arrival time. OTP is calculated by dividing the number of arrivals that arrive within 15 minutes of scheduled arrival time with the total number of arrivals
Passenger flights	Flight flown by an airline for the purpose of carrying passengers, freight and mail according to a published timetable for which it receives commercial remuneration
LF	Passenger load factor, calculated by dividing RPK by ASK
BH	Block hours - the time computed from the moment the blocks are removed from the wheels of the aircraft until they are replaced at the next point of landing
FTK	The number of tonnes of freight carried, obtained by counting each tonne of freight on a particular flight (with one flight number)
Passenger mix:	
To	The tourist market with Iceland as the destination
From	The Icelandic domestic market where Iceland is the point of departure
VIA	The interantional market between Europe and North America
Within	The domestic operation within Iceland

Capital structure

Total cash and marketable securities	Cash and cash equivalents (including cash from assets held for sale) and marketable securities
Liquidity	Total cash and cash equivalents (including cash from assets held for sale), marketable securities and undrawn revolving facilities
Net interest-bearing debt	Loans and borrowings, net of total cash and marketable securities
Net lease liabilities	Lease liabilities (including assets held for sale, net of lease receivables)
Current ratio	Indicates how many times over current assets can cover current liabilities and is calculated by dividing current assets with current liabilities
Equity ratio	Indicates the ratio of how leveraged the Company is and is calculated by dividing total equity with total equity and liabilities
Equity ratio without warrants	As warrants are reversible over retained earnings (if used or not) we adjust the equity ratio for warrants. This is calculated by dividing total equity and warrants with total equity and liabilities less warrants
Intrinsic value of share capital	Indicates the book value of each share and is calculated by dividing total equity with share capital

Other

Effective fuel price	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. tonn)
CAPEX, gross	Capital expenditure of operating assets, intangible assets and deferred cost
CAPEX, net	Capital expenditure of operating assets, intangible assets and deferred cost less proceeds from sale of operating assets
FTE	Average full time employee equivalent

