

Q3 2022 results

21 October 2022



Highlights

Robust third quarter results with USD 58 million profit

EBIT USD 93 million

19% EBIT margin

Highest ever passenger revenue in a single quarter

Unit cost excluding fuel 8% below last year

Significant EBIT improvement of USD 85 million year-on-year



Strong financial position

Total liquidity at USD 372 million

Equity ratio 20%

One B737 MAX 8 aircraft purchased, financed with cash

B767-300 freighter added to the fleet



Route network capacity 82% of 2019 level

Disruptions at outstations negatively impacting our customers' experience and OTP

Operational stability at our hub in Keflavik

Over 50% of trips flown on B737 MAX



Full year 1-3% EBIT margin expected

Resilient bookings in all our markets especially out of N-America

Capacity in Q4 22 98% of 2019 levels

Year-on-year unit revenue improvement expected to continue into Q4 but at lower levels than in previous quarters

The guidance is subject to change in case of unforeseen economic development

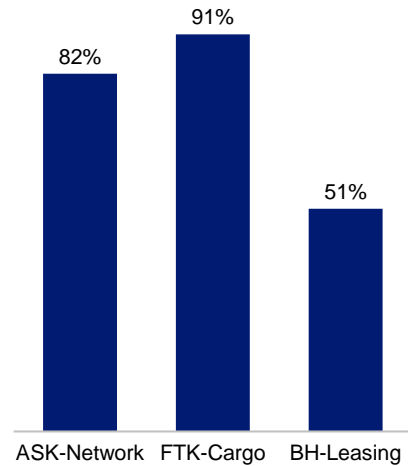


Record load factor of 87.7%

Number of passengers doubled with more balanced mix between main markets

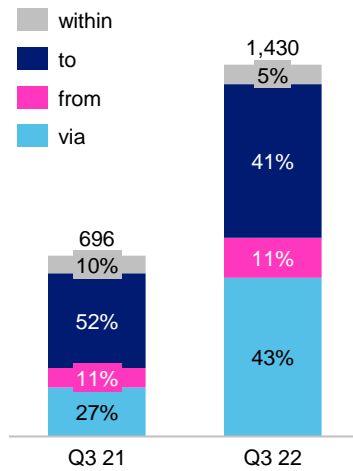
Main KPI's

As % of 2019



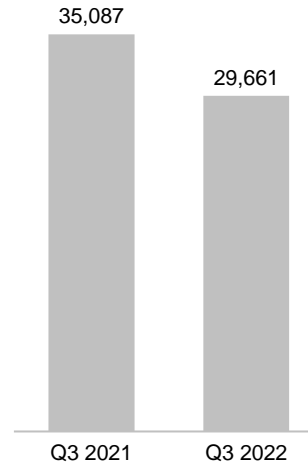
Passenger mix

Thousands



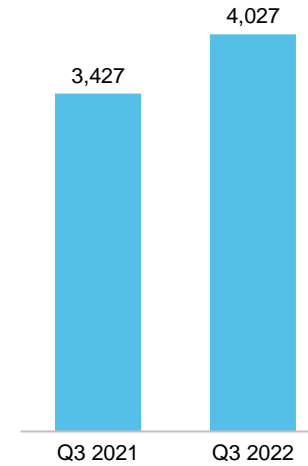
Freight ton kilometers

FTK '000



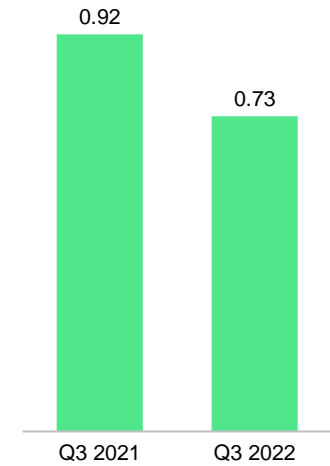
Sold block hours

Leasing operation



CO2 emissions

Per OTK*



Achieving great results as in the third quarter this year has required a joint effort of all our employees, who have shown incredible dedication and worked hard through every challenge



Financials

Ívar Sigurður Kristinsson, CFO

Strong third quarter results with 19% EBIT ratio

The business model proves it's strength

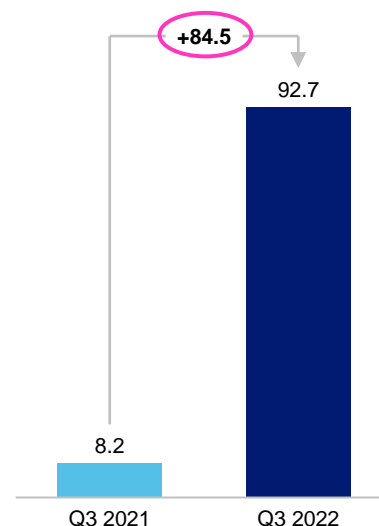
Profit loss statement

USD million

USD million	Q3 2022	Q3 2021	Change
Transport revenue	451.7	208.5	243.2
Aircraft and aircrew lease	13.5	9.6	3.9
Other operating revenue	21.5	39.4	-17.9
Operating income	486.7	257.5	229.2
Salaries and salary related	74.8	60.4	14.4
Aviation expenses	205.5	90.2	115.4
Other operating expenses	80.0	66.5	13.5
Operating expenses	360.3	217.1	143.2
Depreciation and amortization	33.7	32.2	1.5
EBIT	92.7	8.2	84.5
EBIT ratio	19.0%	3.2%	-
EBT	73.8	21.3	52.5
Net profit	57.9	19.6	38.2

EBIT

USD million



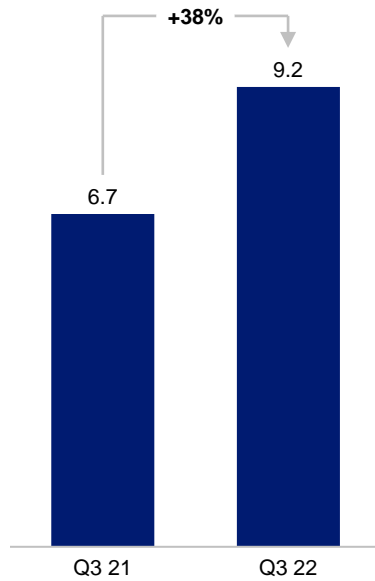
- Robust revenue generation
- Highest passenger revenue ever; record load factor and improved yields
- Cargo and leasing continue to positively contribute to the overall results
- Other operating revenue declining due to divestment of Iceland Travel
- Increase in capacity along with 78% higher average fuel price are the main drivers for higher expenses
- Disruptions at European airports caused increased service cost



Unit revenue up 38% year-on-year

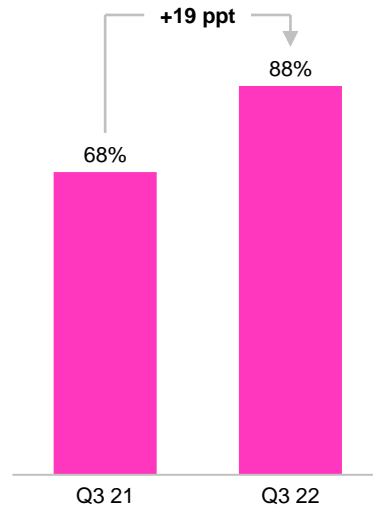
Record load factor and improved yields

RASK*
US cent



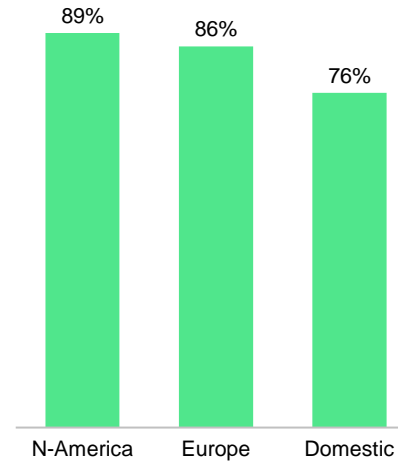
Load factor

% Q3 2021 vs Q3 2022



Load factor

% per route market



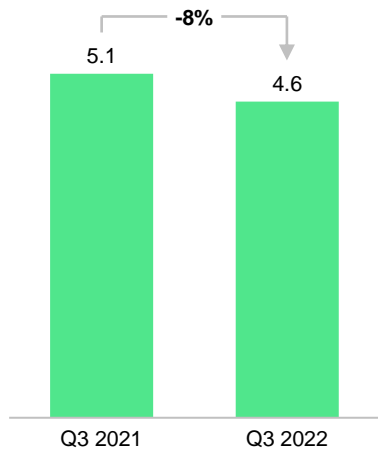
Main changes in RASK

- Higher yields and record load factor on significantly higher production
- Positive development in yields in all markets and in both cabins

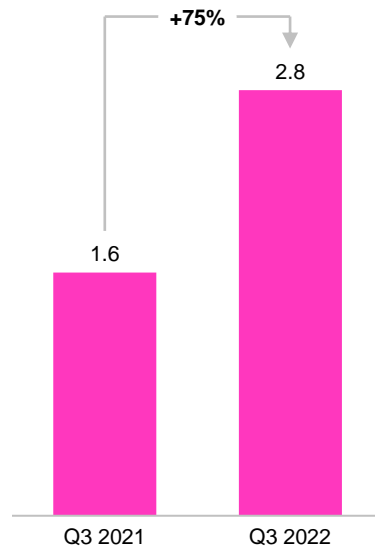


Unit cost excluding fuel down by 8%

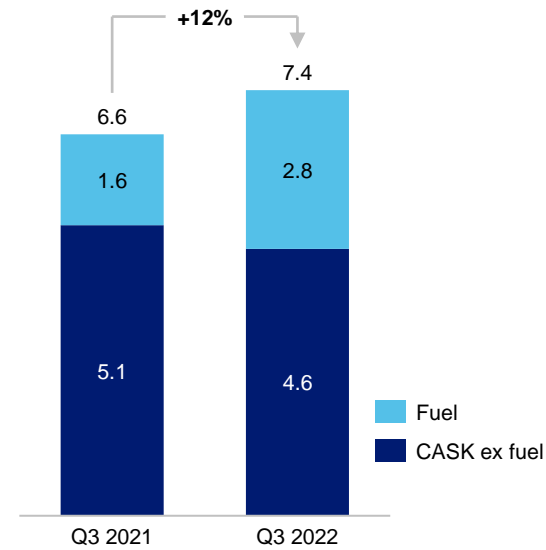
CASK excluding fuel
US cent



Fuel CASK
US cent



CASK
US cent

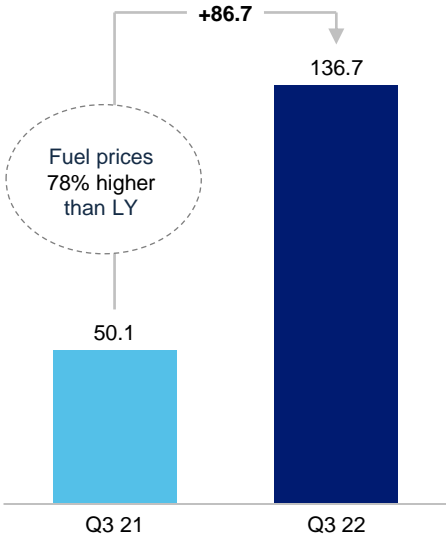


- Better utilization of the asset base with increased capacity
- USD FX development favorably impacting unit cost exc. fuel
- More flights on the B737 MAX fleet had positive impact on unit fuel costs

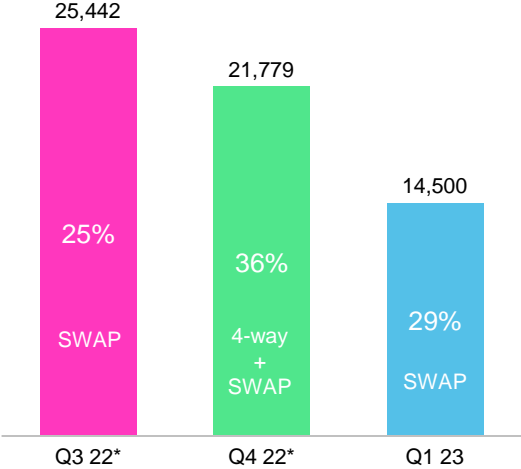


High fuel price and more production driving higher fuel cost

Fuel cost
USD million

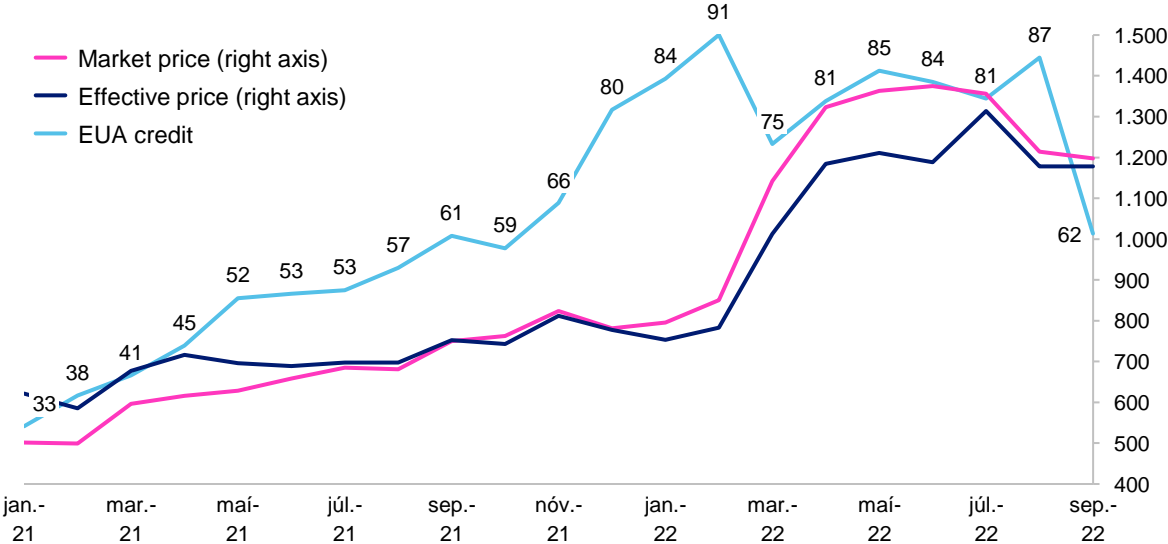


Hedge contracts and ratios
Hedged ton, Hedge Ratio %



*Hedge positions as of 15th of October

Average Fuel and EUA credit prices
Floating and effective: USD / mt
EUA: EUR / Credit

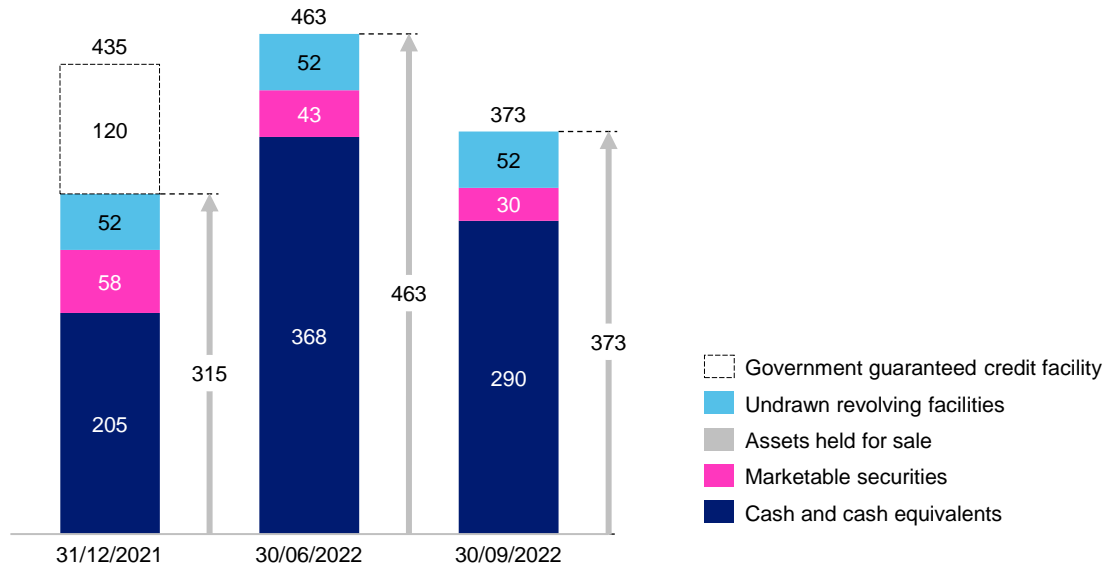


*Market price includes add-on, handling and fuel delivery costs.
*Effective price includes all the same expenses in addition to fuel hedges.

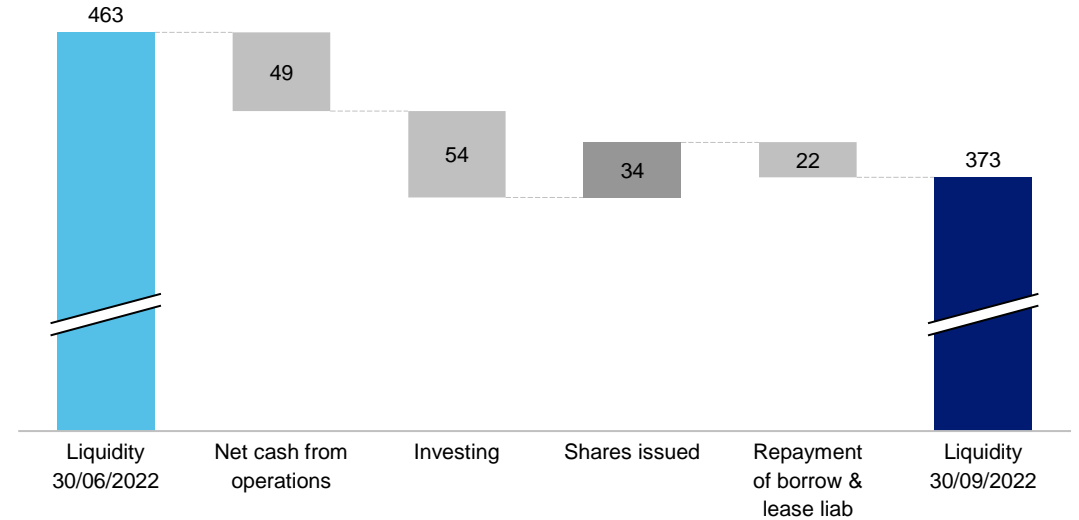
Total liquidity USD 373 million at the end of Q3 2022

Cash and marketable securities decreased by USD 90 million during the quarter

Total liquidity
Breakdown in USD million



Liquidity development
Q3 2022 in USD million



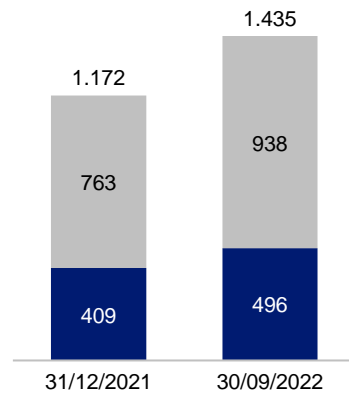
Total assets amounting to USD 1.4 billion

Equity ratio 20%

Assets

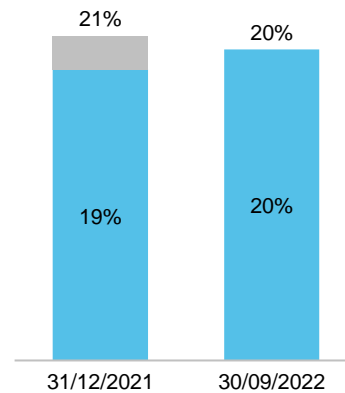
USD million

- Non-current assets
- Current assets



Equity ratio

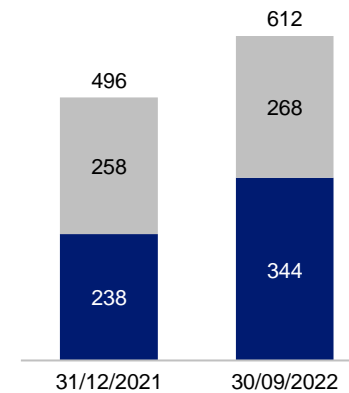
- Equity ratio excl. warrants
- Equity ratio



Financial liabilities

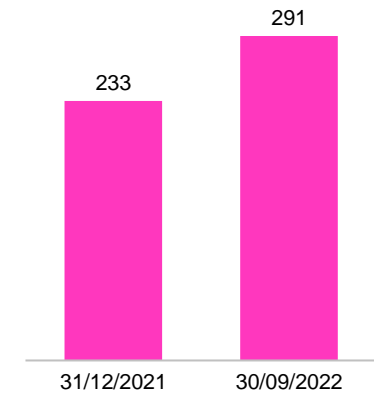
USD million

- Interest bearing debt
- Lease liabilities



Net financial liabilities

USD million



Key takeaways and outlook

Bogi Nils Bogason, CEO

Challenging operational condition



Home operation in Keflavik consistent

Recruitment went well in our airport operation in our hub in Keflavik
All positions for the summer were filled and the operation was consistent during high season



Disruptions at outstations

Staffing issues at major international airports this summer negatively affected our on-time performance (70%)
High frequency and diverse departure times within each day in our route network minimized the impact on Icelandair passengers



Slowdown in supply chains

Delays of large maintenance checks in the domestic fleet into the summer and slowdown in supply chain resulted in disruptions in our domestic flight schedule



Customer NPS below targets

Via and Domestic markets lagging behind. Significant focus on delivering service in line with our customers expectations

The route network is at the heart of our business model

50
Destinations

677 origin and destination markets served within network
Countless others through partnerships

3 connection banks

3 new destinations last summer
Rome, Nice, Raleigh-Durham

Day flights to North America
Departure around 10 AM GMT

High frequency and diverse departure times



Strong infrastructure supports our revenue generation

Icelandair strong brand as a base in all markets

Premium cabin on all international routes

Refocused pricing strategy resulted in record utilization of Premium cabin

Important contribution to unit revenue growth

200,000 active members in our Saga Club

- Industry leading points and cash offering

Strong sales network

Broad distribution and strong local sales presence in core markets

Sales offices in Europe and US

- Boston, Copenhagen, London, Frankfurt, Paris, Amsterdam and Reykjavik

Local sales representatives at various other locations

Effective distribution channels

Icelandair distribution channels



- Icelandair own sales
- Travel agent and tour operators
- Internet companies
- Consolidators and other

Strategic partnerships

Partnership agreements driving around 10% of passenger revenue

Partners include JetBlue, Alaska Airlines, SAS, Finnair, airBaltic and more



Valuable ecosystem of businesses

Cargo and Leasing supporting Icelandair's core business and profitability



Strategy of simplifying the operation is delivering benefits



Divestment of non-core assets

- Icelandair Hotels in 2020
- Iceland Travel in 2021



Integration of subsidiaries into the core business

- IGS merged with Icelandair in 2018
- Fjárvakur shared services merged with Icelandair in 2019
- Air Iceland Connect merged with Icelandair in 2020
- VITA travel agency merged with Icelandair in 2022



Our strategy has resulted in a stronger business

- More focus
- Simpler operation
- Increased efficiency
- Product and revenue opportunities unlocked
- Higher service level for our customers



Two Boeing 767 freighter aircraft added to expand service across the North Atlantic

Shortest and simplest connection between Europe and N-America

The hub is an addition to the belly space capacity in the passenger route network



Four freighter destinations in the new cargo network

- Flights expected to start in January 2023
- Flights offered to Liege in Europe and New York JFK, Chicago and Los Angeles in the US
- Trucking services offered to multiple cities both in Europe and the US

Our warehouse at KEF airport extended to accommodate more freight

- New building 50% larger than existing building
- Restructuring of flow and throughput in the new warehouse
- Investments in facilities to handle products like pharma and other special products

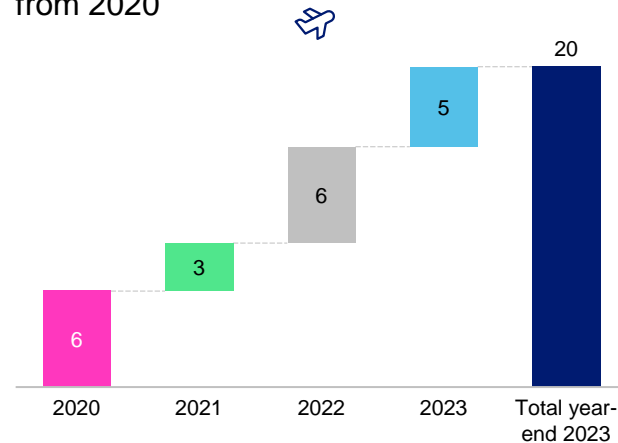


Icelandair 737 MAX fleet will grow to 20 aircraft by year-end 2023

Fleet campaign in progress for deliveries beyond 2024

Continued fleet renewal with Boeing 737 MAX

Delivery overview from 2020



Commitment for five additional Boeing 737 MAX

Purchase agreement signed for four 737 MAX

- One delivered at end of Q3 2022 financed with cash on hand
- Remaining three scheduled for delivery in Q4 2022 and Q1 2023
- Up to 80% debt financing being sourced






Lease agreements signed for two 737 MAX scheduled for delivery in Q4 2023

Future fleet campaign in progress

- Request for Proposal (RFP) to Boeing, Airbus and Engine manufacturers
- Goal is to efficiently secure delivery stream of aircraft throughout this decade
- Supports replacement of the B757 and future growth of the fleet



Guidance

-  Capacity in the route network expected to be 98% of 2019 levels in the fourth quarter of the year
-  Operating environment remains challenging; interest rates and cost on the rise which is likely to impact demand
-  Booking status in Q4 resilient despite economic uncertainty
-  Year-on-year unit revenue improvement expected to continue into Q4 but at lower levels than in previous quarters
-  EBIT margin 1-3% expected for total year 2022

Q&A

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