

Q3 2021 results

21 October 2021



Highlights

Q3 2021

Net profit USD 19.6 million

EBIT amounted to USD 8.2 million, increasing from USD 3.5 million last year

Successful ramp-up and strong cargo operation drive results



Successful ramp-up

Capacity increased sixfold compared to last year and was 50% of Q3 2019

40 international and domestic destinations served

700 thousand passengers

68.2% load factor

86% on-time-performance



Further strengthening of liquidity

Positive net cash from operations USD 25 million

Total liquidity USD 454 million



Positive outlook

Strong booking trends

Planned capacity on international routes 65% of 2019 capacity in Q4 2021 and 80% in 2022

Continued favorable trends in cargo operation

Improved outlook for ad-hoc and long-term charter projects

High fuel price will negatively affect profitability



Financials

Ívar Sigurður Kristinsson, CFO

Net profit of USD 19.6 million in Q3 2021

Net profit driven by successful ramp up and strong cargo operations

Total revenue increased by 149%

- Passenger revenue up by USD 135 million
- Strong cargo revenues in all markets
- Aircraft and aircrew lease revenues recovering
- Included in other revenue last year is compensation due to loss incurred from the MAX suspension

Higher fuel prices negatively impact profit margins

- Average fuel price 60% higher than in Q3 2020

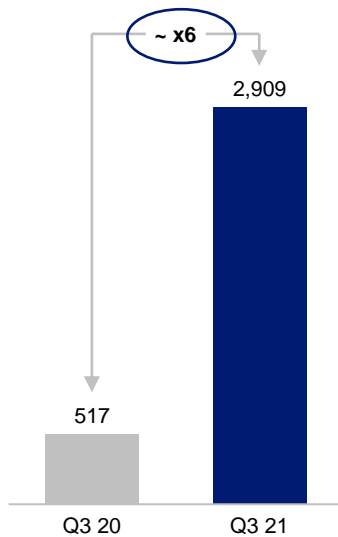


USD million	Q3 2021	Q3 2020	Change
Transport revenue	206.8	56.1	150.8
Aircraft and aircrew lease	9.6	4.4	5.2
Other operating revenue	41.1	43.1	-2.0
Operating Income	257.5	103.6	153.9
Salaries and other personnel expenses	60.4	29.0	31.4
Aviation expenses	90.2	23.0	67.2
Other operating expenses	66.5	18.7	47.9
Operating Expenses	217.1	70.7	146.4
Depreciation and amortization	32.2	29.5	2.8
EBIT	8.2	3.5	4.7
EBIT ratio	3.2%	3.3%	-0.2 ppt
EBT	21.3	15.4	5.9
Net Profit	19.6	38.2	-18.5

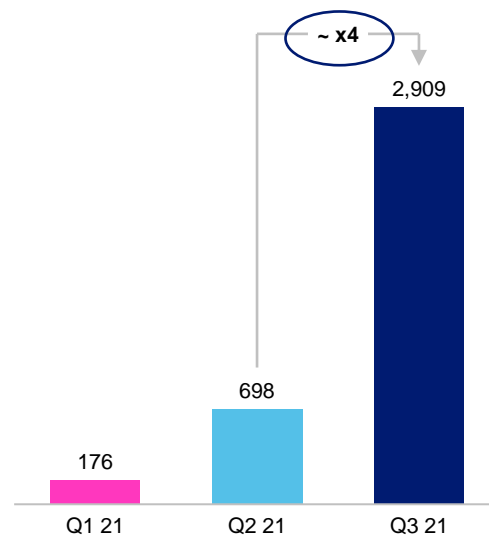


Capacity in the international route network increased sixfold compared to Q3 2020

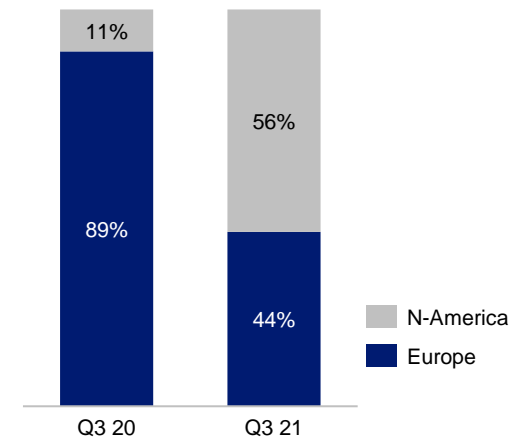
Total ASK in Q3
2020 vs 2021 in millions



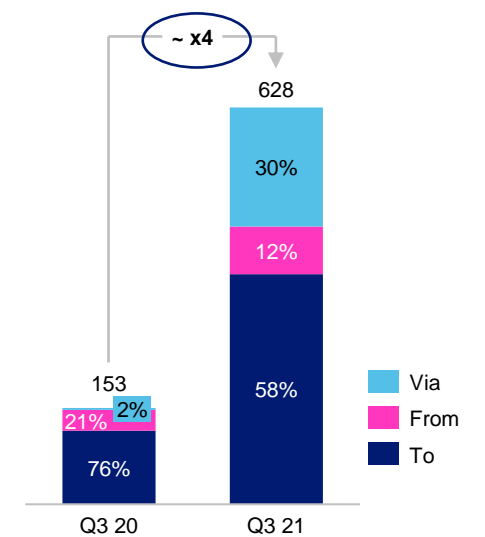
ASK per quarter 2021
in millions



ASK split in Q3
2021 vs 2020

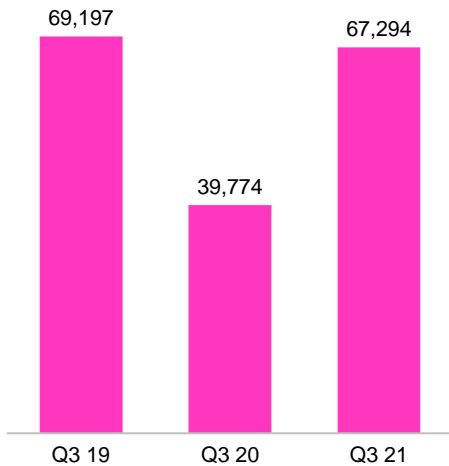


Passenger split
in thousands

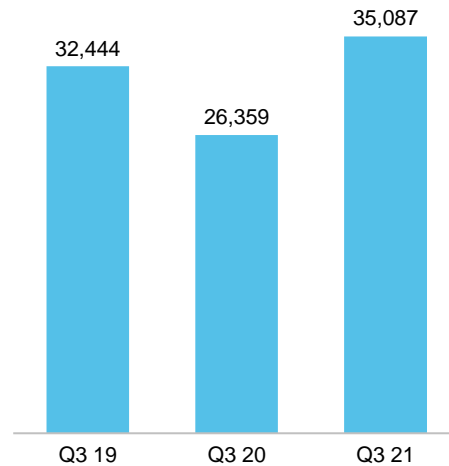


Cargo operations continued to be strong and number of domestic passengers reached pre-COVID levels

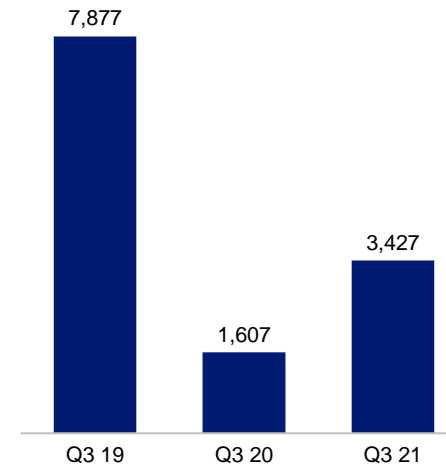
Domestic passengers



Freight ton kilometers
FTK '000



Sold block hours
Loftleidir



Domestic capacity and number of passengers near pre-COVID levels

Freight carried increasing by 33% year-on-year and 8% more than in Q3 2019

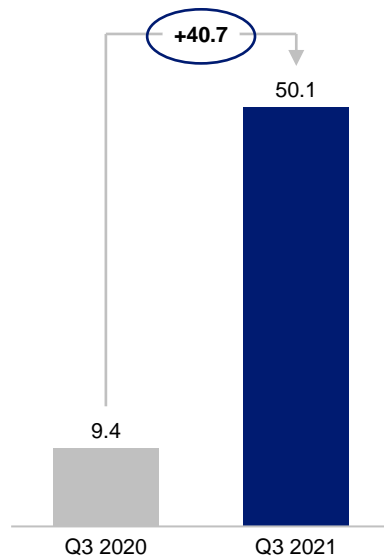
Export and import were strong, and transit freight continued to increase significantly

The number of sold block hours doubled from last year due to an increase in long-term projects and new ad-hoc flights

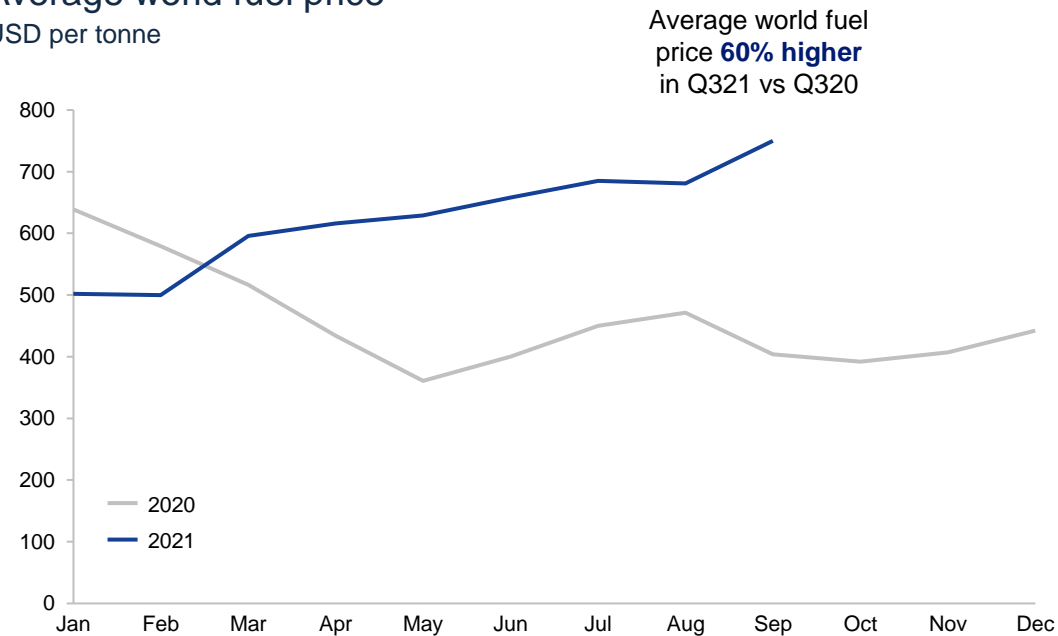


60% higher average world fuel price and more production driving higher fuel cost

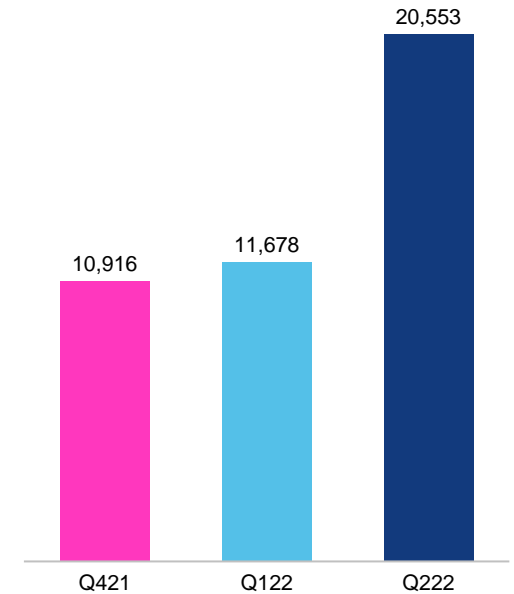
Fuel cost
USD million



Average world fuel price
USD per tonne



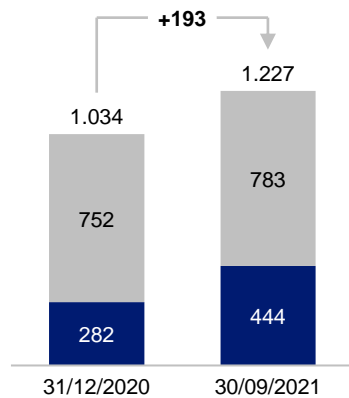
Open hedge contracts



Strong equity ratio and net financial liabilities decreasing

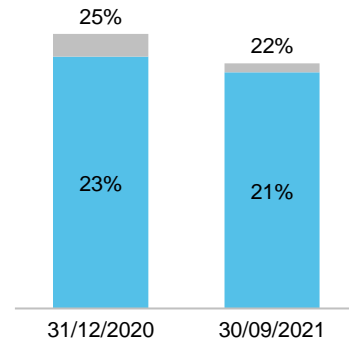
Assets
USD million

■ Non-current assets
■ Current assets



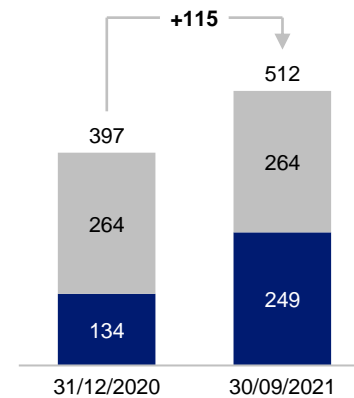
Equity ratio without warrants

■ Warrants
■ Equity ratio

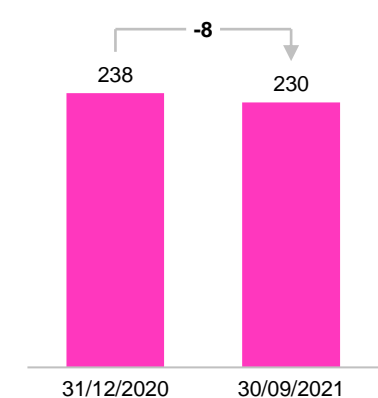


Financial liabilities
USD million

■ Interest bearing debt
■ Lease liabilities



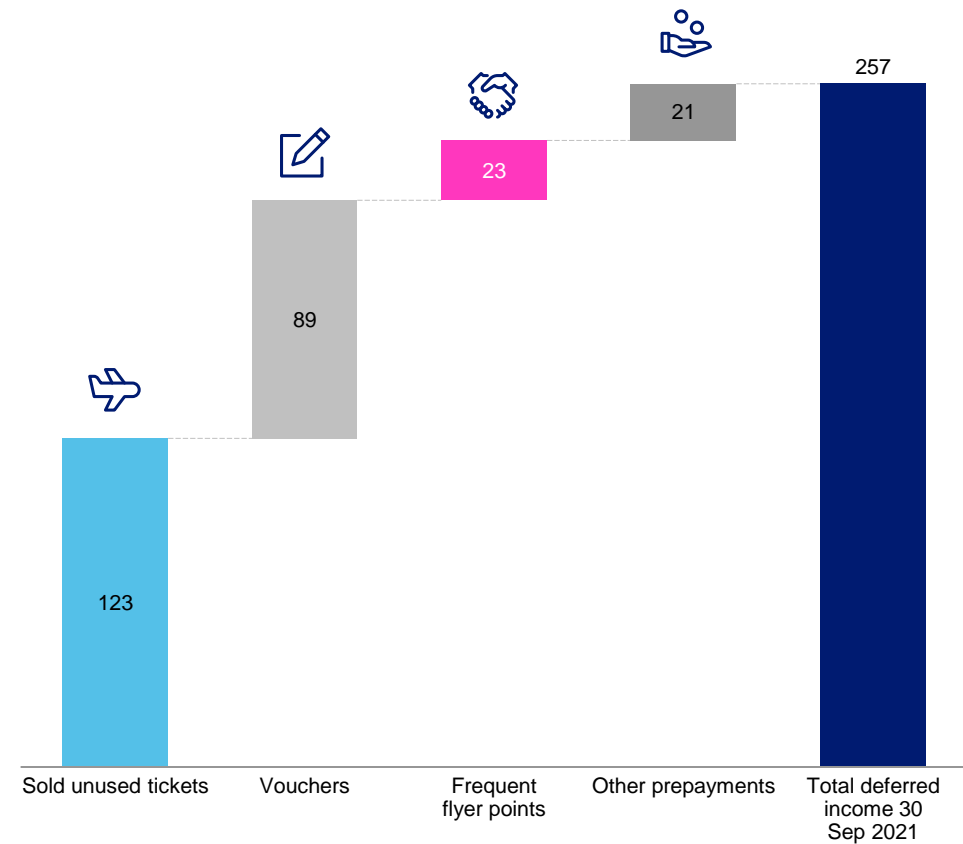
Net financial liabilities
USD million



Deferred income
USD 256.7 million

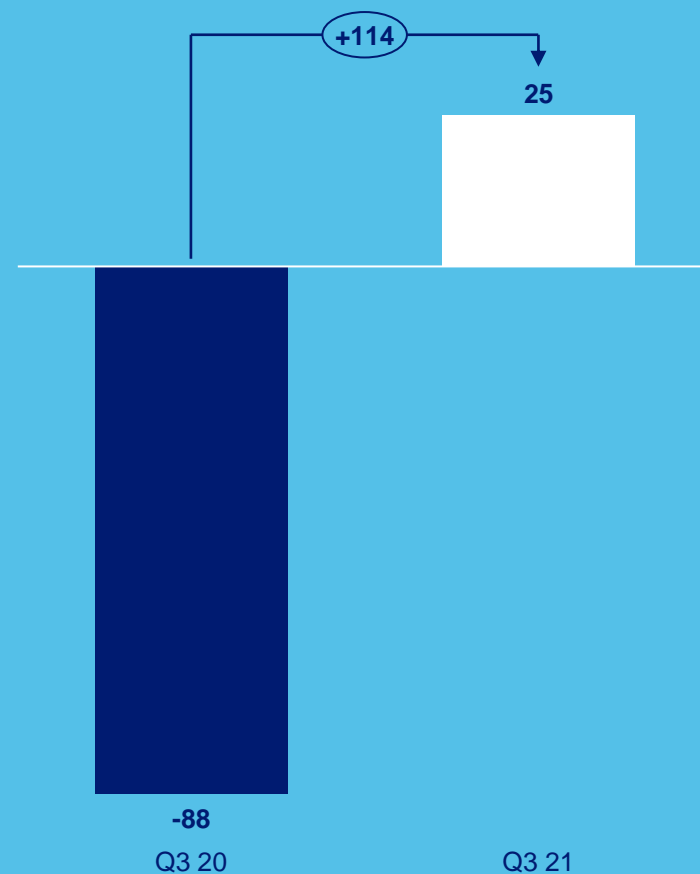
A decrease of
USD 44.6 million
from last quarter

Deferred income breakdown
USD million



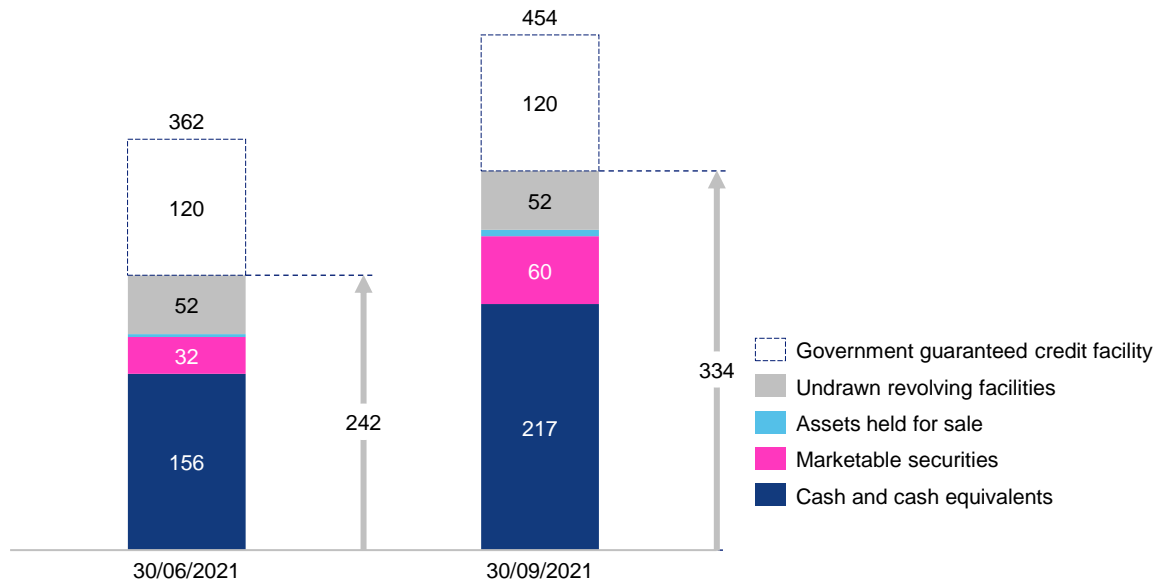
**USD 25 million positive
net cash flow from
operations in Q3 2021**

**Significant
improvement
from last year**

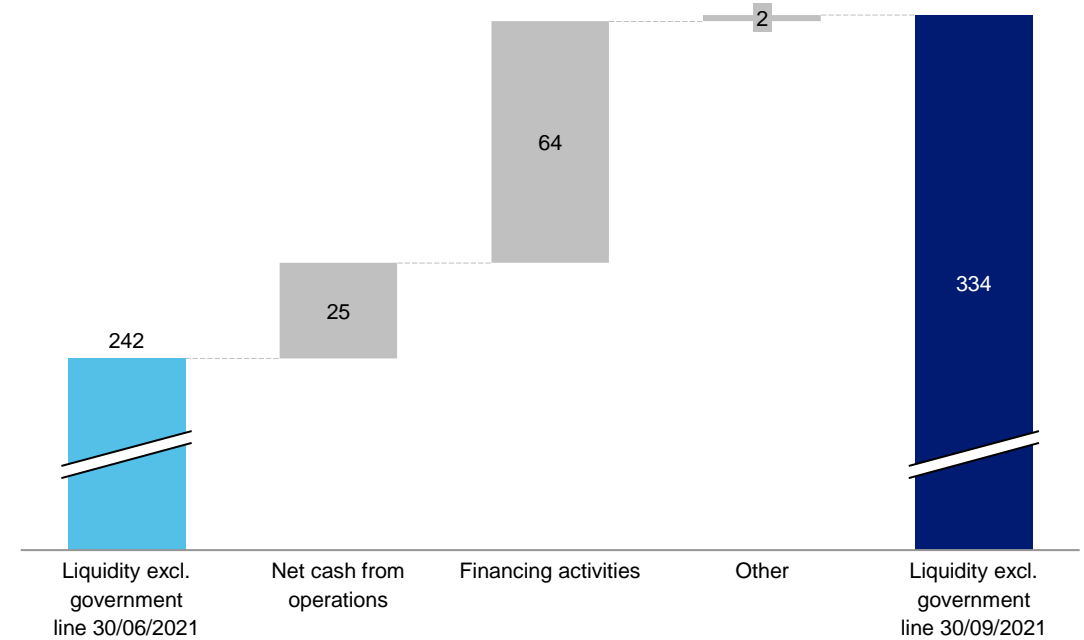


Further strengthening of liquidity in Q3 2021

Total liquidity
Breakdown in USD million



Liquidity, less Government facility
Development in Q3 2021 in USD million



Financing of three Boeing 737 MAX secured

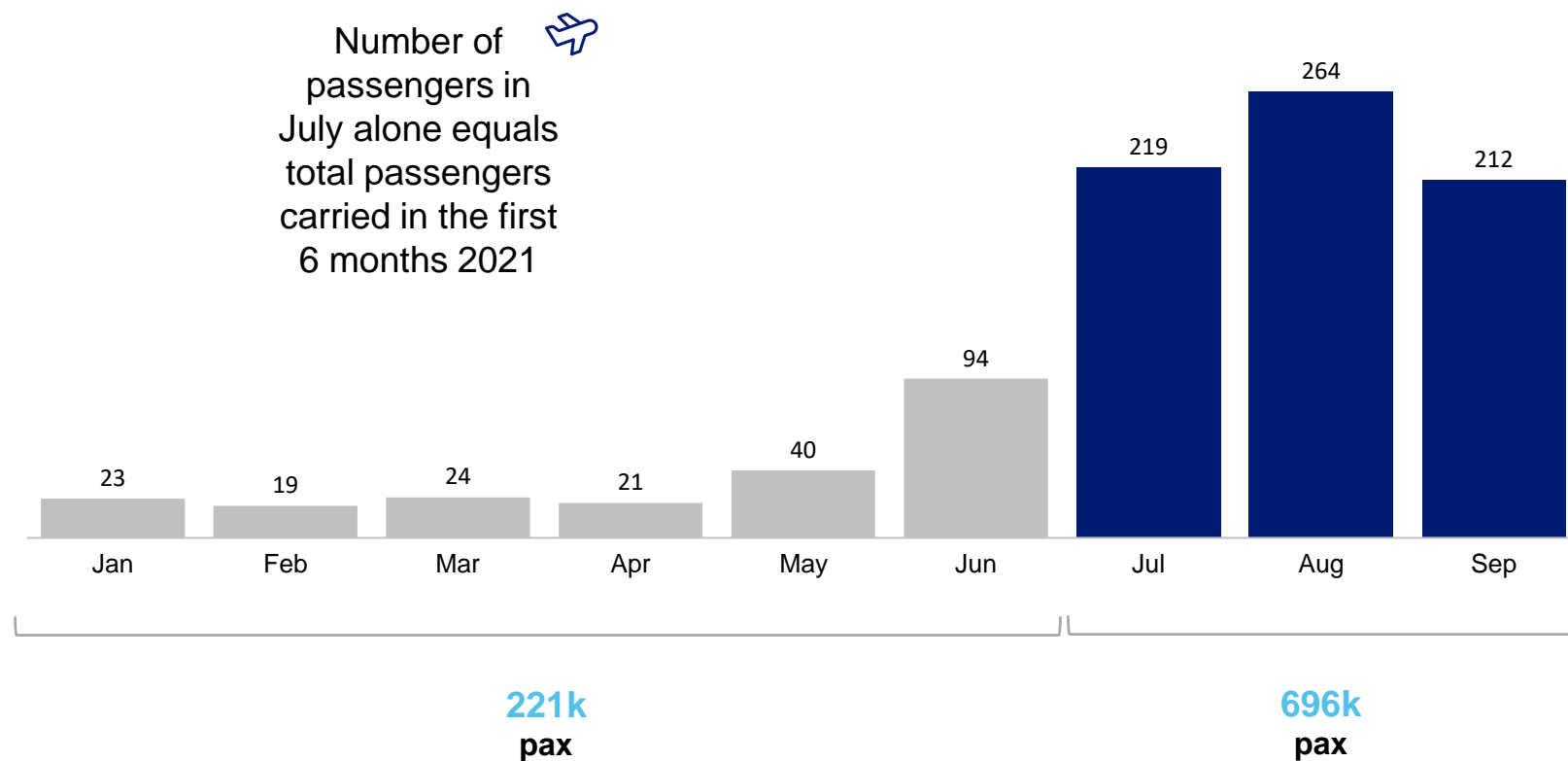
- For delivery in December 2021 and January 2022
- Sale and leaseback of two Boeing 737 MAX8
- Asset-backed loan for one Boeing 737 MAX9
- Favorable agreements

Business update and outlook







Bogi Nils Bogason, CEO

Flexibility
is our main
strength

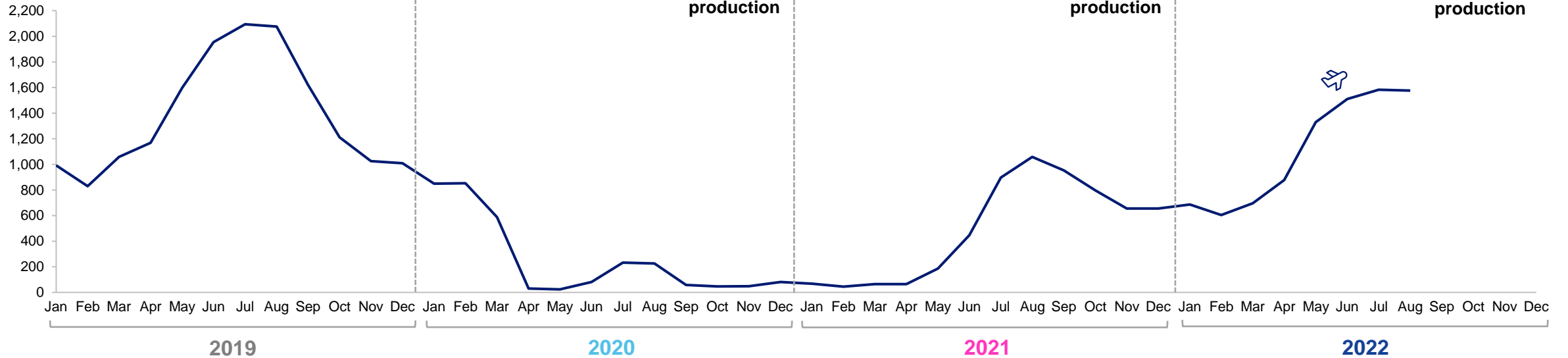
Number of passenger per month 2021
in thousands



Positive signs in all passenger markets

-  The opening of the US borders on 8 November marks the accessibility of all the company's markets
-  Capacity on international routes will be 65% of Q4 2019; 11 destinations in North America and 15 destinations in Europe
-  Strong booking trends in all markets
-  Positive outlook in the domestic operation
-  Fuel price on the rise, the benefit of the MAX increasing
-  Crew cost impacted by MAX training in preparation for additional MAX aircraft in coming months

No of ASK'000



Planned international capacity in 2022 equals 80% of 2019 with 38 destinations and ~400 flights in peak week

Further additions of MAX for summer 2022

- Icelandair is currently looking into adding up to three aircraft for summer 2022
- Favorable conditions in the commercial aircraft market
- Discussions with aircraft lessors are progressing well and expected to be concluded before year-end



Strong outlook for Icelandair Cargo

- Freight volumes have exceeded pre-COVID levels
- Demand continues to be robust for export and the growth in import is strong
- The transit market has been the fastest growing market this year and the forward outlook is very positive
- Two B767 freighters added in September 2022



Improved outlook in the global charter market

- Loftleidir Icelandic has secured new short-term projects in Q4 2021, including flights to the South Pole
- Flights around the world for international tour operators expected to resume at the end of Q1 2022
- Other revenue streams in the coming months are dependent on the development of COVID and related travel restrictions in Loftleidir's diverse markets



Key takeaways



Net profit generated in challenging environment



Very strong financial position



All markets opening up and positive overall booking trend



Flexibility of the route network and excellent employees our core strength in seizing opportunities

