

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



**1** 1 January—31 March 2023

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## Endorsement and Statement by the Board of Directors and the CEO

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The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 31 March 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". All amounts are stated in thousands of USD.

According to the Consolidated Statement of Comprehensive Income, loss for the period from 1 January to 31 March 2023 amounted to USD 49.1 million. Total comprehensive loss for the period was USD 47.1 million. Equity at 31 March 2023 amounted to USD 226.3 million according to the Consolidated Statement of Financial Position and share capital amounted to USD 311 million. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

### Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. The Condensed Consolidated Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

The performance of the route network improved significantly in the first quarter, driven by strong revenue generation with record unit revenue and improved load factor and yields. Total income amounted to USD 233 million, up by 47% compared to Q1 2022. The EBIT ratio improved by ten percentage points and EBIT loss totaled USD 62 million, increasing slightly, or by USD 3 million year-on-year. The total loss for the quarter totaled USD 49 million, which is similar to Q1 last year when it amounted to USD 50 million. Profitability during the quarter was negatively impacted by fuel prices, weather disruptions in January and February, and inflation, in addition to expenses related to preparation for the summer 2023 schedule which will be the largest in the Company's history.

The total capacity in the passenger route network increased significantly or by 38% between years. The total number of passengers carried was 664 thousand up by 57% and the load factor was nearly 78% compared to 67% in Q1 last year, the highest Q1 load factor since 2016. The on-time performance reached 77%.

The market "to" Iceland was the largest market with 43% of total passengers. The "via" market, more than doubled from Q1 last year and accounted for 27% of total passengers. Passengers on the home market traveling "from" Iceland accounted for 21%, and domestic passengers "within" Iceland for 9%.

Freight carried, measured in Freight Ton Kilometers (FTK) increased by 27% between years driven by increase in transit freight following the addition of a wide-body B767-300 freighter aircraft into operation last December. The volume increase was however less than expected in all markets with import and export volumes decreasing year-on-year. The performance of the cargo operations was below projections due to unfavorable market conditions and irregularities in the cargo flight schedule. The market outlook for cargo remains challenging and the Company's focus over the next weeks and months will therefore be on restoring profitability through capacity rationalization. Sold block hours in the leasing operation increased by 9% year-on-year resulting in strong performance during the quarter.

Icelandair employed an average of 3,092 full time equivalents in Q1 2023, 25% more than in Q1 2022.

Icelandair's equity amounted to USD 226 million at the end of the quarter. Seasonal losses, higher asset base and deferred income resulted in 13% equity ratio. The liquidity position was strong, with cash and marketable securities amounting to USD 406 million. Additionally, the Company had undrawn committed credit lines of USD 52 million, bringing the total liquidity to USD 458 million.

At the beginning of April Icelandair and Airbus signed a Memorandum of Understanding in relation to the purchase of 13 Airbus A321XLR aircraft with a purchase right for an additional 12 aircraft. The aircraft deliveries will commence in 2029. A Sale and Purchase agreement is expected to be finalized before the end of Q2 2023. However, Icelandair plans to begin operating Airbus aircraft in 2025 and is currently in negotiations with aircraft lessors in respect of four Airbus A321LR aircraft, although no commitment has yet been finalized. Further additions of Airbus aircraft can be expected in the years thereafter.

## Endorsement and Statement by the Board of Directors and the CEO, contd.:

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### **Statement by the Board of Directors and the CEO, contd.:**

The prospects for Icelandair's operations are good for 2023, despite continued inflationary pressure and some challenges in the operating environment. The flight schedule will be the largest in the Company's history, with 54 destinations, thereof five new network destinations. Booking outlook for Q2 and Q3 is good and passenger demand has remained resilient in all key markets, with a particular strength towards the latter half of the year. Icelandair will utilize 40 aircraft in the route network in summer 2023, five more than in summer 2022. The development of Keflavik as a hub for airfreight will continue and the leasing operation is expected to deliver strong results throughout the year.

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the three month period ended 31 March 2023, its assets, liabilities and consolidated financial position as at 31 March 2023 and its consolidated cash flows for the period then ended.

Further, in our opinion, the Condensed Consolidated Interim Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 31 March 2023 and confirm them by means of their signatures.

Reykjavík, 27 April 2023.

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason



# Consolidated Income Statement and other Comprehensive Income for the period from 1 January to 31 March 2023

	Notes	2023 Q1	2022 Q1 <i>*Restated</i>
<b>Operating income</b>			
Passenger revenue .....	7	170,540	102,683
Cargo revenue .....		23,691	24,777
Leasing revenue .....		19,083	13,673
Other Operating revenue .....	7	19,941	17,532
		233,255	158,665
<b>Operating expenses</b>			
Salaries and salary-related expenses .....		78,662	66,162
Aircraft fuel .....		66,608	45,311
Other aviation expenses .....		48,810	33,658
Other Operating expenses .....		71,261	45,263
	8	265,341	190,394
<b>Operating loss before depreciation and amortization (EBITDA)</b> .....		( 32,086)	( 31,729)
Depreciation and amortization .....	9	( 29,539)	( 26,609)
<b>Operating loss (EBIT)</b> .....		( 61,625)	( 58,337)
Finance income .....		6,338	1,662
Finance cost .....		( 9,280)	( 5,489)
Fair value changes .....		0	( 345)
<b>Net finance cost</b> .....	10	( 2,942)	( 4,172)
Share of (loss) gain of associates .....		( 535)	14
<b>Loss before tax (EBT)</b> .....		( 65,102)	( 62,495)
Income tax .....		15,970	12,795
<b>Loss for the period</b> .....		( 49,132)	( 49,700)
<b>Other comprehensive income:</b>			
Currency translation differences .....		4,587	2,171
Net profit on hedge of investment, net of tax .....		1,678	803
Cash flow hedges - effective portion of changes in fair value, net of tax .....		( 1,861)	3,409
Cash flow hedges - reclassified to profit or loss .....		( 2,332)	3,567
<b>Other comprehensive income for the period</b> .....		2,072	9,950
<b>Total comprehensive loss for the period</b> .....		( 47,060)	( 39,750)
<b>Loss attributable to:</b>			
Owners of the Company .....		( 49,276)	( 49,896)
Non-controlling interest .....		144	196
<b>Loss for the period</b> .....		( 49,132)	( 49,700)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company .....		( 47,202)	( 40,051)
Non-controlling interest .....		142	301
<b>Total comprehensive loss for the period</b> .....		( 47,060)	( 39,750)
<b>Earnings per share:</b>			
Basic and diluted earnings per share in US cent .....		( 0.12)	( 0.14)

\* Cargo revenue has been restated from Passenger and Other Operating revenue as a new line item in the Consolidated Income Statement. Aircraft fuel cost has been restated from Other aviation expenses as a new line item in the Consolidated Income Statement.

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

## Consolidated Statement of Financial Position as at 31 March 2023

	Notes	31.03.2023	31.12.2022
<b>Assets:</b>			
Operating assets .....		530,114	505,588
Right-of-use assets .....		385,789	318,971
Intangible assets and goodwill .....		55,189	55,202
Investments in associates .....		10,366	11,903
Receivables and deposits .....		20,796	17,668
Deferred tax asset .....		72,286	55,593
Non-current assets		<u>1,074,540</u>	<u>964,925</u>
Inventories .....		22,956	22,491
Derivatives used for hedging .....		3,758	2,029
Trade and other receivables .....		233,458	155,317
Marketable securities .....		57,368	42,159
Cash and cash equivalents .....		348,483	224,252
Current assets		<u>666,023</u>	<u>446,248</u>
<b>Total assets</b>		<u>1,740,563</u>	<u>1,411,173</u>
<b>Equity:</b>			
Share capital .....		310,973	310,973
Reserves .....		27,936	19,450
Accumulated deficit .....		( 113,604 )	( 57,914 )
Equity attributable to equity holders of the Company		<u>225,305</u>	<u>272,509</u>
Non-controlling interest .....		1,019	877
Total equity		<u>226,324</u>	<u>273,386</u>
<b>Liabilities:</b>			
Loans and borrowings .....	11	256,700	207,264
Lease liabilities .....	12	357,489	296,692
Payables .....		36,856	33,947
Non-current liabilities		<u>651,045</u>	<u>537,903</u>
Loans and borrowings .....	11	50,340	48,453
Lease liabilities .....	12	51,421	45,463
Derivatives used for hedging .....		3,810	820
Trade and other payables .....		221,220	201,789
Deferred income .....	13	536,403	303,359
Current liabilities		<u>863,194</u>	<u>599,884</u>
Total liabilities		<u>1,514,239</u>	<u>1,137,787</u>
<b>Total equity and liabilities</b>		<u>1,740,563</u>	<u>1,411,173</u>

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

## Consolidated Statement of Changes in Equity for the period from 1 January to 31 March 2023

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserves				Total	Non- controlling interest	Total equity
			Hedging	Translation reserve	Other reserves	Accumulated deficit			
<b>1 January to 31 March 2022</b>									
Equity 1 January 2022 .....	272,204	34,178	92	4,970	19,054	(105,876)	224,622	( 2,238 )	222,384
Shares issued .....	14,760	3,207					17,967		17,967
Warrants issued .....						6,439	6,439		6,439
Loss for the period .....						( 49,896 )	( 49,896 )	196	( 49,700 )
Currency translation differences .....				2,171			2,171		2,171
Net profit on hedge of investment, net of tax .....				803			803		803
Effective portion of changes in fair value of cash flow hedges, net of tax .....			6,976				6,976		6,976
Effects of profit or loss and of subsidiaries and associates .....					1,191	( 1,191 )	0		0
Equity 31 March 2022 .....	286,964	37,385	7,068	7,944	20,245	( 150,524 )	209,082	( 2,042 )	207,040
<b>1 January to 31 March 2023</b>									
Equity 1 January 2023 .....	310,973		( 182 )	( 9,555 )	29,187	(57,914)	272,509	877	273,386
Loss for the period .....						( 49,276 )	( 49,276 )	144	( 49,132 )
Currency translation differences .....				4,587			4,587	( 2 )	4,585
Net profit on hedge of investment, net of tax .....				1,678			1,678		1,678
Effective portion of changes in fair value of cash flow hedges, net of tax .....			( 4,193 )				( 4,193 )		( 4,193 )
Effects of profit or loss of subsidiaries and associates .....					6,414	( 6,414 )	0		0
Equity 31 March 2023 .....	310,973	0	( 4,375 )	( 3,290 )	35,601	( 113,604 )	225,305	1,019	226,324

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.

## Consolidated Statement of Cash Flows for the three months ended 31 March 2023

	Notes	2023 Q1	2022 Q1
<b>Cash flows to operating activities</b>			
Loss for the period .....		( 49,132 )	( 49,700 )
Adjustments for:			
Depreciation and amortization .....	9	29,539	26,609
Expensed deferred cost .....		5,225	4,836
Net finance cost .....	10	2,942	3,827
Changes in fair value .....	10	0	345
Gain on sale of operating assets .....		( 121 )	( 1,259 )
Share in loss (profit) of associates .....		535	( 14 )
Income tax .....		( 15,970 )	( 12,795 )
		( 26,982 )	( 28,151 )
Changes in:			
Inventories .....		( 363 )	( 443 )
Trade and other receivables .....		( 75,851 )	( 73,399 )
Trade and other payables .....		32,865	45,723
Deferred income .....		232,999	144,625
		189,650	116,506
Interest received .....		2,654	673
Interest paid .....		( 10,908 )	( 5,145 )
Net cash from operating activities		154,414	83,883
<b>Cash flows to investing activities:</b>			
Acquisition of operating assets .....		( 40,366 )	( 165,001 )
Proceeds from sale of operating assets .....		295	102,182
Deferred cost, change .....		( 8,672 )	( 597 )
Acquisition of intangible assets .....		( 84 )	( 206 )
Non-current receivables, change .....		( 3,789 )	8,311
Marketable securities, change .....		( 15,209 )	( 3,421 )
Net cash used in investing activities		( 67,825 )	( 58,732 )
<b>Cash flows from financing activities:</b>			
Shares issued .....		0	17,967
Proceeds from loans and borrowings .....		63,461	42,002
Repayment of loans and borrowings .....		( 14,556 )	( 12,899 )
Repayment of lease liabilities .....		( 11,609 )	( 8,802 )
Net cash from financing activities		37,296	38,268
<b>Change in cash and cash equivalents</b> .....		123,885	63,419
<b>Effect of exchange rate fluctuations on cash held</b> .....		346	310
<b>Cash and cash equivalents at beginning of the period</b> .....		224,252	204,767
<b>Cash and cash equivalents at period end</b> .....		348,483	268,496

Investment and financing without cash flow effect, see note 17.

The notes on pages 9 to 15 are an integral part of these Interim Consolidation Financial Statements.



## Notes

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### 1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is at Reykjavíkurlugvöllur in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the three months ended 31 March 2023 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities" and the Group's interests in associates. The Group primarily operates in the airline industry. The Company is listed on the Nasdaq Main Market Iceland.

The Group's audited Consolidated Financial Statements as at and for the year ended 31 December 2022 are available at its website address, [www.icelandairgroup.com](http://www.icelandairgroup.com) and at the Nasdaq Main Market Iceland website address, <http://www.nasdaqomxnordic.com>.

### 2. Basis of accounting

#### a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2023 have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated Financial Statements as at and for the year ended 31 December 2022.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 27 April 2023.

#### b. Basis of measurement

The Consolidated Financial Statements are prepared on the historical cost basis except that derivative financial instruments, part of deferred income and certain short-term investments are stated at their fair values.

### 3. Functional and presentation currency

The Company's functional currency is U.S. dollars (USD). These Condensed Consolidated Interim Financial Statements are presented in U.S dollars (USD). All financial information presented in USD has been rounded to the nearest thousand, unless otherwise indicated.

### 4. Use of estimates and judgements

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimations of uncertainty were the same as those that applied to the audited Consolidated Financial Statements as at and for the year ended 31 December 2022.

### 5. Changes in accounting policies

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2022. A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed Consolidated Interim Financial Statements and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

## Notes, contd.:

### 6. Operating segments

The Group's operations are identified and reported as one operating segment. Geographic disaggregation of revenue is based on point of sale.

#### Geographic segments for the three months ended 31 March 2023

	North America	Europe	Iceland	Other	Total
Passenger revenue .....	76,598	43,758	46,181	4,003	170,540
Cargo revenue .....	1,363	8,314	13,996	17	23,691
Leasing revenue .....	4,394	764	2,081	11,844	19,083
Other Operating revenue .....	5,810	3,620	10,220	292	19,941
Total revenue .....	88,165	56,456	72,478	16,156	233,255
Total revenue % .....	38%	24%	31%	7%	100%

#### Geographic segments for the three months ended 31 March 2022

	North America	Europe	Iceland	Other	Restated Total
Passenger revenue .....	41,073	28,751	29,778	3,081	102,683
Cargo revenue .....	743	7,929	16,105	0	24,777
Leasing revenue .....	3,082	536	1,747	8,308	13,673
Other Operating revenue .....	476	406	16,536	115	17,532
Total revenue .....	45,374	37,622	64,166	11,504	158,665
Total revenue % .....	29%	24%	40%	7%	100%

### 7. Operating income

	2023 Q1	*Restated 2022 Q1
Passenger revenue is specified as follows:		
Passenger airfare .....	156,339	92,707
Ancillary revenue .....	14,201	9,976
Total Passenger revenue .....	170,540	102,683
Other Operating revenue is specified as follows:		
Revenue from tourism .....	12,392	10,173
Sale at airports .....	1,493	1,687
Aircraft handling .....	1,191	884
Gain on sale of operating assets .....	125	1,259
Other Operating revenue .....	4,740	3,529
Total Other Operating revenue .....	19,941	17,532

\* Cargo revenue has been restated from Passenger and Other Operating revenue as a new line item in the Consolidated Income Statement.

## Notes, contd.:

### 8. Operating expenses

	2023	*Restated 2022
	Q1	Q1
Salaries and salary-related expenses are specified as follows:		
Salaries .....	59,756	49,269
Contributions to pension funds .....	9,684	8,310
Other salary-related expenses .....	9,222	8,583
Total salaries and salary-related expenses .....	78,662	66,162
Average number of full time equivalents .....	3,092	2,486
Aircraft fuel is specified as follows:		
Aircraft fuel .....	60,544	45,552
Emission charges .....	4,060	3,202
Fuel hedges .....	2,004	( 3,443 )
Total Aircraft fuel cost .....	66,608	45,311
Other aviation expenses is specified as follows:		
Aircraft lease .....	114	0
Aircraft handling, landing and navigation .....	26,347	18,341
Aircraft maintenance expenses .....	22,349	15,317
Total Other aviation expenses .....	48,810	33,658
Other Operating expenses are specified as follows:		
Travel and other employee expenses .....	13,636	8,617
Tourism expenses .....	9,113	6,530
IT expenses .....	7,168	5,813
Advertising .....	8,311	4,148
Booking fees and commission expenses .....	9,609	5,217
Cost of goods sold .....	1,123	1,366
Customer services .....	10,470	6,373
Operating cost of real estate and fixtures .....	2,366	2,020
Allowance for bad debt .....	535	( 1,794 )
Other Operating expenses .....	8,930	6,973
Total Other Operating expenses .....	71,261	45,263

\* Aircraft fuel cost is specified separately as it has been restated from Other aviation expenses as a new line item in the Consolidated Income Statement.

### 9. Depreciation and amortization

	2023	2022
	Q1	Q1
The depreciation and amortization charge in profit or loss is specified as follows:		
Depreciation of operating assets .....	18,164	18,225
Depreciation of right-of-use assets .....	11,278	7,996
Amortization of intangible assets .....	97	388
Depreciation and amortization recognized in profit or loss .....	29,539	26,609

## Notes, contd.:

### 10. Finance income and finance cost

	2023	2022
	Q1	Q1
Finance income and finance cost are specified as follows:		
Interest income on cash and cash equivalents and marketable securities .....	3,847	497
Interest income on lease receivables .....	50	55
Other interest income .....	851	1,110
Net currency exchange gain .....	1,590	0
Finance income total .....	6,338	1,662
Interest expenses on loans and borrowings .....	4,278	1,869
Interest on lease liabilities .....	4,405	2,639
Other interest expenses .....	597	524
Net currency exchange gain .....	0	457
Finance cost total .....	9,280	5,489
Changes in fair value of warrants .....	0	( 345 )
Net finance cost .....	( 2,942 )	( 4,172 )

### 11. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost, and changes during the year.

Loans and borrowings are specified as follows:

	31.3.2023	31.12.2022
Non-current loans and borrowings:		
Secured bank loans .....	290,963	236,516
Unsecured loans .....	16,077	19,201
Total loans and borrowings .....	307,040	255,717
Current maturities .....	( 50,340 )	( 48,453 )
Total non-current loans and borrowings .....	256,700	207,264
Current loans and borrowings:		
Current maturities .....	50,340	48,453
Total current loans and borrowings .....	50,340	48,453
Total loans and borrowings .....	307,040	255,717

#### Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				31.3.2023	31.12.20212
Secured bank loans .....	USD	3.5%	2023-2034	246,663	190,677
Secured bank loans .....	EUR	3.5%	2023-2028	44,300	45,839
Unsecured loans .....	ISK	4.4%	2023-2030	16,077	19,201
Total interest-bearing liabilities .....				307,040	255,717

The Company has two committed credit lines in place with local banks in the total amount of USD 52 million. The lines were undrawn as at 31 March 2023.

## Notes, contd.:

### 11. Loans and borrowings, contd.:

Repayments of loans and borrowings are specified as follows:	<b>31.3.2023</b>	<b>31.12.2022</b>
Repayments in 2023 (9 months)(2022: 12 months) .....	39,168	48,453
Repayments in 2024 .....	64,421	58,501
Repayments in 2025 .....	42,914	36,985
Repayments in 2026 .....	33,766	27,852
Repayments in 2027 .....	20,965	15,096
Subsequent repayments .....	105,806	68,830
Total loans and borrowings .....	<u>307,040</u>	<u>255,717</u>

The Equity Ratio is the Group's main financial debt covenant and must remain in the range of 10-12.5% at the end of Q1 and Q2 2023 rising to a range of 10-15% for Q3 and Q4 2023.

The Group was not in breach of any financial covenants at 31 March 2023.

The Company entered an insurance backed financing agreement in respect of two B737 MAX 8 aircraft in January. The total consideration of the transaction amounted to USD 67 million.

### 12. Lease liabilities

This note provides information of the Group's lease liabilities, which are measured at amortized cost, and changes during the year.

	Currency	Interest rates	Year of maturity	Total remaining balance	
				31.3.2023	31.12.2022
Lease liabilities .....	USD	4.8%	2022-2033	398,484	331,684
Lease liabilities indexed .....	ISK	4.3%	2022-2039	9,251	9,245
Lease liabilities .....	GBP	2.2%	2022-2025	604	645
Lease liabilities .....	other	4.6%	2022-2029	571	581
Current maturity .....				( 51,421 )	( 45,463 )
Total lease liabilities .....				<u>357,489</u>	<u>296,692</u>

Repayments of lease liabilities are specified as follows:	<b>31.3.2023</b>	<b>31.12.2022</b>
Repayments in 2023 (9 months)(2022: 12 months) .....	38,695	45,463
Repayments in 2024 .....	50,692	42,890
Repayments in 2025 .....	49,720	41,541
Repayments in 2026 .....	49,761	41,024
Repayments in 2027 .....	46,453	37,550
Subsequent repayments .....	173,589	133,687
Total loans and borrowings .....	<u>408,910</u>	<u>342,155</u>

The Company entered three lease agreements during the quarter, one in respect of a B767-300 freighter and two in respect of a B737 MAX 8 aircraft. All aircraft have been delivered to the Company. Further lease commitments are in place for two B737 MAX 8 aircraft scheduled for delivery in Q4-2023. A Letter of Intent has been signed for one B737-800 aircraft expected to be delivered in Q2-2023 which will be subleased to a long-term leasing customer. The total lease liability for these four aircraft will be approximately USD 66 million.

The expected deliveries of leased aircraft to the Company are shown below:

	Q2 2023	Q4 2023	Total
B737 MAX 8 .....	0	2	2
B737-800 .....	1	0	1
Total .....	<u>1</u>	<u>2</u>	<u>3</u>

The Group has announced plans to operate Airbus aircraft from the year 2025 onwards and is currently in advanced stages of negotiations regarding the lease of four Airbus A321LR although no commitment has yet been finalized. See further information in note 18.



## Notes, contd.:

### 13. Deferred income

Sold unused tickets, fair value of unredeemed frequent flyer points and other prepayments are presented as deferred income in the Consolidated Statement of Financial Position.

Deferred income is specified as follows:	<b>31.3.2023</b>	<b>31.12.2022</b>
Sold unused tickets and vouchers .....	494,140	253,425
Frequent flyer points .....	18,851	18,977
Other prepayments .....	23,412	30,957
Total deferred income .....	<u>536,403</u>	<u>303,359</u>

The amount allocated to sold unused tickets and vouchers is the book value of fares and fuel surcharges that the Group has collected and is liable for to passengers. Thereof sold tickets with future travel dates amounted to USD 462.0 million (2022: USD 212.3 million) and vouchers amounted to USD 32.1 million (2022: USD 41.1 million). When issued the vouchers were generally valid for 3 years. The validity of covid-related vouchers has been extended by an additional two years from the date of original issuance.

The amount allocated to frequent flyer points is estimated by reference to the fair value of the discounted services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the discounted services for which the points, granted through a customer loyalty program, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. That amount is recognized as deferred income.

Other prepayments consist mainly of prepayments for packages and charter flights.

### 14. Financial instruments and fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows. The table does not include fair value information for financial assets and liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value:

	31.3.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging .....	( 52)	( 52)	1,209	1,209
Unsecured bond issue .....	( 16,077)	( 14,878)	( 19,201)	( 18,008)
Secured loans .....	( 290,963)	( 286,953)	( 236,516)	( 234,488)
Lease liabilities .....	( 408,910)	( 408,910)	( 342,155)	( 342,155)
Total .....	<u>( 716,002)</u>	<u>( 710,793)</u>	<u>( 596,663)</u>	<u>( 593,442)</u>

### 15. Capital commitments

On 6 April 2023, the Group and Airbus signed a Memorandum of Understanding (MOU) relating to the purchase of 13 Airbus A321XLR aircraft with a purchase right for an additional 12 aircraft. The aircraft deliveries will commence in 2029. See further in note 18.

## Notes, contd.:

### 16. Group entities

The Company held the following significant subsidiaries at the end of March 2023:

	Ownership interest	
	Q1 2023	2022
IceCap Insurance PCC Ltd. ....	100%	100%
Iceignir ehf. ....	100%	100%
Icelandair ehf. ....	100%	100%
CAE Icelandair Flight Training ehf. ....	67%	67%
Flugfélag Íslands ehf. ....	100%	100%
Icelandair Cargo ehf. ....	100%	100%
FERIA ehf. ....	100%	100%
Lofleiðir - Icelandic ehf. ....	100%	100%

The subsidiaries further own seven minor operating companies that are also included in the Condensed Consolidated Interim Financial Statements. Two of those have non-controlling shareholders.

### 17. Investment and financing without cash flow effect

Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of the Group and should be excluded from the Statements of Cash Flows in the current period.

Investment and financing without cash flow effect:	2023	2022
	Q1	Q1
Acquisition of right-of-use assets .....	( 72,827 )	( 48,881 )
New or renewed leases .....	72,827	53,492
Gain on sale due to sales and leaseback .....	0	( 1,159 )
Non-current receivables .....	0	( 3,452 )
Loans and borrowings .....	0	8,927
Trade and other payables .....	0	( 8,927 )
Warrants .....	0	( 6,439 )
Retained earnings .....	0	6,439

### 18. Events after reporting date

On 6 April 2023, the Group and Airbus signed a Memorandum of Understanding (MOU) relating to the purchase of 13 Airbus A321XLR aircraft with a purchase right for an additional 12 aircraft. The aircraft deliveries will commence in 2029. A Sale and Purchase Agreement is expected to be finalized before the end of Q2 2023. The financing of the aircraft is yet to be determined but the Group will explore financing options closer to the delivery dates. The Group however, plans to start operating Airbus aircraft in 2025 and is currently in negotiations with aircraft lessors in respect of four Airbus A321LR although no commitment has yet been finalized. Further additions of Airbus aircraft can be expected in the years thereafter.

The National Court of Iceland has ruled that the Company, in its capacity as co-guarantor for a lease agreement held by Berjaya Iceland Hotels, is liable for lease payments of up to ISK 138 million. The ruling will be appealed to the Supreme Court of Iceland. Should the ruling be upheld by the Supreme Court the referenced amount could be claimed from the Company in the event that Berjaya Iceland Hotels is unable to pay it.

## Alternative performance measures (APMs)

	2023 Q1	2022 Q1
<b>Traffic</b>		
ASK ('000) .....	2,355	1,704
RASK (USD cent) .....	7.6	6.5
CASK (USD cent) .....	10.4	10.5
RPK ('000) .....	1,831	1,144
PAX .....	664,288	421,978
OTP .....	77.0%	71.8%
Passenger flights .....	2,820	2,129
LF .....	77.8%	67.2%
Sold Block Hours - Leasing .....	3,732	3,433
FTK ('000) .....	43,233	33,739
Total CO2 emissions tons .....	175,723	133,247
CO2 emissions per OTK .....	0.79	0.91
Passenger mix		
To .....	288,122	203,051
From .....	137,111	86,089
Via .....	176,543	82,245
Within .....	62,512	50,593
<b>Capital structure</b>		
	31.3.2023	31.12.2022
Total cash and marketable securities (USD '000) .....	405,851	266,411
Liquidity (USD '000) .....	457,851	318,411
Net interest-bearing debt (USD '000) .....	( 98,861 )	( 10,694 )
Net lease liabilities (USD '000) .....	404,045	336,392
Current ratio .....	0.77	0.74
Equity ratio .....	0.13	0.19
Intrinsic value of share capital .....	0.73	0.88
<b>Other</b>		
	2023 Q1	2022 Q1
Effective fuel price (USD pr. metric ton) .....	1,092	902
CAPEX, gross .....	49,122	165,804
CAPEX, net .....	48,827	63,622
FTE .....	3,092	2,486

## Alternative performance measures (APMs), contd.:

### Traffic

ASK .....	Available seat kilometers, which is the total number of seats available on scheduled flights multiplied by the number of kilometers these seats were flown
RASK .....	Total revenues on a given flight divided by the ASK on that same flight
CASK .....	Total operating and depreciation cost per available seat kilometer is calculated by dividing total operating and depreciation cost on a given flight by available seat kilometers (ASK) on that flight
CASK less fuel .....	Total operating and depreciation cost per available seat kilometer less fuel is calculated by deducting cost of fuel, fuel hedges, carbon emissions trading expenses and de-icing from total operating and depreciation cost and divide by total available seat kilometers (ASK)
RPK .....	Revenue passenger kilometers, the number of revenue passengers carried on scheduled flights multiplied by the number of kilometers those seats were flown
PAX - Passenger .....	Each passenger is counted by the number of flight coupons his journey requires. A passenger flying KEF-CPH is counted as one passenger, a passenger flying NYC-KEF-CPH is counted as two passengers
OTP .....	Arrival on time performance, a measure of flights arriving within 15 minutes of scheduled arrival time. OTP is calculated by dividing the number of arrivals that arrive within 15 minutes of scheduled arrival time with the total number of arrivals
Passenger flights .....	Flight flown by an airline for the purpose of carrying passengers, belly freight and mail according to a published timetable for which it receives commercial remuneration
LF .....	Passenger load factor, calculated by dividing RPK by ASK
Sold Block Hours - Leasing .....	Sold Block hours in the leasing operation. Block Hours is the time computed from the moment the blocks are removed from the wheels of the aircraft until they are replaced at the next point of landing
FTK .....	The number of tons of freight carried, obtained by counting each ton of freight on a particular flight (with one flight number)
Total CO2 emissions tons .....	Carbon emission from all operations, including scope 2 and 3 emissions, measured in tons
CO2 emissions per OTK .....	Carbon emission measured relative to one ton of carried passengers and cargo loads one kilometer
Passenger mix:	
To .....	The tourist market with Iceland as the destination
From .....	The Icelandic domestic market where Iceland is the point of departure
VIA .....	The interantional market between Europe and North America
Within .....	The domestic operation within Iceland

### Capital structure

Total cash and marketable securities .....	Cash and cash equivalents (including cash from assets held for sale) and marketable securities
Liquidity .....	Total cash and cash equivalents (including cash from assets held for sale), marketable securities and undrawn revolving facilities
Net interest-bearing debt .....	Loans and borrowings, net of total cash and marketable securities
Net lease liabilities .....	Lease liabilities (including assets held for sale, net of lease receivables)
Current ratio .....	Indicates how many times over current assets can cover current liabilities and is calculated by dividing current assets with current liabilities
Equity ratio .....	Indicates the ratio of how leveraged the Company is and is calculated by dividing total equity with total equity and liabilities
Intrinsic value of share capital ....	Indicates the book value of each share and is calculated by dividing total equity with share capital

## Alternative performance measures (APMs), contd.:

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### Other

Effective fuel price .....	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. ton)
CAPEX, gross .....	Capital expenditure of operating assets, intangible assets and deferred cost
CAPEX, net .....	Capital expenditure of operating assets, intangible assets and deferred cost less proceeds from sale of operating assets
FTE .....	Average full time employee equivalent



