

## 2022 A TURNAROUND YEAR

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- Full-year EBIT USD 19 million, improving by USD 136 million
- Strong revenue generation resulting in the best fourth quarter performance since 2015
- Capacity in Q4 2022 95% of the 2019 capacity
- Unit revenue in Q4 up 13% year-on-year
- Weather disruptions in December negatively affecting results in Q4 2022
- Leasing operation gaining momentum and strong profitability in 2022
- A new B767-300 freighter entered operations in December
- Seven B737 MAX aircraft added to the fleet in 2022
- Strong balance sheet and total liquidity of USD 318 million at end of year
- Reduction in CO2 emissions by 17% per OTK compared to 2021
- January 2023 record sales month and good outlook in all markets
- EBIT ratio expected to be in the 4-6% range for the full year of 2023

## BOGI NILS BOGASON, PRESIDENT & CEO

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“The year 2022 was characterized by a great turnaround of our business. Strong revenue generation with record passenger revenue in the second half of the year and significant EBIT improvement shows that our business model has proven its worth yet again. We are back on track, stronger than ever and ready to operate the largest flight schedule, in terms of frequency and destinations, in the history of Icelandair.

Our strategy and actions throughout the pandemic ensured we were prepared to rapidly increase capacity to meet the steep increase in demand in all our markets. In 2022, we doubled our flight schedule and transported 3.7 million passengers to 51 destinations.

As the aviation industry as a whole, we experienced external operational challenges that affected the summer peak, in addition to severe weather conditions towards the end of the year. We were, however, in a good position to respond to these challenges and reduce the impact on our customers due to our extensive flight schedule, frequency of flights and the resourcefulness of our employees.

Icelandair Cargo has been an integral part in our recovery, ensuring important revenue generation throughout the pandemic and during the ramp-up. We believe that our plans of establishing a cargo hub in Iceland will provide great opportunities for the Company as well as Icelandic businesses. Furthermore, our leasing business emerged strongly from Covid with 2022 being one of the best performing years in the history of Loftleidir-Icelandic.

The successful ramp-up of our operations following the pandemic has been crucial for the recovery of Icelandic tourism and economy. In 2022, we brought around 740 thousand tourists to Iceland and recruited around 1,000 employees. To safeguard the value that aviation and travel create, it is important to ensure a sustainable future of these industries. We have a strong focus on economic, social and environmental sustainability across our operations and are working with our key stakeholders towards our goals in this area.

Our operating environment will remain challenging this year with inflation and increased salary cost. We are, however, confident that people will continue to prioritize travel and there will be great opportunities for Iceland as a destination as we see reflected in our near-term booking flow.

I would like to thank our customers for their trust, our partners for their cooperation and our shareholders for their support during the year. However, first and foremost, I would like to thank our employees for what we have achieved together. With our exceptional team, robust foundations of our business, healthy financial position and of course our extensive and flexible route network that allows us to constantly adapt, we look forward to seizing the opportunities ahead and continuing to bring the spirit of Iceland to the world.”

### **WEBCAST 3 FEBRUARY 2023**

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An investor presentation will be webcast in relation to the publication of the results at 8:30 GMT on Friday, 3 February 2023, 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.

## KEY INDICATORS

		Q4 2022	Q4 2021	Change	12M 2022	12M 2021	Change
<b>Operating results and cash flow</b>							
Total income	USDk	290,781	192,537	98,244	1,265,118	584,913	680,205
of which transport revenue	USDk	255,254	156,475	98,779	1,130,252	453,868	676,384
Total operating expenses	USDk	307,518	228,212	79,306	1,246,267	720,851	525,416
EBIT	USDk	-16,737	-35,675	18,938	18,851	-135,938	154,789
EBT	USDk	-13,267	-43,228	29,961	179	-130,058	130,237
Net profit / loss	USDk	-17,791	-39,406	21,615	-5,819	-104,796	98,977
Net cash from operating activities	USDk	34,134	5,688	28,446	190,619	50,612	140,007
CAPEX, gross	USDk	62,469	14,263	48,206	314,508	184,077	130,431
CAPEX, net	USDk	61,275	12,205	49,070	202,290	-12,959	215,249
<b>Balance sheet<sup>1</sup></b>							
Total assets	USDk	-	-	-	1,411,173	1,171,559	239,614
Total equity	USDk	-	-	-	273,386	222,384	51,002
Financial liabilities <sup>3</sup>	USDk	-	-	-	592,109	495,922	96,187
Net financial liabilities	USDk	-	-	-	325,698	232,957	92,741
Total liquidity position	USDk	-	-	-	318,411	434,964	-116,553
<b>Key Ratios</b>							
EPS	US cent	-0.04	-0.16	0.12	-0.06	-0.33	0.27
Equity ratio <sup>1</sup>	%	-	-	-	19.4%	19.0%	0.4 ppt
EBIT ratio	%	-5.8%	-18.5%	12.8 ppt	1.5%	-23.2%	24.7 ppt
RASK <sup>2</sup>	US cent	7.8	6.9	0.9	8.2	6.7	1.5
CASK <sup>2</sup>	US cent	8.8	8.7	0.1	8.4	9.2	-0.9
CASK less fuel <sup>2</sup>	US cent	6.3	7.0	-0.7	5.7	7.5	-1.8
<b>Traffic figures</b>							
Passenger flights	no.	3,427	2,472	39%	14,785	7,661	93%
Passengers total	no.	816,464	544,628	50%	3,658,363	1,461,446	150%
To Iceland	no.	307,706	245,067	26%	1,486,912	687,113	116%
From Iceland	no.	156,348	100,790	55%	557,613	207,841	168%
Via Iceland	no.	283,459	135,453	109%	1,345,718	341,071	295%
Within Iceland	no.	68,951	63,318	9%	268,120	225,421	19%
Passenger load factor	%	75.9%	70.3%	5.6 ppt	79.7%	65.3%	14.4 ppt
Available seat-kilometers (ASK)	mill	3,126	2,111	48%	13,253	5,963	122%
ASK as % of 2019 capacity	%	95.3%	64.3%	30.9 ppt	78.8%	35.4%	43.3 ppt
Revenue seat-kilometers (RPK)	mill	2,374	1,485	-	10,569	3,895	171%
On-Time-Performance	%	70.0%	74.0%	-4.0 ppt	73.5%	84.0%	-10.5 ppt
Freight ton kilometers (FTK)	k	33,187	39,774	-17%	132,029	142,713	-7%
Sold charter block hours	no.	3,918	3,346	17%	14,666	13,492	9%
Total CO2 emissions ton	no.	221,473	165,901	33%	949,735	483,272	97%
CO2 emissions per OTK	no.	0.77	0.94	-18%	0.77	0.93	-17%
<b>Employees</b>							
Average number of full-time employees	no.	3,050	2,444	25%	3,045	2,087	46%

<sup>1</sup> Comparison figures for balance sheet are 31.12.2021; <sup>2</sup> RASK/CASK: Revenue and cost per ASK is Icelandair total including domestic operation from 16 March 2021; <sup>3</sup> Financial liabilities: interest bearing debt and net lease liabilities

## TRAFFIC DATA

- **Number of passengers in fourth quarter up by 50% year-on-year**
- **Number of via passengers more than doubled**
- **Production 95% of 2019 levels**

Capacity in the route network, measured in available seat kilometers, increased by 48% year-on-year and reached 95% of 2019 levels in the fourth quarter. The number of passengers was 816 thousand, an increase of 50%. Passenger numbers grew in all markets, with the largest increase in the “via” market, where passengers more than doubled year-on-year.

Passenger mix '000	Q4 2022	Q422 mix	Q4 2021	Q421 mix	Chg. vs LY	% Chg.
To	308	38%	245	45%	63	26%
From	156	19%	101	19%	56	55%
Via	283	35%	135	25%	148	109%
Within	69	8%	63	12%	6	9%
<b>Total</b>	<b>816</b>	<b>100%</b>	<b>545</b>	<b>100%</b>	<b>272</b>	<b>50%</b>

Load factor in the fourth quarter was 75.9% which represents a year-on-year improvement of 5.6 percentage points. The load factor and overall operation were significantly affected by weather disruptions in Iceland just before Christmas. The negative effect on the December load factor is estimated at two percentage points. The load factor on Saga Premium, our front cabin, improved significantly compared to pre-Covid levels. Yields improved in all markets and cabins. On-time performance in the fourth quarter was 70% and was negatively affected by the disruptions mentioned above.

Freight volume, measured in Freight Ton Kilometers (FTK), decreased by 17% year-on-year. One of two B757 freighter was out of operations due to maintenance in the quarter, which negatively affected capacity and decreased transit freight are the main reasons. Sold block hours in the leasing operation increased by 17% year-on-year with an expanded operation for long-term customers and new projects.

In addition to improved load factor, a larger proportion of the substantially more fuel-efficient B737 MAX aircraft within the fleet resulted in an 18% reduction of CO2 emissions per OTK (Operating Ton Kilometer) compared to Q4 2021. Icelandair has set clear and ambitious goals of reducing its carbon emissions by 50% per OTK by 2030 and achieving net zero emissions by 2050.

## INCOME AND EXPENSES

- **Passenger revenue up by 79% year-on-year**
- **Negative effect of weather disruptions in December estimated USD 7 million**
- **Fuel price 47% higher than in 2022**

The financial result in the fourth quarter improved considerably between years and was the best operational results since 2015. However it was negatively affected by significant disruptions in the flight schedule caused by weather conditions in Iceland in December, in the midst of the pre-Christmas travel period. The negative effect on EBIT is estimated around USD 7 million in lost revenue cost of leasing in extra aircraft, and increased passenger-related costs. Majority of the negative effect is related to the closure of the main road between the capital area and KEF airport while the airport itself was operational.

Following the crisis, a thorough review has been performed by the Ministry of Infrastructure in order to prevent similar events in the future.

### Income

The revenue performance was strong, with record fourth-quarter passenger revenue. Load factor improved significantly, and yields increased in all markets and both cabins. Both passenger and cargo revenue were negatively affected by disruptions in the flight schedule in December, as mentioned above.

**Total income** amounted to USD 290.8 million, up from USD 192.5 million in the fourth quarter of last year. **Transport revenue** was USD 255.3 million up by 63% on 48% more production. Thereof, **passenger revenue** amounted to USD 217.4 million. **Cargo revenue** totaled USD 19.9 million, down by 18% due less capacity due to maintenance of one freighter and less transit freight. to softer demand caused by the economic turmoil in Europe. **Revenue from aircraft and aircrew leases** amounted to USD 17.6 million increasing by 23% year-on-year on higher charter sales. **Other operating revenue** amounted to USD 17.9 million, decreasing by USD 3.9 million year-on-year. The main reason was lower revenue from tourism due to the divestment of Iceland Travel in December 2021.

### Expenses

Higher fuel prices and increased capacity are the main drivers for higher expenses. The average fuel price in Q4 was up by 47% year-on-year.

**Operating expenses** amounted to USD 275.4 million and increased by USD 74.6 million. **Salaries and salary-related** expenses amounted to USD 83.8 million, up by USD 16.5 million between years. The increase is mainly due to contractual wage agreements in Iceland valid from November 2022 and larger scope of business. Icelandair has started the training of pilots for the summer season 2023, and the related cost is included in the salary cost and number of full-time employees for the quarter. The average number of full-time employees was 3,050 in Q4 2022 up by 25% year-on-year. **Aviation expenses** amounted to USD 129.3 million, up by USD 44.4 million. **Aircraft fuel** amounted to USD 86.4 million, compared to USD 42.5 million last year. The average market price in Q4 was USD 1,161 per metric ton, up by 47% year-on-year. Hedge levels in Q4 2022 equaled 36% of the consumption at an average price of USD 1,067 per metric ton. A larger B737 MAX fleet positively contributed to fuel savings. **Aircraft maintenance** totaled USD 17.1 million and decreased by USD 1.8 million year-on-year due to adjustments of expensed maintenance costs during the quarter. **Other operating expenses** amounted to USD 62.3 million, compared to USD 48.6 million in Q4 2021. The main reason for the increase is a larger scope of business. Weather-related disruptions in December resulted in higher **customer service** costs, which totaled USD 12.0 million compared to USD 5.9 million in the same period last year. **Tourism expenses** decreased with the divestment of Iceland Travel in December 2021.

### Unit revenues and unit costs

**RASK** (revenue per available seat kilometer) in Q4 2022 was 7.8 US cents compared to 6.9 US cents in Q4 2021, an increase of 13%. **CASK** (cost per available seat kilometer) was 8.8 US cents compared to 8.7 US cents in Q4 2021, an increase of 2% driven by higher fuel prices. **CASK less fuel** decreased year-on-year by 9% was USD 6.3 US cents compared to 7.0 US cents in Q4 last year.

## FINANCIAL POSITION

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- **Equity USD 274 million and equity ratio 19%**
- **Liquidity USD 318 million**

## Balance sheet

**Assets** amounted to USD 1.4 billion at the end of 2022, increasing from USD 1.2 billion at the beginning of the year. Operating assets amounted to USD 505.6 million, increasing by USD 114.3 million, due to the addition of three B737 MAX aircraft and overhaul of own aircraft. Right-of-use assets amounted to USD 319.0 million, rising by USD 94.2 million due to lease agreements for four new B737 MAX aircraft and one B767-300 freighter. **Equity** amounted to USD 273.4 million. The equity ratio at year-end remained unchanged as compared to the beginning of the year at 19%. **Financial liabilities**, including interest-bearing loans, borrowings and lease liabilities, amounted to USD 592.1 million, rising during the year due to aircraft investments. **Net financial liabilities** amounted to USD 325.7 million and increased by USD 92.7 million compared to the beginning of the year.

## Liquidity

**Cash and marketable securities** amounted to USD 266.4 million at the end of 2022 and decreased by USD 54.2 million during the fourth quarter. **Net cash from operations** in Q4 2022 amounted to USD 34.1 million compared to USD 5.7 million in Q4 last year. **Cash used in investing activities** totaled USD 73.9 million. Net CAPEX was USD 61.3 million and included investment in one B737 MAX aircraft and overhauling of own engines in the quarter. **Net cash used in financing activities** was USD 26.8 million. 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 318.4 million.

## PROSPECTS

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### Ambitious 15-20% growth and highest number of trips in Icelandair's history in 2023

As measured in available seat kilometers, Icelandair's flight schedule in 2023 is set to grow by 15-20%. Total number of passengers is projected at 4.4 million, up by 20% between years. Flights will be offered to 54 destinations, including four new. The new destinations are Detroit in North America, Barcelona and Prague in Europe, and Tel Aviv in Israel. In addition, Crete has now been added to the route network after having been operated as a popular charter flight destination for several years. The primary growth of the flight schedule results from increased frequencies to current destinations on both sides of the Atlantic. Over 785 origin and destination markets will be served within the network and countless others through partnerships.

### High frequency and diverse departure times

In order to provide good service to its customers, Icelandair will offer the highest number of destinations, the largest number of frequencies, and by far the highest connectivity in the Company's history. The airline continues to serve core destinations like Copenhagen four times per day, but many destinations on both sides of the Atlantic will be served two, three, or more times per day by operating three connecting banks in Iceland. Booking pattern is gradually returning back to normal with all Icelandair markets showing robust performance during the important booking period at the start of the year.

### 40 aircraft serving the route network in summer 2023

In summer 2023, a total of 40 aircraft will be utilized in the route network, five more than in summer 2022. The international routes will be served by 13 B757 aircraft, 3 B767 aircraft, and 18 B737 MAX aircraft. Furthermore, 6 Bombardier aircraft will operate the domestic and Greenland flights and 2 more B737 MAX aircraft will be introduced to the fleet during the fourth quarter.

### Fleet renewal program continues

2022 was an eventful year for fleet renewal in the international network. Icelandair took delivery of seven B737 MAX aircraft, including the last three aircraft from the Boeing order made in 2013 and four

additional aircraft of the type from other sources. In 2023, the Company plans to take delivery of a further four B737 MAX aircraft, bringing the total number of B737 MAX aircraft in service to twenty.

Further fleet renewal is planned in the coming years as the Company continues the phase-out the B757 aircraft. The future fleet strategy of Icelandair has been thoroughly reviewed in recent years, where options for fleet renewal and growth have been identified. These re-fleeting options include the B737 MAX as well as the Airbus A320 family. Dialogue with the respective aircraft manufacturers is ongoing with the intention to secure a delivery stream of aircraft throughout the decade. The conclusion of those discussions is expected to be outlined during the first half of this year.

### **Airfreight hub developed in Iceland**

The Company is developing its cargo operations by adding wide-body aircraft to its fleet. The new B767-300 fleet, which has more range and carries more freight, will operate to Liege in Belgium, Los Angeles, New York, and Chicago. The first aircraft entered service last December, and a second aircraft will be added in Q1 2023. The aim is to develop Keflavik as an airfreight hub. Concurrently, the warehouse in Keflavik is being extended to accommodate more freight.

### **Financing of two B737 MAX aircraft**

Icelandair has entered into an insurance-backed financing agreement concerning two B737 MAX8 aircraft. The aircraft are currently fully owned by Icelandair and purchased using the Company's funds in the fall of 2022. The total amount of the transaction accumulates to around USD 67 million.

### **Sustainability**

The successful ramp-up of Icelandair's operations following the pandemic has been crucial for the recovery of Icelandic tourism and economy. Icelandair transported around 740 thousand tourists to Iceland and recruited almost 1,000 employees in 2022, bringing the number of FTEs to 3,045 on average in 2022. To safeguard the value that aviation and travel create, it is important to ensure a sustainable future of these industries, taking into account economic, social and environmental factors.

Icelandair has set ambitious targets to reduce carbon emissions by 50% per operational ton kilometer (OTK) by 2030 and reach net zero emissions by 2050. The CO<sub>2</sub> emissions per OTK in 2022 were 0.77, a reduction of 17% compared to 2019 as a base line. This is largely due to Icelandair's fleet renewal which is currently the most effective measure to reduce emissions. Icelandair has invested USD 720 million in the more fuel-efficient Boeing 737 aircraft since 2018. A combination of further measures is required over the next years to reach the carbon reduction targets, such as the implementation of sustainable aviation fuels (SAF) and operational efficiencies. Another key sustainability focus for Icelandair is gender equality. Ensuring equal opportunities for all genders has been an important part of the recruitment criteria during the ramp-up process. Icelandair has set goals of increasing gender equality within management, crew and aircraft maintenance. The work towards these goals was, however, impacted by the significant reduction of employees during the pandemic. The proportion of female pilots went from one of the highest in the world, 12% in 2019 to 5% in 2021. Following the ramp-up in 2022, this ratio has increased to 11%, and is estimated to reach 12-14% in 2023. Male cabin crew members were around 14% of the total cabin crew team in 2022, increasing from 9% in 2021. The ratio of women in the executive management was 33% in 2022 compared to 25% in 2021.

### **Current fuel hedging position**

Icelandair has currently hedged approx. 37% of total estimated fuel consumption in Q1 2023, at an average price of USD 1,026 m/t. For Q2 2023 and Q3 2023, the hedge ratio is 28% and 15% at USD 928 m/t and USD 911 m/t, respectively. Icelandair uses put options to limit downside exposure.

## FULL-YEAR OUTLOOK FOR 2023

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Below is an overview of the full-year outlook, as currently estimated for 2023. The EBIT margin is expected to be in the 4-6% range for the full year of 2023.

EBIT margin	4% - 6%
Net capex USDm	95 - 115
Capacity chg.	15% - 20%
Av. fuel m/t USD	950
Av. EUA per unit EUR	90
Av. USD/ISK	136

## INFORMATION

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## FINANCIAL CALENDAR

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- **AGM 9 March 2023**
- **Q1 2023 27 April 2023**
- **Q2 2023 20 July 2023**
- **Q3 2023 19 October 2023**
- **Q4 2023 1 February 2024**