

ICELANDAIR: THE HIGHEST REVENUE QUARTER EVER – PROFIT OF USD 85 MILLION IN Q3 2023

- Profit of USD 84.5 million, up by USD 26.6 million year-on-year
- EBIT of USD 112.0 million compared to USD 92.7 million last year
- Total revenue of USD 560.4 million, the highest in history in one quarter, and increased by 17% year-on-year
- Record Q3 unit revenue (RASK) of 9.3 US cents, increasing by 1% between years; passenger unit revenue increased more, by 3%
- Cargo operation had a negative impact on EBIT by USD 6.7 million
- 1.5 million passengers carried
- 16% increase in the market to Iceland
- Equity ratio increases to 21% compared with 19% at the beginning of the year
- Strong liquidity position of USD 423.7 million
- EBIT ratio for the full year 2023 forecasted 3.3 - 4.3%

BOGI NILS BOGASON, PRESIDENT & CEO

„We are pleased to deliver such strong results in our largest and most important quarter. Profits were driven by strong revenue generation in our passenger network resulting in the strongest revenue in one quarter in our history. Our route network operations were robust in the quarter with improved on-time performance. Our flight schedule was also the largest ever in terms of trips. We transported 1.5 million passengers to 49 destinations in Europe and North America. We recruited around 1,000 employees for the high season, bringing the total number of employees to around 4,400 during the summer.

Our cargo business continued to be challenging and negatively impacted our financial performance. We are taking actions to improve the operation, including adjusting capacity to demand. However, the results of our leasing operation continued to be favorable.

The outlook in our passenger network is good and the booking status throughout the year and into next year is stronger than at the same time last year. We see continued strong demand in the tourist market to Iceland, especially from North America. Rapid growth has characterized our operations in the past years with our flight schedule almost tripling in the past two years. We are expecting moderate growth next year and therefore see opportunities to improve operational efficiency. We will increase our capacity by around 10% next year and will add frequency to existing destinations as well as add some new and exciting ones that will be announced soon.

With our strong financial position, clear strategy and focus, extensive sales network and strong airline partnerships, we are well positioned for the future. I would like to thank our customers for continuing to choose Icelandair and our employees for their great work this summer. I look forward to our continued pursuits together.“

WEBCAST 20 OCTOBER 2023

An investor presentation will be webcast in relation to the publication of the results at 8:30 GMT on Friday, 20 October, at <https://icelandairgroup.is>. Bogi Nils Bogason, President & CEO of Icelandair Group, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. **The presentation and Q&A will take place in English.** The presentation will be available after the meeting on the Icelandair Group website: <https://icelandairgroup.is> and under Company News on <http://www.nasdaqomxnordic.com/news/companynews>

HIGHLIGHTS

		Q3 2023	Q3 2022	Change	9M 2023	9M 2022	Change
Operating results							
Total income	USDk	560,357	486,727	73,630	1,207,792	974,337	233,455
of which passenger revenue	USDk	508,044	433,447	74,597	1,031,312	812,217	219,095
Total operating cost	USDk	412,304	360,278	52,026	1,036,225	852,010	184,215
EBIT	USDk	112,015	92,720	19,295	71,244	35,588	35,656
EBT	USDk	106,204	73,809	32,395	56,443	13,446	42,997
Profit	USDk	84,464	57,871	26,593	48,988	11,972	37,016
Balance sheet and cash flow¹							
Total assets	USDk	-	-	-	1,612,023	1,411,173	200,850
Total equity	USDk	-	-	-	336,572	273,386	63,186
Interest bearing financial liabilities	USDk	-	-	-	669,249	597,872	71,377
Net financial liabilities	USDk	-	-	-	294,542	325,698	-31,157
Total liquidity position	USDk	-	-	-	371,701	266,411	105,290
Net cash from operating activities	USDk	-41,441	-49,110	7,669	240,593	156,485	84,108
CAPEX, gross	USDk	16,501	55,749	-39,248	104,420	252,039	-147,619
CAPEX, net	USDk	16,396	54,693	-38,297	103,629	141,015	-37,386
Key Ratios							
EPS	US cent	0.21	0.16	0.05	0.12	0.04	0.08
Equity ratio ¹	%	-	-	-	20.9%	20.0%	0.9 ppt
EBIT ratio	%	20.0%	19.0%	0.9 ppt	5.9%	3.7%	2.2 ppt
RASK ²	US cent	9.32	9.22	1%	8.74	8.32	5%
CASK ²	US cent	7.28	7.42	-2%	8.21	8.22	0%
CASK less fuel ²	US cent	5.22	4.66	12%	6.08	5.56	9%
Traffic figures							
Passenger flights	no.	5,781	5,228	11%	13,135	11,358	16%
Passengers total	no.	1,530,224	1,430,002	7%	3,375,487	2,842,036	19%
To Iceland	no.	685,513	591,708	16%	1,432,316	1,184,033	21%
From Iceland	no.	157,919	154,267	2%	467,989	402,703	16%
Via Iceland	no.	615,597	611,918	1%	1,275,001	1,064,972	20%
Within Iceland	no.	71,196	72,109	-1%	200,180	190,328	5%
Passenger load factor	%	84.5%	87.6%	-3.1 ppt	82.9%	80.9%	2.0 ppt
Available seat-kilometers (ASK)	mill	5,543	4,820	15%	12,124	10,127	20%
Revenue seat-kilometers (RPK)	mill	4,683	4,220	11%	10,049	8,194	23%
On-Time-Performance	%	77.9%	70.0%	7.9 ppt	77.0%	71.8%	5.2 ppt
Freight ton kilometers (FTK'000)	k	44,993	29,661	52%	134,140	98,842	36%
Sold charter block hours	no.	4,007	4,027	0%	11,537	10,748	7%
Total CO2 emissions tons	no.	383,069	339,228	13%	846,070	728,262	16%
CO2 emissions per OTK	no.	0.74	0.73	1%	0.75	0.77	-2%
Employees							
Av. No. of full-time employees	no.	4,070	3,457	18%	3,653	3,043	20%
No. of employees at period end	no.	-	-	-	3,920	3,304	19%

¹ Comparison figures for balance sheet are 31.12.2022 ² RASK: Revenue per ASK Icelandair passenger service; CASK: Cost per ASK Icelandair passenger service

TRAFFIC DATA

- **Passengers 1.5 million**
- **Strong demand from North America**
- **On-time performance in the international network 78%, improving by 8 ppt**

Icelandair transported 1.5 million passengers in the third quarter, 7% more than at the same time last year. The number of passengers on the market to Iceland increased the most, by 16%, and accounted for 45% of the total number of passengers. Reflecting strong demand, the number of passengers from N-America increased by 13% and the load factor on N-American routes was 87%. The number of passengers from Europe increased by 4%, and the load factor was 82%. On-time performance in the international network was good, 78%, and improved considerably, by 8 ppt between years.

The unit revenue from the passenger network (RASK) was the highest in the history of Icelandair and increased by 1% between years. Passenger-related unit revenue increased by 3% in the same period. This is a strong performance, especially in the light of increased capacity in all markets, particularly the market to and from Iceland. Capacity to Iceland in the quarter was 20% more than in 2019 but was similar on the North Atlantic market.

Freight carried, measured in Freight Ton Kilometers (FTK), increased by 52% and cargo revenue by 4%. Both import and export decreased between years, where less fish export from Iceland had considerable impact. However, transit freight increased because of more capacity. Sold block hours in the leasing operation remained similar between years.

CO2 emissions per Operational Ton Kilometer (OTK) increased in the third quarter by 1% between years due to more flights on larger cargo aircraft.

INCOME AND EXPENSES

- **Robust financial performance in passenger network and leasing operation**
- **Strong revenue generation in passenger network and record unit revenue**
- **Negative financial results in the cargo operation**

The financial performance was strong in the passenger network and passenger-related revenue increased considerably year-on-year. Demand was strong from North America, and unit revenue increased between years despite extensive capacity in the market to and from Iceland. The leasing operation performed well, improving financial performance between years on similar revenues. However, the cargo operation has been very challenging during the year, with less revenue growth than growth in freight carried and delivered negative financial results. The negative impact on the Group EBIT was considerable, amounting to almost USD 7 million in the quarter. Various actions are being taken to improve the profitability of the cargo operation.

Total income amounted to USD 560.4 million in Q3 2023 and increased by 15% year-on-year which represents record revenue for a single quarter. **Passenger revenue** amounted to USD 508.0 million compared to USD 433.4 million last year. Revenue originating in N-America accounted for 56% of total revenue in the quarter. **Cargo revenue** amounted to USD 21.0 million compared to USD 20.2 million last year. **Leasing revenue totaled** USD 13.7 million and remained similar between years. **Other revenue** amounted to USD 17.7 million, compared to USD 19.6 million last year.

Operating expenses excluding depreciation, amounted to USD 412.3 million, up by 14% or USD 52.0 million year-on-year. **Salaries and salary-related costs** totaled USD 102.2 million compared to USD 74.8 million in Q3 last year. The main reasons are more production and high salary increases in Iceland, including the first salary increase for flight and cabin crew since 2020, effective from 1 June for pilots and 1 September for cabin crew. The strengthening of the Icelandic krona against the USD also increased the cost over the comparison period, as most of the Company's salary costs are in ISK. In addition, delays in aircraft maintenance and changes in the flight schedule, especially within the cargo operation, resulted in increased crew cost. The average number of full-time employees was 4,070 in the quarter and increased by 18% year-on-year. **Aircraft fuel cost** amounted to USD 121.4 million in Q3 and decreased by 11% year-on-year despite a 15% capacity increase in the passenger network over the same period. This is due to lower fuel prices, but weighted effective fuel price, including add-ons and hedges, decreased by 29% year-on-year and amounted to USD 910 m/t. A larger B737 MAX fleet positively contributed to fuel expenses. **Other aviation expenses**, including aircraft leasing, handling, landing, navigation, and maintenance, amounted to USD 85.1 million compared to USD 68.8 million in Q3 2022. The increased cost of handling, landing, and navigation in excess of the capacity increase in the route network is due to large price increases by service providers and more cargo flights. **Other operating expenses** totaled 103.6 million, up by USD 23.6 million mainly due to the increased scope of business between years.

Total RASK (revenue per available seat kilometer) in Q3 2023 was a record 9.3 US cents. The increase year-on-year was 1%. Passenger-related unit revenue increased more or by 3% between years. **Total CASK** (cost per available seat kilometer) was 7.3 US cents and decreased by 2% year-on-year. CASK excluding fuel, increased by 12% between years, mainly due to price increases of flight-related services and salary increases.

BALANCE SHEET AND CASH FLOW

- **Equity ratio 21%**
- **Liquidity of USD 423.7 million**

Balance sheet

Total assets amounted to USD 1.6 billion at the end of Q3 2023, increasing by USD 200.9 million from year-end 2022. Operating assets amounted to USD 539.2 million, increasing by USD 33.6 million, where the main contributing factor was the purchase of three engines, one Bombardier Dash 8 Q400 aircraft, maintenance of own aircraft and engine overhauls, as well as investment in new headquarters. Right-of-use assets amounted to USD 363.6 million, increasing by 44.7 USD million during the year, due to lease agreements for one B767-300 freighter, two B737 MAX 8 aircraft, and one engine. **Total equity** amounted to USD 336.6 million, and the equity ratio at the end of the quarter was 21% compared to 19% at the beginning of the year. **Total financial liabilities** amounted to USD 669.2 million and increased by USD 71.4 million since the beginning of the year, mainly due to aircraft investments. **Net financial liabilities** amounted to USD 294.5 million and decreased by USD 31.2 million from the beginning of the year, mainly due to an improved cash position due to strong forward sales.

Liquidity

Total cash and marketable securities amounted to USD 371.7 million at the end of September 2023. Net cash to operations amounted to USD 41.4 million during the quarter. Net cash used in investing activities totaled USD 41.7 million, thereof net CAPEX in the amount of USD 16.4 million. CAPEX included overhaul of own aircraft and investment in new headquarters. Net cash used in financing activities was USD 30.0 million and consisted of repayment of interest-bearing borrowings and lease

liabilities. The Company had available undrawn committed credit lines in the amount of USD 52.0 million at the end of the quarter bringing total liquid funds to USD 423.7 million.

PROSPECTS

Strong booking status in the fourth quarter of 2023

The outlook in Icelandair's passenger network is good and the booking status is stronger now for the fourth quarter than same time last year, despite 30% increase in capacity on the market to Iceland compared to 2019. In comparison, Icelandair's capacity increase is just under 5%. Icelandair is well positioned in these market conditions with its extensive sales infrastructure, strong brand, valuable cooperation with partner airlines, as well as first-class service offering.

Continued growth of the passenger route network

Icelandair operated the largest flight schedule in its history in 2023 in terms of trips and expects to increase capacity by around 10% in 2024. Frequency to existing destinations will be increased and new destinations are currently being reviewed and will be announced soon. The capacity will be increased proportionately more on the strong North American market, which will also strengthen the European network. Capacity and frequency will be increased where Icelandair has strong airline partners, as these partnerships have proven very successful over the past months. Icelandair will operate 42 aircraft in the passenger network next summer, thereof 21 Boeing MAX aircraft, three more than in the summer of 2023.

Various actions are being taken to improve the performance of cargo operation

Icelandair's cargo operation has been very challenging during the year due to unfavorable conditions in cargo markets. In the first nine months of the year, EBIT was negative of around USD 15 million and worsened by USD 18.5 million between years. Various actions are being taken to return this segment to profitability. The flight schedule has been adjusted to demand in key markets, one B757 cargo aircraft will be returned to its lessor next spring and the Company is currently looking for opportunities to lease out one of two B767 freighters while market conditions remain challenging. However, the long-term outlook for the cargo operation remains good.

Strong performance of leasing operation

Icelandair's leasing operation has performed well during the year. Contracts have been signed with the largest leasing customer extending the lease of three aircraft, in addition to the lease of one additional aircraft up to the year 2029. Furthermore, a letter of intent has been signed for the lease of the fifth aircraft. VIP projects worldwide have been a great success. Such projects are expected to increase considerably when the third aircraft will be added to the specialized fleet next year, in addition to the two aircraft that have been operated for these projects this year. The outlook is therefore good and an increased scope of business is expected.

On track to reach long-term EBIT margin goal

The passenger route network and leasing operations are robust and if the freight operations would deliver similar results on average as in last years, excluding the Covid years 2020 and 2021, the EBIT forecast for the year would be 4.9 - 5.9% of revenue instead of the current forecast of 3.3 - 4.3%. The growth of the route network will be moderate next year compared to last few years as Icelandair's flight schedule has almost tripled over the past two years. This gives the Company the opportunity to improve operational efficiency. In addition, there are opportunities to increase unit revenue by better utilizing the Company's robust infrastructure. The Company is therefore on track to reach its long-term 8% EBIT margin goal.

FULL-YEAR GUIDANCE 2023

According to Icelandair's guidance for 2023, total revenue is expected to be around USD 1.5 billion and EBIT in the range of USD 50-65 million, which is around 3.3 - 4.3% of revenue. The Company expects to deliver net profit for the full year.

EBIT %	Total year	3.3-4.3%
Net capex USDm	Total year	~150-160
Capacity chg.	Total year	~20%
Av. fuel m/t USD	Q4	964
Av. Emission charges per unit EUR	Q4	85
Av. USD/ISK	Q4	138

Fuel hedge position passenger flights

Period	Hedged tons	% of estimated total usage (tons)	Strike price USD
Q4 2023	29,000	40%	856
Q1 2024	20,500	33%	811
Q2 2024	26,500	26%	840
Q3 2024	7,000	5%	842

INFORMATION

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FINANCIAL CALENDAR

- **Q4 and 12M 2023 – 1 February 2024**
- **AGM – 7 March 2024**