SIGNIFICANT REVENUE AND LOAD FACTOR IMPROVEMENT IN Q1 2022

- Operating income USD 158.7 million up from USD 57.3 million
- Passenger revenue increased more than eightfold
- Net cash from operations USD 83.9 compared to net cash to operations of USD 45.3 million in Q1 last year
- EBIT USD -58.3 million compared to USD -46.2 million with average fuel price up by 75% compared to last year
- Operating expenses during the quarter include investment related to peak season
- Capacity 58% of 2019 levels
- Load factor 67.2% despite negative Omicron effect
- Almost 200 employees recruited during the quarter
- Total liquid funds available at end of March USD 383 million

BOGI NILS BOGASON, PRESIDENT & CEO

“We continued successfully ramping up our operations in the first quarter of the year, increasing our capacity ninefold despite the impact that the spread of the Omicron variant had on travel. With disciplined network management and by using the flexibility of our operations, we adapted to the situation in each of our markets and achieved a load factor of 74% in March. Various factors impacted our performance, such as the steep rise in fuel prices, the Omicron impact on demand and considerable cost related to the preparation of our ambitious summer schedule. However, the financial results were in line with management expectations. I would like to extend my thanks to our employees who have done an outstanding job over the past months finding solutions to every challenge.

The bookings for the summer are strong for all our markets and we expect our flight schedule to reach around 77% of pre-Covid capacity in the second quarter and 85% in the third quarter. Coming out of the pandemic, it is clear that Iceland is a popular destination with total capacity through Keflavik airport exceeding pre-Covid levels in the coming months. This is also driven by a capacity shift due to various external factors affecting the global aviation markets. It is evident how crucial it has been to make sure to safeguard our infrastructure as well as that of the country´s tourism industry during the pandemic to ensure that we are all prepared to meet the high demand this summer and ensure an enjoyable journey for our visitors.

We are optimistic for the future and despite various outside pressures, the pent-up demand we have been seeing is realizing and people have started traveling again.”

WEBCAST 29 APRIL 2022

An investor presentation will be webcasted in relation to the publication of the results at 8:30 GMT on Friday, 29 April 2022, at http://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: http://icelandairgroup.is and under Company News on: http://www.nasdaqomxnordic.com/news/companynews

KEY INDICATORS

		Q1 2022	Q1 2021	Change
Operating results				
Total income	USDk	158,665	57,328	101,337
of which transport revenue	USDk	125,202	36,844	88,358
Total operating cost	USDk	190,394	75,380	115,014
EBIT	USDk	-58,337	-46,210	-12,127
EBT	USDk	-62,495	-40,162	-22,333
Net loss	USDk	-49,700	-30,100	-19,600
Balance sheet and cash flow[1]				
Total assets	USDk	1,411,715	1,171,559	240,156
Total equity	USDk	207,040	222,384	-15,344
Financial liabilities	USDk	577,701	495,922	81,779
Net financial liabilities	USDk	246,720	232,957	13,763
Total liquidity position	USDk	382,981	314,964	68,017
Net cash from/to operating activities	USDk	83,883	-45,294	129,177
CAPEX, gross	USDk	-165,804	-8,399	-157,405
CAPEX, net	USDk	-63,622	3,398	-67,020
Key Ratios				
EPS	US cent	-0.14	-0.10	-0.04
Equity ratio[1]	%	14.7%	19.0%	-4.3 ppt
Equity ratio excluding warrants[1]	%	15.6%	21.2%	-5.6 ppt
EBIT ratio	%	-36.8%	-80.6%	43.8 ppt
RASK[2]	US cent	6.5	7.3	-0.8
CASK[2]	US cent	10.5	33.6	-23.2
Traffic figures				
Passenger flights	no.	2,129	758	181%
Passengers total	no.	421,978	66,231	537%
To Iceland	no.	198,103	12,923	-
From Iceland	no.	84,672	10,812	-
Via Iceland	no.	87,496	797	-
Within Iceland	no.	51,707	41,699	24%
Passenger load factor	%	67.2%	34.7%	32.5 ppt
Available seat-kilometers (ASK)	mill	1,704	195	772%
ASK as % of 2019 capacity	%	58.6%	6.7%	51.9 ppt
Revenue seat-kilometers (RPK)	mill	1,144	68	-
On-Time-Performance	%	72.0%	86.0%	-14.0 ppt
Freight ton kilometers (FTK'000)	k	33,739	33,694	0%
Sold charter block hours	no.	3,433	3,224	6%
Total CO2 emissions tonnes	no.	133,279	36,027	270%
CO2 emissions per OTK	no.	0.91	1.59	-43%
Employees				
Average number of full-time employees	no.	2,486	1,551	60%

[1] Comparison figures for balance sheet are 31.12.2021 [2] RASK/CASK: Revenue and cost per ASK is Icelandair total including domestic operation from 16 March 2021

TRAFFIC DATA

- **Capacity increased ninefold between years and reached 58% of 2019 levels**
- **Total passengers 422 thousand compared to 66 thousand in Q1 last year**
- **Load factor improved significantly between years**

The total capacity in the route network increased almost ninefold between years and reached 58% of the Q1 2019 capacity levels. Bad weather in Iceland caused over 5% of trips to be cancelled,100 trips in total, thereof 80 domestic trips. The total number of passengers was 422 thousand compared to 66 thousand in 2021. The load factor was 67.2% compared to 34.7% in Q1 last year. The Omicron variant negatively affected travel especially in January and February.

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 6% year-on-year, and the near-term outlook is improving.

Icelandair started including monthly reports of its CO_2 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 CO_2 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.

INCOME AND EXPENSES

- **Passenger revenue increased eightfold despite negative effect of Omicron on travel**
- **Investments in expenses related to peak season**
- **Average fuel price up by 75% between years**

Income

The impact of the Covid-19 pandemic on Icelandair´s income was milder than in Q1 2021 despite the Omicron variant negatively affecting passenger revenue during the quarter, especially in January and February.

Total income amounted to USD 158.7 million in Q1 2022 up from USD 57.3 million in Q1 2021. **Transport revenue** amounted to USD 125.2 million, increasing by USD 88.4 million between years. **Passenger revenue** amounted to USD 92.7 million compared to USD 11.2 million last year due to significant increase in production and improved load factor. **Cargo revenue** decreased by 2% from USD 23.1 million to 22.5 million. **Revenue from aircraft and aircrew lease** amounted to USD 13.7 million compared to USD 11.0 million last year. **Total other operating revenue** amounted to USD 19.8 million, as compared to USD 9.5 million last year. Thereof, **revenue from tourism** amounted to USD 10.2 million up from USD 1.0 million.

Expenses

Increased scope of business and investments in preparation for an ambitious flight schedule in the peak season impacted the operating expenses in the first quarter of 2022. An 75% increase in average fuel price compared to last year significantly increased fuel cost.

Operating expenses excluding depreciation amounted to USD 190.4 million and increased by USD 115.0 million. **Salaries and salary-related** expenses amounted to USD 66.2 million compared to USD 35.3 million in Q1 last year. 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 during the quarter, mainly pilots, cabin crew and ground handling staff which all underwent training during the quarter. **Aviation expenses** amounted to USD 79.0 million, up by USD 57.6 million, thereof USD 37.5 million due to higher **aircraft fuel expenses.** 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, corresponding to an increase of 75%. The hedge levels in Q1 2022 equaled 29% of the consumption at an average price of USD 664 per metric ton. **Other operating expenses** amounted to USD 45.3 million, up by USD 26.6 million. **Tourism expenses** were up by USD 6.5 million in line with higher revenue from tourism. Other cost increased in line with increased scope of business.

Total RASK (revenue per available seat kilometer) in Q1 2022 was 6.5 US cent compared to 7.3 US cent in Q1 2021. **Total CASK** (cost per available seat kilometer) was 10.5 US cent compared to 33.6 US cent in Q1 2021. Comparison of RASK and CASK between years is skewed due to Covid-19 impacting operations in Q1 2021 more heavily.

FINANCIAL POSITION

- **Equity ratio excluding warrants 16%**
- **Total liquid funds USD 383 million**
- **Government backed credit facility of USD 120 million terminated in February**

Balance sheet

Total assets amounted to USD 1,411.7 million at the end of Q1 2022, increasing from USD 1,171.6 million at year-end 2021. Operating assets amounted to USD 439.8 million increasing by USD 48.9 million, due to addition of one MAX aircraft and one Boeing 767 aircraft which will be converted to a freighter. Right-of-use of assets amounted to USD 268.3 million, increasing by USD 43.5 million due to sale-leaseback of two new MAX aircraft. **Total equity** amounted to USD 207.0 million. New shares issued in relation to exercised warrants had a positive effect on equity which amounted to USD 18.0 million. Equity ratio at the end of the quarter was 15% compared to 19% at the beginning of the year. When excluding the temporary effects of warrants, the equity ratio was 16% at end of the quarter. **Total financial liabilities** amounted to USD 577.7 million and increased during the quarter due to aircraft investments. **Net financial liabilities** amounted to USD 246.7 million and increased by USD 13.8 million compared to the beginning of the year.

Liquidity

Total cash and marketable securities amounted to USD 331.0 million. Net cash from operations amounted to USD 83.9 million during the quarter. Cash used in investing activities totaled USD 58.7 million. Net CAPEX was USD 63.6 million and included purchase of three 737 MAX aircraft, of which two were sold and leased back, and one B767 aircraft. Net cash from financing activities was USD 38.3

million, thereof proceeds of exercised warrants amounted to USD 18.0 million. Repayment of borrowings and lease liabilities amounted to USD 21.7 million. In the beginning of February, the Company terminated an undrawn credit facility of USD 120 million which was 90% guaranteed by the Icelandic government. The Company had available undrawn committed credit lines in the amount of USD 52.0 million at the end of the quarter bringing the total liquid funds to USD 383.0 million.

PROSPECTS

Q3 capacity 85% of 2019 levels

Icelandair flight schedule is expected to reach around 77% of 2019 levels in Q2 2022 and 85% of Q3 2022. The Company continues to ramp up as traffic returns through the spring and will offer around 412 trips out of Keflavik in peak week 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.

Clear signs of pent-up demand

Bookings in Q2 2022 are steadily building 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 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.

In the summer 2022 a total of 24 airlines will offer flights to Iceland and the number of available seats in the Keflavik hub will exceed 2019 levels. This development is driven by a combination of factors, Iceland is clearly an attractive travel destination and there has been some capacity shift from other areas in Europe to Iceland during the peak season, both due to the war in Ukraine as well as continued travel restrictions in some markets. The actions taken during the pandemic to safeguard important infrastructure of Icelandair´s operations as well as within Icelandic tourism industry in general have proven crucial to be prepared to meet travel demand and welcome tourists to Iceland in the coming months.

Cargo demand remains strong and outlook in leasing operation improving

The outlook in the cargo operation is good. Demand is expected to remain strong for import and transit. Export of fish products decreased in Q1 as a consequence of weather disruptions and less salmon production in Iceland, but demand is expected to pick up again from Q2 and onwards. The outlook in the global market for ad-hoc and long-term charters has improved although it has not reached pre-Covid levels. In addition to the ongoing long-term leasing projects the Company has secured new short-term projects.

Hedging position at the end of Q1 2022

Icelandair started to take careful steps in rebuilding a modest hedging position in Q1 2022 after having suspended its oil hedging activities during 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.

Guidance for 2022

On 3 February 2022 the Company published a guidance of 3-5% EBIT ratio and net profit for the full year 2022. Despite continued demand recovery, the industry is facing headwinds and uncertainty in terms of high fuel price and geopolitical tensions which pose challenges to longer-term planning. The Company is still expecting accumulated profit for the next two quarters, with the third quarter being significantly stronger than the second but more uncertainty is regarding the Q4 2022 operations. Given the current uncertainties, a full- year guidance will not be provided, and the previous guidance therefore no longer applies.

INFORMATION

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FINANCIAL CALENDAR

- **Q2 2022 – week 29 2022**
- **Q3 2022 – week 42 2022**
- **Q4 2022 – week 5 2023**