

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



3

1 January—30 September 2023

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## Endorsement and Statement by the Board of Directors and the CEO

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The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 30 September 2023 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, profit for the period from 1 January to 30 September 2023 amounted to USD 49 million. Total comprehensive profit for the period was USD 63 million. Equity at 30 September 2023 amounted to USD 336.6 million according to the Consolidated Statement of Financial Position and share capital amounted to USD 311.0 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 nine months ended 30 September 2023 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.

Profit in the third quarter of 2023 amounted to USD 84.5 million compared to USD 57.9 million last year. EBIT totaled USD 112.0 million, improving by USD 19.3 million year-on-year, driven by strong revenue generation in the passenger network. Revenue totaled USD 560.4 million, record revenue for one quarter, representing an increase of 15% between years. The unit revenue (RASK) was the highest in the history of Icelandair and increased by 1% between years. Passenger-related unit revenue increased more or by 3% in the same period. This is a strong performance, especially considering the increased capacity in all markets, not least in the markets to and from Iceland.

Icelandair transported 1.5 million passengers during the third quarter, 7% more than last year. The number of passengers in the market to Iceland increased the most, by 16%, and accounted for 45% of passengers. The prospects in the route network are good, and the current booking status for the near to medium term is stronger than that at the same time last year. This year's flight schedule is the largest in the Company's history in terms of number of flights and is expected to grow by more than 10% next year. Capacity will continue to grow, especially on the market to and from Iceland.

The leasing operation continued to perform well, improving financial performance between years, on similar revenue. The outlook is good, and profitable organic growth is expected in the year 2024.

The cargo operation has been very challenging in 2023 and had a considerable negative impact on the total results of the Company. The revenue growth was 4% and EBIT was negative of USD 6.7 million. EBIT for the first nine months was negative at USD 15 million, which is a 18 million negative change year-on-year. Management has taken various actions to return the operation to profitability and believes its long-term outlook for cargo operations remains good.

Icelandair employed an average of 4,070 full-time employees in Q3 2023, 18% more than in Q3 2022.

Equity amounted to USD 337 million, with an equity ratio of 21% at the end of the period compared to 19% at the beginning of the year. The liquidity position remained strong, with cash and marketable securities amounting to USD 372 million. Additionally, the Company had undrawn committed credit lines of USD 52 million, bringing total liquidity to USD 424 million.

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

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

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 nine month period ended 30 September 2023, its assets, liabilities and consolidated financial position as at 30 September 2023 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 30 September 2023 and confirm them by means of their signatures.

Reykjavík, 19 October 2023.

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 30 September 2023

	Notes	2023 Q3	2022 Q3 *Restated	2023 YTD	2022 YTD *Restated
<b>Operating income</b>					
Passenger revenue .....	7	508,044	433,447	1,031,312	812,217
Cargo revenue .....		20,951	20,180	66,662	69,134
Leasing revenue .....		13,708	13,455	52,247	40,920
Other Operating revenue .....	7	17,654	19,646	57,571	52,067
		560,357	486,727	1,207,792	974,337
<b>Operating expenses</b>					
Salaries and salary-related expenses .....		102,214	74,758	286,806	224,789
Aircraft fuel .....		121,363	136,742	283,551	288,072
Other aviation expenses .....		85,131	68,782	204,965	153,291
Other Operating expenses .....		103,596	79,996	260,903	185,858
	8	412,304	360,278	1,036,225	852,010
<b>Operating profit before depreciation and amortization (EBITDA) .....</b>					
		148,053	126,449	171,567	122,327
Depreciation and amortization .....	9	( 36,038)	( 33,729)	( 100,323)	( 86,739)
<b>Operating profit (EBIT) .....</b>					
		112,015	92,720	71,244	35,588
Finance income .....		7,474	2,118	15,836	5,284
Finance cost .....		( 12,915)	( 12,291)	( 31,474)	( 27,675)
Fair value changes .....		0	( 10,185)	0	( 580)
<b>Net finance cost</b> .....	10	( 5,441)	( 20,358)	( 15,638)	( 22,971)
Gain on sale of subsidiary .....	11	0	0	1,381	0
Share of (loss) gain of associates .....		( 370)	1,447	( 544)	829
<b>Profit before tax (EBT) .....</b>					
		106,204	73,809	56,443	13,446
Income tax .....		( 21,740)	( 15,938)	( 7,455)	( 1,474)
<b>Profit for the period .....</b>					
		84,464	57,871	48,988	11,972
<b>Other comprehensive income (loss):</b>					
Currency translation differences .....		( 1,160)	( 10,133)	4,093	( 12,750)
Net (loss) profit on hedge of investment, net of tax .....		( 570)	( 3,883)	1,372	( 4,570)
Cash flow hedges - effective portion of changes in fair value, net of tax .....		7,132	( 10,980)	10,624	( 22,008)
Cash flow hedges - reclassified to profit or loss .....		5,540	3,785	( 2,078)	20,762
<b>Other comprehensive income (loss) for the period .....</b>					
		10,942	( 21,211)	14,011	( 18,566)
<b>Total comprehensive profit (loss) for the period .....</b>					
		95,406	36,658	62,999	( 6,594)
<b>Profit attributable to:</b>					
Owners of the Company .....		84,409	55,033	48,610	8,759
Non-controlling interest .....		55	2,838	378	3,213
<b>Profit for the period .....</b>					
		84,464	57,871	48,988	11,972
<b>Total comprehensive profit (loss) attributable to:</b>					
Owners of the Company .....		95,365	33,078	62,630	( 9,807)
Non-controlling interest .....		41	3,578	369	3,213
<b>Total comprehensive profit (loss) for the period .....</b>					
		95,406	36,658	62,999	( 6,594)
<b>Earnings per share:</b>					
Basic and diluted earnings per share in US cent .....		0.21	0.16	0.12	0.04

\* Cargo revenue has been restated from Passenger and Other Operating revenue as a new line item in the Consolidated Income Statement. Aircraft fuel cost has been restated from Other aviation expenses as a new line item in the Consolidated Income Statement.

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

# Consolidated Statement of Financial Position as at 30 September 2023

	Notes	30.09.2023	31.12.2022
<b>Assets:</b>			
Operating assets .....		539,225	505,588
Right-of-use assets .....		363,631	318,971
Intangible assets and goodwill .....		55,272	55,202
Investments in associates .....		8,655	11,903
Receivables and deposits .....		31,505	17,668
Deferred tax asset .....		45,703	55,593
Non-current assets		<u>1,043,991</u>	<u>964,925</u>
Inventories .....		23,073	22,491
Derivatives used for hedging .....		10,622	2,029
Trade and other receivables .....		162,636	155,317
Marketable securities .....		84,609	42,159
Cash and cash equivalents .....		287,092	224,252
Current assets		<u>568,032</u>	<u>446,248</u>
<b>Total assets</b>		<u>1,612,023</u>	<u>1,411,173</u>
<b>Equity:</b>			
Share capital .....		310,973	310,973
Reserves .....		30,791	19,450
Accumulated deficit .....		( 6,395 )	( 57,914 )
Equity attributable to equity holders of the Company		<u>335,369</u>	<u>272,509</u>
Non-controlling interest .....		1,203	877
Total equity		<u>336,572</u>	<u>273,386</u>
<b>Liabilities:</b>			
Loans and borrowings .....	12	228,190	207,264
Lease liabilities .....	13	335,011	296,692
Payables .....		53,077	33,947
Non-current liabilities		<u>616,278</u>	<u>537,903</u>
Loans and borrowings .....	12	53,411	48,453
Lease liabilities .....	13	52,636	45,463
Derivatives used for hedging .....		0	820
Trade and other payables .....		228,219	201,789
Deferred income .....	14	324,907	303,359
Current liabilities		<u>659,173</u>	<u>599,884</u>
Total liabilities		<u>1,275,451</u>	<u>1,137,787</u>
<b>Total equity and liabilities</b>		<u>1,612,023</u>	<u>1,411,173</u>

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

## Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2023

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserves				Total	Non- controlling interest	Total equity
			Hedging	Translation reserve	Other reserves	Accumulated deficit			
<b>1 January to 30 September 2022</b>									
Equity 1 January 2022 .....	272,204	34,178	92	4,970	19,054	(105,876)	224,622	( 2,238 )	222,384
Shares issued .....	38,769	13,617					52,386		52,386
Warrants issued .....						18,761	18,761		18,761
Profit for the period .....						8,759	8,759	3,213	11,972
Currency translation differences .....				( 12,750 )			( 12,750 )		( 12,750 )
Net loss on hedge of investment, net of tax .....				( 4,570 )			( 4,570 )		( 4,570 )
Effective portion of changes in fair value of cash flow hedges, net of tax .....			( 1,246 )				( 1,246 )		( 1,246 )
Effects of profit or loss and of subsidiaries and associates .....					43	( 43 )	0		0
Equity 30 September 2022 .....	310,973	47,795	( 1,154 )	( 12,350 )	19,097	( 78,399 )	285,962	975	286,937
<b>1 January to 30 September 2023</b>									
Equity 1 January 2023 .....	310,973		( 182 )	( 9,555 )	29,187	(57,914)	272,509	877	273,386
Profit for the period .....						48,610	48,610	378	48,988
Currency translation differences .....				4,093			4,093	( 9 )	4,084
Net profit on hedge of investment, net of tax .....				1,372			1,372		1,372
Effective portion of changes in fair value of cash flow hedges, net of tax .....			8,546				8,546		8,546
Divestment of Non-controlling interest .....								( 43 )	( 43 )
Stock options .....					239		239		239
Effects of profit or loss of subsidiaries and associates .....					( 2,909 )	2,909	0		0
Equity 30 September 2023 .....	310,973	0	8,364	( 4,090 )	26,517	( 6,395 )	335,369	1,203	336,572

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

## Consolidated Statement of Cash Flows for the nine months ended 30 September 2023

	Notes	2023 Q3	2022 Q3	2023 YTD	2022 YTD
<b>Cash flows to operating activities</b>					
Profit for the period .....		84,464	57,871	48,988	11,972
Adjustments for:					
Depreciation and amortization .....	9	36,038	33,729	100,323	86,739
Expensed deferred cost .....		7,603	8,416	19,932	18,431
Net finance cost .....	10	5,441	10,173	15,638	22,391
Changes in fair value .....		0	10,185	0	580
Gain on sale of operating assets .....		( 74 )	( 780 )	( 567 )	( 2,317 )
Gain on sale of subsidiary .....	11	0	0	( 1,381 )	0
Share in loss (profit) of associates .....		370	( 1,447 )	544	( 829 )
Income tax .....		21,740	15,938	7,455	1,474
		<u>155,582</u>	<u>134,085</u>	<u>190,932</u>	<u>138,441</u>
Changes in:					
Inventories .....		483	1,967	( 510 )	2,101
Trade and other receivables .....		22,436	39,407	( 5,659 )	( 38,971 )
Trade and other payables .....		( 4,953 )	( 61,784 )	57,492	22,851
Deferred income .....		( 208,250 )	( 157,471 )	21,512	47,211
		<u>( 190,284 )</u>	<u>( 177,881 )</u>	<u>72,835</u>	<u>33,192</u>
Interest received .....		2,316	640	6,755	1,915
Interest paid .....		( 9,055 )	( 5,954 )	( 29,929 )	( 17,063 )
Net cash (to) from operating activities		<u>( 41,441 )</u>	<u>( 49,110 )</u>	<u>240,593</u>	<u>156,485</u>
<b>Cash flows to investing activities:</b>					
Acquisition of operating assets .....		( 16,277 )	( 54,538 )	( 94,999 )	( 249,507 )
Proceeds from sale of operating assets .....		105	1,056	791	111,024
Deferred cost, change .....		0	( 1,189 )	( 9,022 )	( 2,217 )
Acquisition of intangible assets .....		( 224 )	( 22 )	( 399 )	( 315 )
Proceeds from sale of a subsidiary .....		0	0	1,347	0
Proceeds from sale of (investment in) associates .....		174	( 233 )	3,069	( 271 )
Non-current receivables, change .....		( 9,674 )	1,999	( 17,901 )	8,421
Marketable securities, change .....		( 15,772 )	13,723	( 42,450 )	27,720
Net cash used in investing activities		<u>( 41,668 )</u>	<u>( 39,204 )</u>	<u>( 159,564 )</u>	<u>( 105,145 )</u>
<b>Cash flows from financing activities:</b>					
Shares issued .....		0	34,419	0	52,386
Proceeds from loans and borrowings .....		0	0	63,461	42,002
Repayment of loans and borrowings .....		( 16,691 )	( 12,355 )	( 45,539 )	( 31,159 )
Repayment of lease liabilities .....		( 13,328 )	( 9,494 )	( 36,305 )	( 27,359 )
Net cash (used in) from financing activities		<u>( 30,019 )</u>	<u>12,570</u>	<u>( 18,383 )</u>	<u>35,870</u>
<b>Change in cash and cash equivalents .....</b>		<b>( 113,128 )</b>	<b>( 75,744 )</b>	<b>62,646</b>	<b>87,210</b>
<b>Effect of exchange rate fluctuations on cash held .....</b>		<b>( 174 )</b>	<b>( 1,672 )</b>	<b>194</b>	<b>( 1,837 )</b>
<b>Cash and cash equivalents at beginning of the period .....</b>		<b>400,394</b>	<b>367,556</b>	<b>224,252</b>	<b>204,767</b>
<b>Cash and cash equivalents at period end .....</b>		<b>287,092</b>	<b>290,140</b>	<b>287,092</b>	<b>290,140</b>

Investment and financing without cash flow effect, see note 18.

The notes on pages 9 to 15 are an integral part of these Interim Consolidated 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 Reykjavíkurlugvöllur in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2023 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 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 2022 are available at its website address, [www.icelandairgroup.com](http://www.icelandairgroup.com) and at the Nasdaq Main Market Iceland website address, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

## 2. Basis of accounting

### a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2023 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 2022.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 19 October 2023.

### 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.

## 3. 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.

## 4. 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 2022.

## 5. 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 2022. A number of new standards are effective for annual periods beginning after 1 January 2024 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.:

### 6. Operating segments

#### Geographic segments for the nine months ended 30 September 2023

	North America	Europe	Iceland	Other	Total
Passenger revenue .....	596,592	256,365	156,194	22,161	1,031,312
Cargo revenue .....	4,286	28,131	34,244	0	66,662
Leasing revenue .....	19,805	1,653	3,895	26,894	52,247
Other Operating revenue .....	1,995	2,561	53,016	0	57,571
Total revenue .....	622,678	288,710	247,349	49,055	1,207,792
Total revenue % .....	52%	24%	20%	4%	100%

#### Geographic segments for the nine months ended 30 September 2022

	North America	Europe	Iceland	Other	Restated Total
Passenger revenue .....	427,646	235,543	137,619	11,409	812,217
Cargo revenue .....	5,676	21,860	41,598	0	69,134
Leasing revenue .....	5,213	2,807	9,240	23,660	40,920
Other Operating revenue .....	2,217	1,838	47,894	118	52,067
Total revenue .....	440,752	262,048	236,351	35,187	974,337
Total revenue % .....	45%	27%	24%	4%	100%

### 7. Operating income

	2023 Q3	*Restated 2022 Q3	2023 YTD	*Restated 2022 YTD
Passenger revenue is specified as follows:				
Passenger airfare .....	478,684	408,288	965,146	757,887
Ancillary revenue .....	29,360	25,159	66,166	54,330
Total Passenger revenue .....	508,044	433,447	1,031,312	812,217
Other Operating revenue is specified as follows:				
Revenue from tourism .....	7,514	7,459	30,034	25,068
Sale at airports .....	2,542	2,963	5,809	6,189
Aircraft handling .....	2,545	2,678	5,693	5,338
Gain on sale of operating assets .....	73	780	571	2,317
Other Operating revenue .....	4,980	5,766	15,464	13,155
Total Other Operating revenue .....	17,654	19,646	57,571	52,067

\* Cargo revenue has been restated from Passenger and Other Operating revenue as a new line item in the Consolidated Income Statement.

## Notes, contd.:

### 8. Operating expenses

	2023 Q3	*Restated 2022 Q3	2023 YTD	*Restated 2022 YTD
Salaries and salary-related expenses are specified as follows:				
Salaries .....	84,725	60,275	223,477	174,195
Contributions to pension funds .....	13,109	9,461	35,363	28,076
Other salary-related expenses .....	4,380	5,022	27,966	22,518
Total salaries and salary-related expenses .....	102,214	74,758	286,806	224,789
Average number of full time equivalents .....	4,070	3,457	3,653	3,043
Aircraft fuel is specified as follows:				
Aircraft fuel .....	117,033	136,927	260,417	296,700
Emission charges .....	7,944	3,219	18,478	11,455
Fuel hedges .....	( 3,614 )	( 3,404 )	4,656	( 20,083 )
Total Aircraft fuel cost .....	121,363	136,742	283,551	288,072
Other aviation expenses is specified as follows:				
Aircraft and engine lease .....	3,608	2,405	10,643	2,899
Aircraft handling, landing and navigation .....	55,740	40,743	121,087	90,118
Aircraft maintenance expenses .....	25,783	25,634	73,235	60,274
Total Other aviation expenses .....	85,131	68,782	204,965	153,291
Other Operating expenses are specified as follows:				
Travel and other employee expenses .....	19,323	14,765	51,758	36,685
Tourism expenses .....	5,850	4,199	22,246	14,557
IT expenses .....	9,553	8,211	25,255	19,847
Advertising .....	6,829	6,334	20,969	15,819
Booking fees and commission expenses .....	25,176	19,722	51,954	40,586
Cost of goods sold .....	1,900	2,432	4,343	4,841
Customer services .....	20,555	15,941	45,867	33,496
Operating cost of real estate and fixtures .....	2,584	2,354	7,340	6,708
Allowance for bad debt .....	115	( 1,475 )	1,504	( 7,623 )
Other Operating expenses .....	11,711	7,513	29,667	20,942
Total Other Operating expenses .....	103,596	79,996	260,903	185,858

\* Aircraft fuel cost is specified separately as it has been restated from Other aviation expenses as a new line item in the Consolidated Income Statement. Aircraft and engine lease is specified separately as it has been restated from Aircraft maintenance expenses as a new line item in the Other aviation expenses note.

### 9. Depreciation and amortization

	2023 Q3	2022 Q3	2023 YTD	2022 YTD
The depreciation and amortization charge in profit or loss is specified as follows:				
Depreciation of operating assets .....	22,537	23,165	63,094	58,622
Depreciation of right-of-use assets .....	13,375	10,421	36,900	27,451
Amortization of intangible assets .....	126	143	329	666
Depreciation and amortization recognized in profit or loss ...	36,038	33,729	100,323	86,739

## Notes, contd.:

### 10. Finance income and (finance cost)

	2023 Q3	2022 Q3	2023 YTD	2022 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and marketable securities .....	6,262	1,485	13,164	2,941
Interest income on lease receivables .....	32	71	124	203
Other interest income .....	1,180	562	2,548	2,140
Finance income total .....	7,474	2,118	15,836	5,284
Interest expenses on loans and borrowings .....	( 4,985 )	( 2,942 )	( 14,047 )	( 7,963 )
Interest on lease liabilities .....	( 4,727 )	( 3,677 )	( 14,100 )	( 9,313 )
Other interest expenses .....	( 844 )	( 223 )	( 2,120 )	( 1,041 )
Net currency exchange loss .....	( 2,359 )	( 5,449 )	( 1,207 )	( 9,358 )
Finance cost total .....	( 12,915 )	( 12,291 )	( 31,474 )	( 27,675 )
Changes in fair value of warrants .....	0	( 10,185 )	0	( 580 )
Net finance income and (finance cost) .....	( 5,441 )	( 20,358 )	( 15,638 )	( 22,971 )

### 11. Gain on sale of subsidiary

In December 2021, Icelandair Group finalized the sale of Iceland Travel. Part of the sales price was subject to certain performance metrics for 2022 that have now been realized. Revenue in the amount of USD 1.4 million was realized in Q2 2023 related to the sale of the subsidiary. The sales price has now been fully paid.

### 12. 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.

Loans and borrowings are specified as follows:

	30.9.2023	31.12.2022
Non-current loans and borrowings:		
Secured bank loans .....	267,621	236,516
Unsecured loans .....	13,980	19,201
Total loans and borrowings .....	281,601	255,717
Current maturities .....	( 53,411 )	( 48,453 )
Total non-current loans and borrowings .....	228,190	207,264
Current loans and borrowings:		
Current maturities .....	53,411	48,453
Total current loans and borrowings .....	53,411	48,453
Total loans and borrowings .....	281,601	255,717

#### Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.9.2023	31.12.2022
Secured bank loans .....	USD	7.1%	2024-2034	228,007	190,677
Secured bank loans .....	EUR	3.8%	2028	39,614	45,839
Unsecured loans .....	ISK	4.4%	2026-2030	13,980	19,201
Total interest-bearing liabilities .....				281,601	255,717

The Company has two committed credit lines in place with local banks in the total amount of USD 52 million. The lines were undrawn as at 30 September 2023.

## Notes, contd.:

### 12. Loans and borrowings, contd.:

Repayments of loans and borrowings are specified as follows:	<b>30.9.2023</b>	<b>31.12.2022</b>
Repayments in 2023 (3 months)(2022: 12 months) .....	13,926	48,453
Repayments in 2024 .....	64,192	58,501
Repayments in 2025 .....	42,681	36,985
Repayments in 2026 .....	34,285	27,852
Repayments in 2027 .....	20,646	15,096
Subsequent repayments .....	105,871	68,830
Total loans and borrowings .....	<u>281,601</u>	<u>255,717</u>

The Equity Ratio is the Group's main financial debt covenant and must remain in the range of 10-15% for Q3 and Q4 2023.

The Group was not in breach of any financial covenants at 30 September 2023.

### 13. 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	
				30.9.2023	31.12.2022
Lease liabilities .....	USD	4.8%	2023-2033	377,395	331,684
Lease liabilities indexed .....	ISK	5.0%	2023-2038	8,967	9,245
Lease liabilities .....	GBP	2.2%	2024-2025	479	645
Lease liabilities .....	other	5.8%	2023-2028	806	581
Current maturity .....				( 52,636)	( 45,463 )
Total lease liabilities .....				<u>335,011</u>	<u>296,692</u>

Repayments of lease liabilities are specified as follows:	<b>30.9.2023</b>	<b>31.12.2022</b>
Repayments in 2023 (3 months) (2022: 12 months) .....	13,955	45,463
Repayments in 2024 .....	51,606	42,890
Repayments in 2025 .....	50,526	41,541
Repayments in 2026 .....	50,312	41,024
Repayments in 2027 .....	46,427	37,550
Subsequent repayments .....	174,821	133,687
Total loans and borrowings .....	<u>387,647</u>	<u>342,155</u>

Further lease commitments are in place for one B737-800 aircraft scheduled for delivery to Leasing in Q4 2023, three B737 MAX 8 aircraft scheduled for delivery to Route network in Q1 2024, and four A321LR aircraft scheduled for delivery to Route network in Q4 2024 and Q1 2025. In addition a letter of intent has been signed for one B737-800 aircraft now expected to be delivered to Leasing in Q1 2024. Both B737-800 aircraft will be sub-leased to a long-term leasing customer. The total lease liability for these nine aircraft will be approximately USD 270 million.

The expected deliveries of leased aircraft to the Company are shown below:

	Q4 2023	Q1 2024	Q4 2024	Q1 2025	Total
B737-800 .....	1	1			2
B737 MAX 8 .....		3			3
A321LR .....			2	2	4
Total .....	<u>1</u>	<u>4</u>	<u>2</u>	<u>2</u>	<u>9</u>

## Notes, contd.:

### 14. Deferred income

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

Deferred income is specified as follows:	<b>30.9.2023</b>	<b>31.12.2022</b>
Sold unused tickets and vouchers .....	279,121	253,425
Frequent flyer points .....	22,310	18,977
Other prepayments .....	23,476	30,957
Total deferred income .....	<u>324,907</u>	<u>303,359</u>

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 sold tickets with future travel dates amounted to USD 254.3 million (2022: USD 212.3 million) and vouchers amounted to USD 24.8 million (2022: USD 41.1 million). When issued the vouchers were generally valid for 3 years. The validity of covid-related vouchers has been extended by an additional two years from the date of original issuance.

The amount allocated to frequent flyer points is estimated by reference to the fair value of the discounted services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the discounted services for which the points, granted through a customer loyalty program, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. That amount is recognized as deferred income.

Other prepayments consist mainly of prepayments for packages and charter flights.

### 15. Financial instruments and fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Consolidated 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:

	30.9.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging .....	10,622	10,622	1,209	1,209
Unsecured bond issue .....	( 13,980 )	( 13,038 )	( 19,201 )	( 18,008 )
Secured loans .....	( 267,621 )	( 269,550 )	( 236,516 )	( 234,488 )
Lease liabilities .....	( 387,647 )	( 387,647 )	( 342,155 )	( 342,155 )
Total .....	<u>( 658,626 )</u>	<u>( 659,613 )</u>	<u>( 596,663 )</u>	<u>( 593,442 )</u>

### 16. Capital commitments

On 6 July 2023, the Group finalized an agreement with Airbus relating to the purchase of 13 A321XLR aircraft with purchase right for additional 12 aircraft. The aircraft deliveries will commence in 2029.

## Notes, contd.:

### 17. Group entities

The Company held the following significant subsidiaries at the end of September 2023:

	Ownership interest	
	Q3 2023	2022
IceCap Insurance PCC Ltd. ....	100%	100%
Icееignir ehf. ....	100%	100%
Icelandair ehf. ....	100%	100%
CAE Icelandair Flight Training ehf. ....	67%	67%
Flugfélag Íslands ehf. ....	100%	100%
Icelandair Cargo ehf. ....	100%	100%
FERIA ehf. ....	100%	100%
Lofleiðir - Icelandic ehf. ....	100%	100%

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

### 18. 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 in the current period.

	2023	2022	2023	2022
	Q3	Q3	YTD	YTD
Investment and financing without cash flow effect:				
Acquisition of right-of-use assets .....	( 545 )	( 48,448 )	( 73,950 )	( 122,446 )
New or renewed leases .....	545	48,448	73,950	125,808
Gain on sale due to sales and leaseback .....	0	0	0	90
Non-current receivables .....	0	0	0	( 3,452 )
Loans and borrowings .....	0	0	0	8,927
Trade and other payables .....	0	0	0	( 8,927 )
Warrants .....	0	( 12,322 )	0	( 18,761 )
Retained earnings .....	0	12,322	0	18,761

## Alternative performance measures (APMs)

<b>Traffic</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Q3</b>	<b>Q3</b>	<b>YTD</b>	<b>YTD</b>
Available seat-kilometers (ASKm.) .....	5,543	4,820	12,124	10,127
RASK (US cents) .....	9.3	9.2	8.7	8.3
CASK (US cents) .....	7.3	7.4	8.2	8.2
CASK less fuel (US cents) .....	5.3	4.7	6.1	5.6
Revenue seat-kilometers (RPKm.) .....	4,683	4,220	10,049	8,194
Passengers total .....	1,530,225	1,430,002	3,375,487	2,842,036
On-Time-Performance (OTP) .....	77.9%	70.0%	77.0%	71.8%
Passenger flights .....	5,781	5,228	13,135	11,358
Passenger load factor .....	84.5%	87.6%	82.9%	80.9%
Sold Block Hours - Leasing .....	4,007	4,027	11,537	10,748
Freight ton kilometers (FTK '000) .....	44,993	29,661	134,140	98,842
Total CO2 emissions tons .....	383,069	339,228	846,070	728,262
CO2 emissions per OTK .....	0.74	0.73	0.75	0.77
<b>Passenger mix</b>				
To .....	685,513	591,708	1,432,317	1,184,033
From .....	157,919	154,267	467,989	402,703
Via .....	615,597	611,918	1,275,001	1,064,972
Within .....	71,196	72,109	200,180	190,328
<b>Capital structure</b>			<b>30.9.2023</b>	<b>31.12.2022</b>
Total cash and marketable securities (USD '000) .....			371,701	266,411
Liquidity (USD '000) .....			423,701	318,411
Net interest-bearing debt (USD '000) .....			( 90,100 )	( 10,694 )
Net lease liabilities (USD '000) .....			384,641	336,392
Net financial liabilities (USD '000) .....			294,542	325,698
Current ratio .....			0.86	0.74
Equity ratio .....			0.21	0.19
Intrinsic value of share capital .....			1.08	0.88
<b>Other</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Q3</b>	<b>Q3</b>	<b>YTD</b>	<b>YTD</b>
Effective fuel price (USD pr. Metric ton) .....	910	1,227	947	1,150
CAPEX, gross (USD '000) .....	16,501	55,749	104,420	252,039
CAPEX, net (USD '000) .....	16,396	54,693	103,629	141,015
FTE .....	4,070	3,457	3,653	3,043



## Alternative performance measures (APMs), contd.:

### Traffic

Available seat-kilometers (ASK) ....	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 operating and depreciation cost per available seat kilometer is calculated by dividing total operating and depreciation cost on a given flight by available seat kilometers (ASK) on that flight
CASK less fuel .....	Total operating and depreciation cost per available seat kilometer less fuel is calculated by deducting cost of fuel, fuel hedges, carbon emissions trading expenses and de-icing from total operating and depreciation cost and divide by total available seat kilometers (ASK)
Revenue seat-kilometers (RPK) ....	The number of revenue passengers carried on scheduled flights multiplied by the number of kilometers those seats were flown
Passengers total .....	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
On-Time-Performance (OTP) .....	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, belly freight and mail according to a published timetable for which it receives commercial remuneration
Passenger load factor .....	Calculated by dividing RPK by ASK
Sold Block Hours - Leasing .....	Sold Block hours in the leasing operation. Block Hours is 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
Freight ton kilometers (FTK) .....	The number of tons of freight carried, obtained by counting each ton of freight on a particular flight (with one flight number)
Total CO2 emissions tons .....	Carbon emission from all operations, including scope 2 and 3 emissions, measured in tons
CO2 emissions per OTK .....	Carbon emission measured relative to one ton of carried passengers and cargo loads one kilometer
Passenger mix:	
To .....	Passenger visiting Iceland
From .....	Passengers originating in Iceland visiting destinations outside of Iceland
VIA .....	Passengers traveling across the Atlantic connecting in Iceland
Within .....	Passengers traveling solely 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
Intrinsic value of share capital .....	Indicates the book value of each share and is calculated by dividing total equity with share capital

## Alternative performance measures (APMs), contd.:

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### Other

Effective fuel price .....	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. ton)
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

