

Q1 2023 results

28 April 2023



Highlights Q1 2023

Improved results in the passenger network

Strong revenue generation with record Q1 unit revenue driving improvement

Unit revenue up by 17% y-o-y

Fuel prices, weather disruptions, and inflation impacted results more than expected

Performance of Cargo below projections but Leasing delivered strong results

EBIT loss of USD 62 million

Healthy balance sheet

High liquidity at USD 458 million

One B767 freighter and two B737 MAX aircraft added to the fleet

Record sales in Q1 resulting in high deferred income

Seasonal losses, higher asset base and deferred income resulting in 13% equity ratio

Highest Q1 load factor since 2016

Capacity in the passenger network up 38%

Weather disruptions caused cancellations of 5% of planned international trips and 27% of domestic trips in January and February

664 thousand passengers, 57% more than last year

78% load factor and OTP 77%

CO2 emissions per OTK down by 13%

EBIT margin guidance for 2023 ~4-6%

Bookings for the next six months are significantly higher than last year

Fuel prices trending downwards

Cargo markets challenging

The guidance is subject to change in case of unforeseen events and economic development



Financials

Ívar S. Kristinsson, CFO

Improved EBIT in the passenger network, but Cargo results below expectation

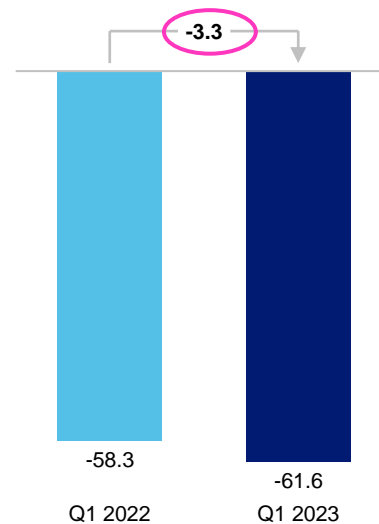
Profit loss statement

USD million

USD million	Q1 2023	Q1 2022	Change
Passenger revenue	170.5	102.7	67.9
Cargo revenue	23.7	24.8	-1.1
Leasing revenue	19.1	13.7	5.4
Other operating revenue	19.9	17.5	2.4
Operating income	233.3	158.7	74.6
Salaries and salary related	78.7	66.2	12.5
Aircraft fuel	66.6	45.3	21.3
Other aviation expenses	48.8	33.7	15.2
Other operating expenses	71.3	45.3	26.0
Operating expenses	265.3	190.4	74.9
Depreciation and amortization	-29.5	-26.6	-2.9
EBIT	-61.6	-58.3	-3.3
EBIT ratio	-26.4%	-36.8%	10.3 ppt
EBT	-65.1	-62.5	-2.6
Net loss	-49.1	-49.7	0.6

EBIT

USD million



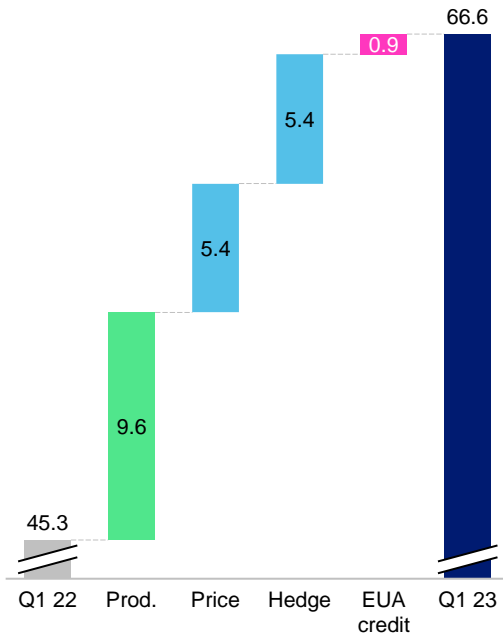
- Strong revenue performance in the passenger network with record unit revenue
- Improved load factor and yields especially on N-America routes
- Increased scope of business, severe weather disruptions in January and February in addition to inflationary pressure contributed to higher costs between years
- High effective fuel cost; volatility in NY Harbor Jet prices on the East Coast of US, and negative settlements of fuel hedges
- Weakening market conditions and irregularities in the Cargo flight schedule impacting results negatively
- Leasing operation profitable



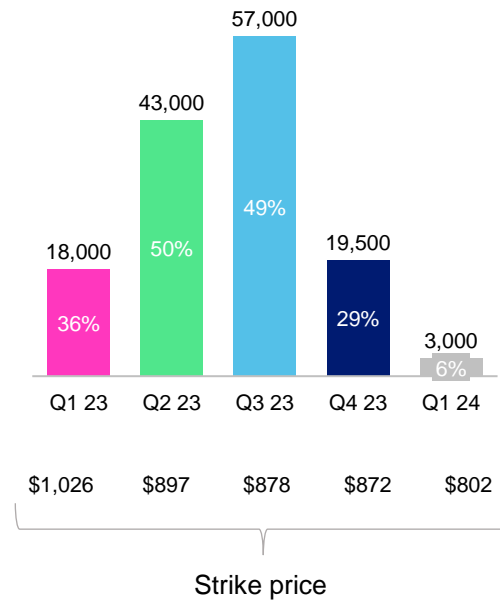
High fuel prices and more production driving higher fuel cost

Average cost per ton 21% higher than in Q1 2022

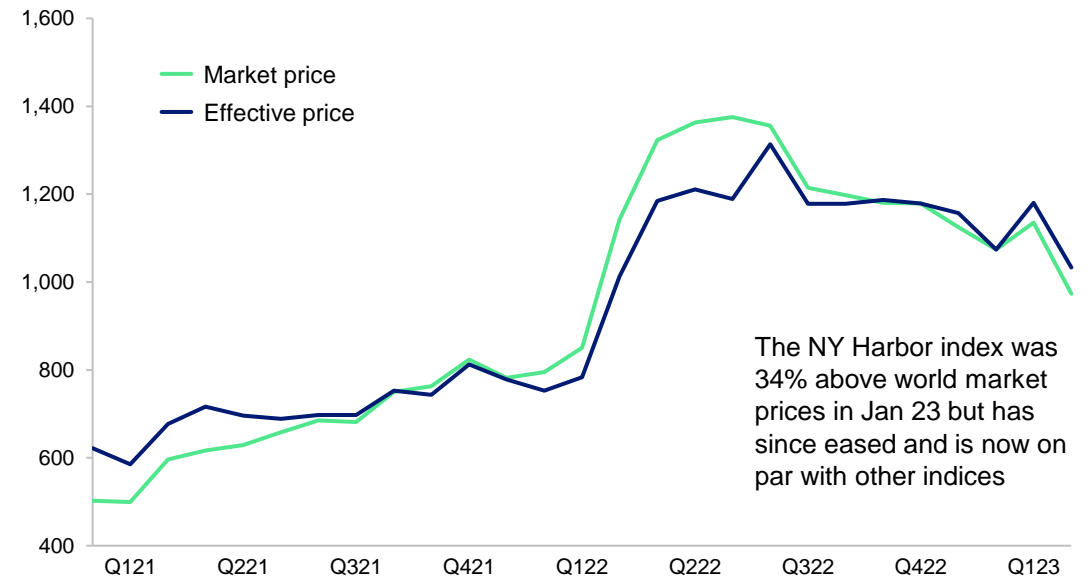
Fuel cost main changes
USD million



Hedge contracts and ratios
Overview ton (Hedge %, Strike Price \$/mt)



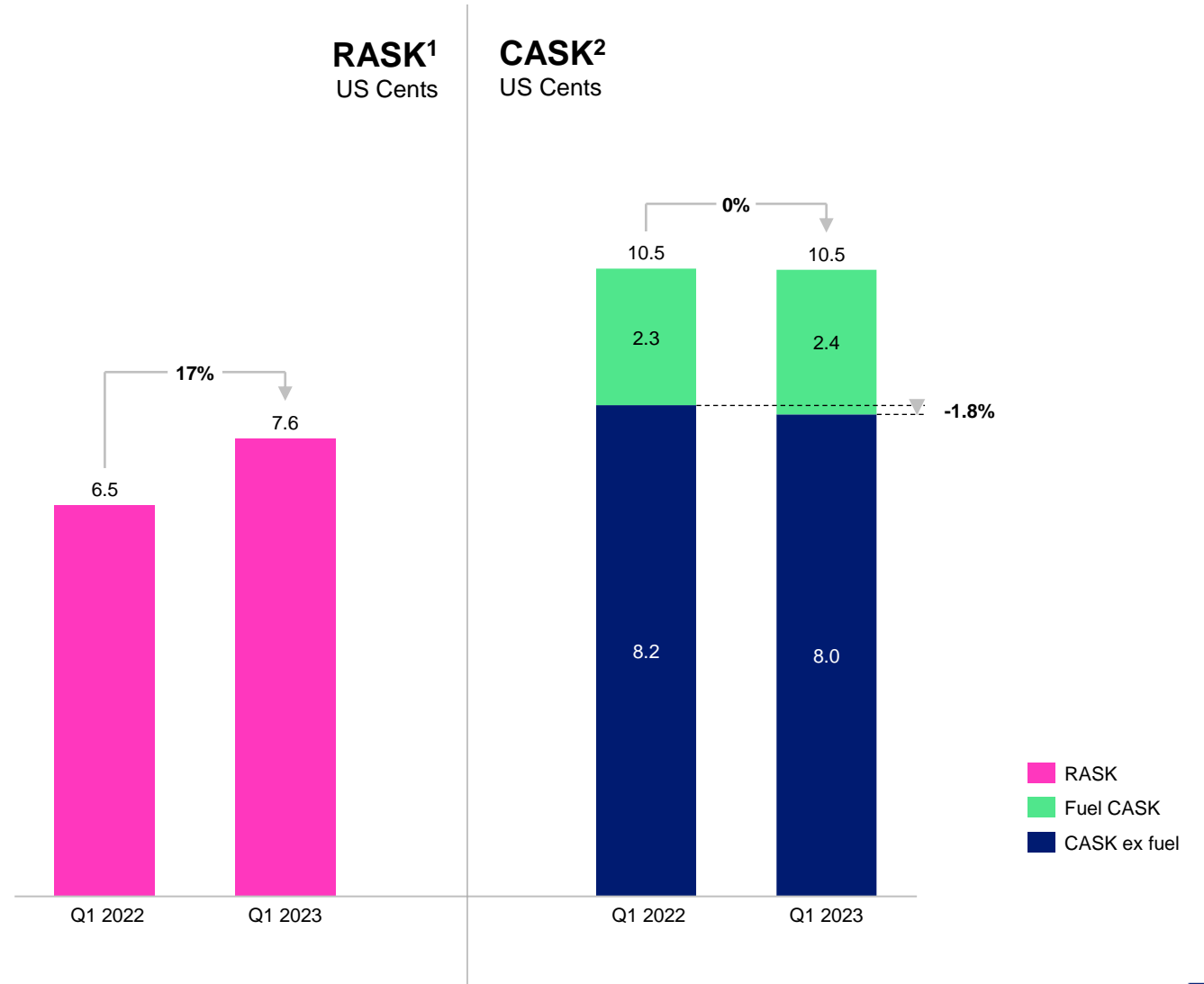
Fuel price
USD per metric ton



Record first quarter unit revenue

Load factor and yields improving

Unit cost excluding fuel down by 2%



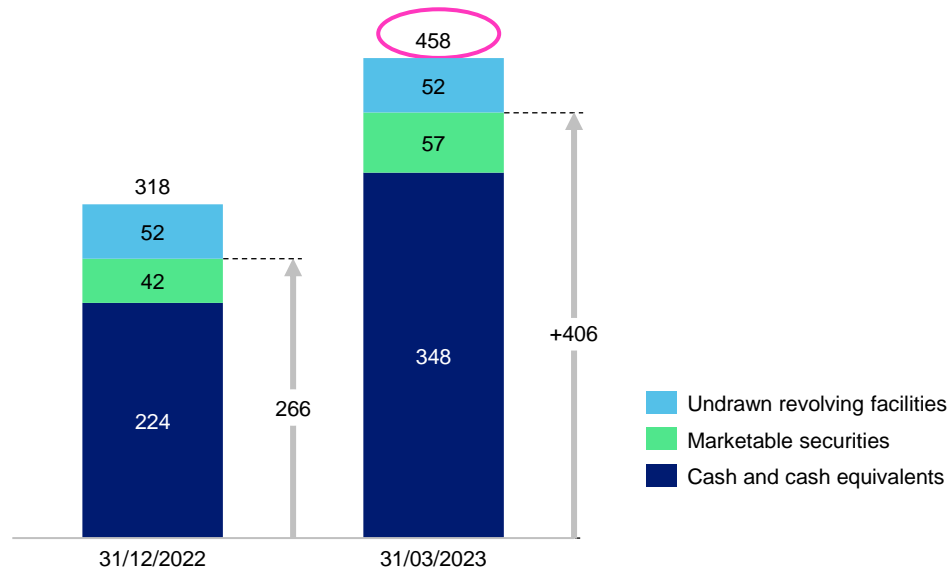
¹RASK: Revenue per Available Seat Kilometer, ²CASK: Cost per Available Seat Kilometer

Strong liquidity position of USD 458 million

Cash and marketable securities increased by USD 139 million during the quarter

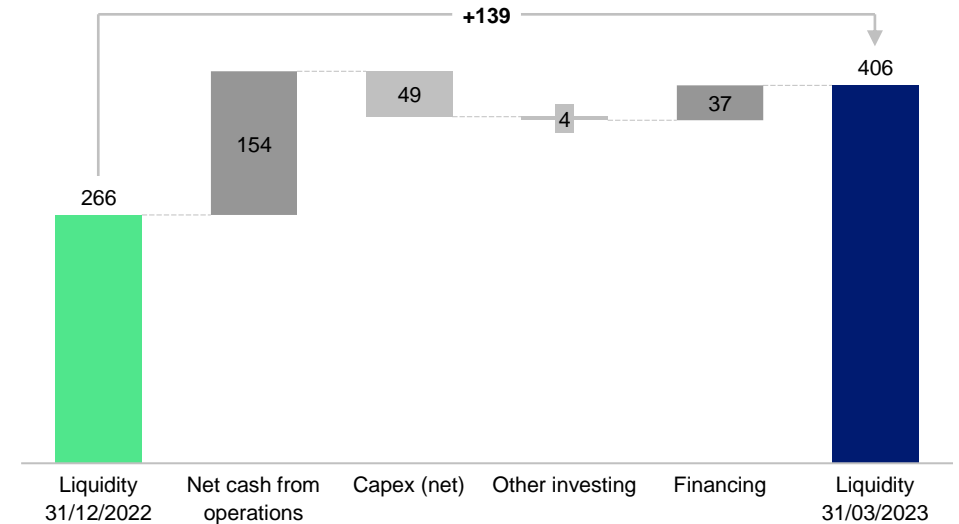
Total liquidity

Breakdown in USD million



Cash and marketable securities development

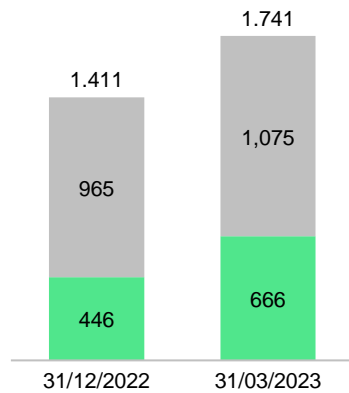
Q1 2023 in USD million



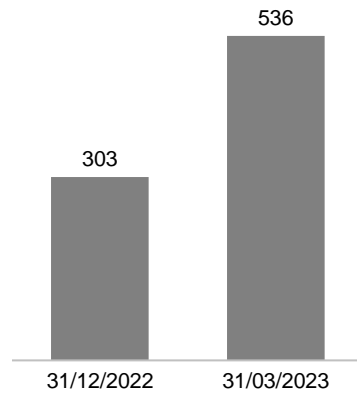
The balance sheet expands due to more aircraft lease liabilities and deferred income

Assets
USD millions

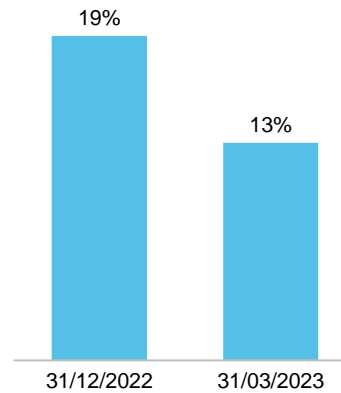
■ Non-current assets
■ Current assets



Deferred income
USD millions

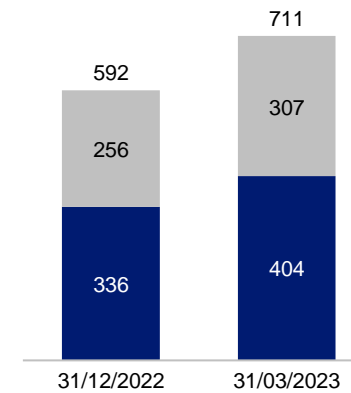


Equity ratio
%

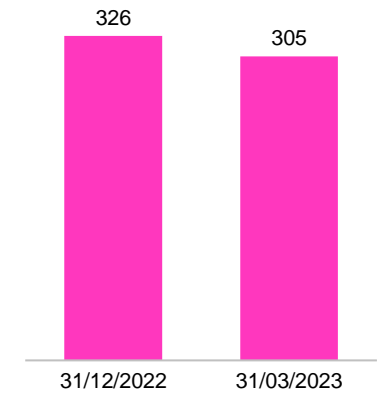


Financial liabilities¹
USD millions

■ Interest bearing debt
■ Lease liabilities



Net financial liabilities²
USD millions



Outlook

Bogi Nils Bogason, CEO

Largest flight schedule¹ in the history of Icelandair in 2023

54 destinations

N-America, and Europe

785 connections

Within the network and countless through partnerships

5 new network destinations 2023

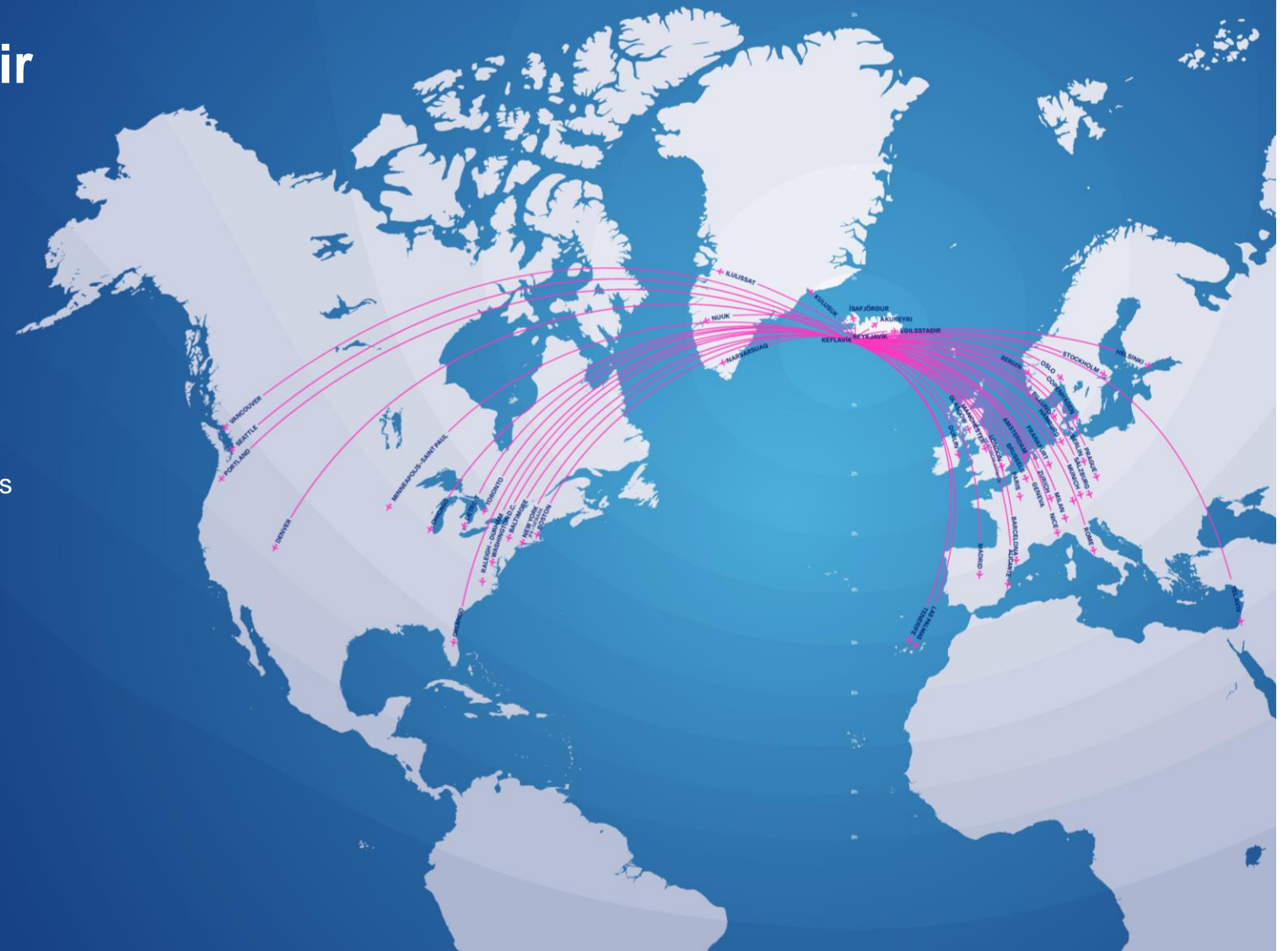
Detroit, Prague, Barcelona, Tel Aviv, Crete

950 departures per week

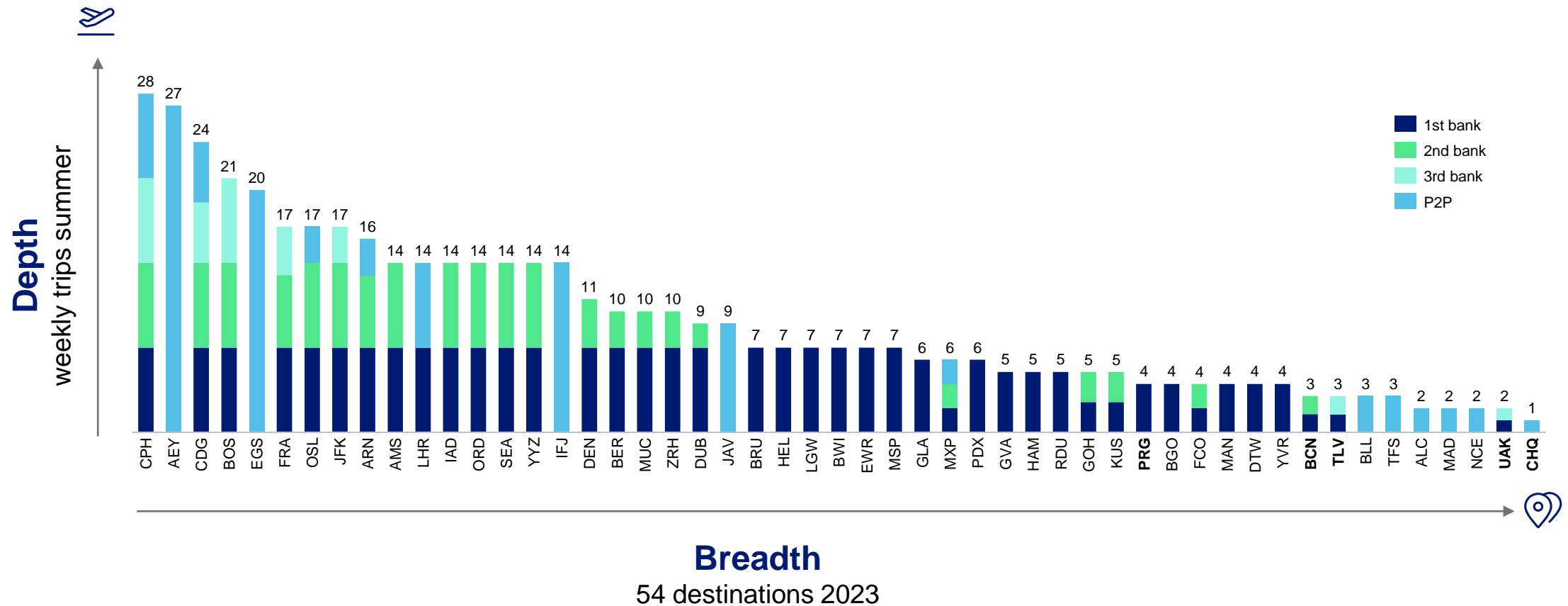
Peak week August

3 connection banks

Diverse departure times



By adding connecting banks, we can offer more diversity in departure times and improve the utilization of our infrastructure



The most extensive winter schedule in Icelandair's history

New year-round destinations

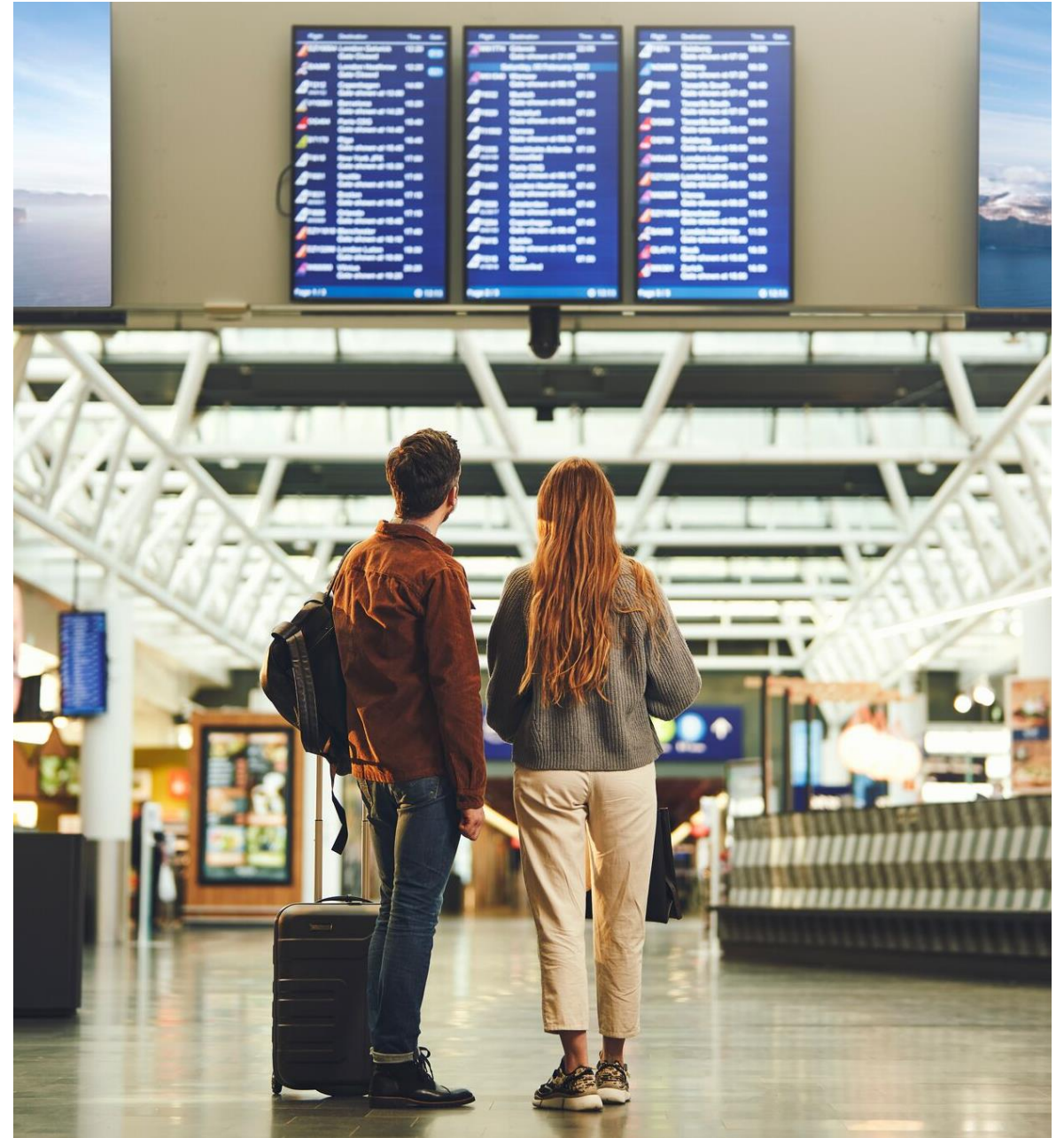
Barcelona, Rome, Raleigh-Durham, Vancouver and Baltimore

Increased frequency

More travel choices for our passengers

Supports winter tourism TO Iceland

Important for the Icelandic Tourism industry to utilize infrastructure better throughout the year. Key for sustainable growth of the industry.





Memorandum of Understanding for 13 Airbus 321XLR aircraft and purchase rights for 12 additional aircraft signed

- A Sale and Purchase Agreement is expected to be finalized before the end of the second quarter of 2023
- A321XLR will replace all B757-200 in the Icelandair fleet
- Deliveries will commence in 2029
- Icelandair however, plans to start operating four A321LR aircraft in 2025 and is currently in negotiations with aircraft lessors in that respect
- Further additions of Airbus aircraft can be expected in the years thereafter



2023 Outlook

- Demand for travel very strong for the coming months
- Bookings for the next six months are significantly higher than last year
- Inflation and somewhat challenging operating environment
- Fuel prices more favorable for the rest of the year
- Cargo markets challenging – focus on restoring profitability
- Leasing expected to deliver strong results throughout the year
- The guidance below is subject to change in case of unforeseen events and economic development

2023 guidance

↑	EBIT margin	Full year	~4% - 6%
💰	Net capex USDm	Full year	~115-130
✈️	Capacity chg. in ASK	Full year	~20%
📄	Av. fuel m/t USD	Apr-Dec	820
☁️	Av. EUA per unit EUR	Apr-Jul/Aug-Dec	90/95
💵	Av. USD/ISK	Apr-Dec	136



Proven business model with ample growth opportunities

Unique route network based on strategic location

Strong commercial infrastructure

Exceptional team of employees

Healthy financial position

Well positioned for future growth

Guided by a clear vision and strategy

Underpinned by sustainability

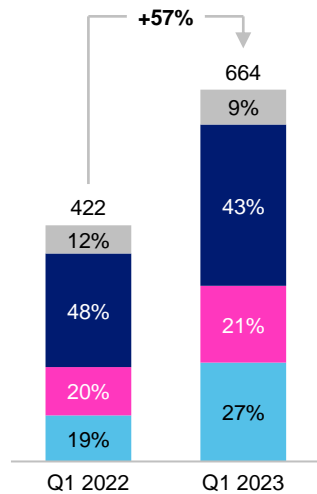
Q&A

Strong demand in all markets delivering 78% load factor on 38% capacity increase year-on-year

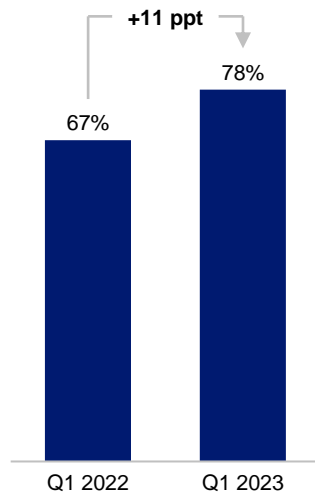
Passenger mix

Thousands

■ within ■ to ■ from ■ via

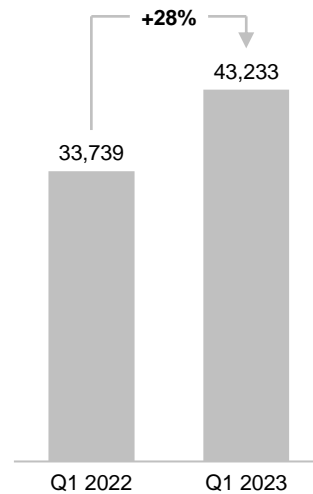


Load factor



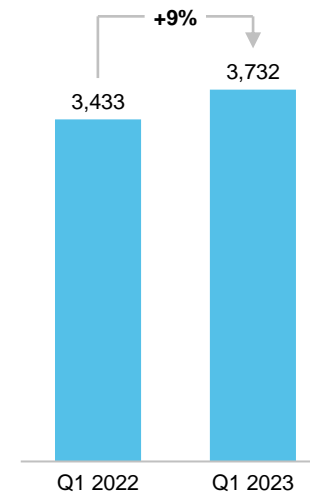
Freight ton kilometers

FTK '000



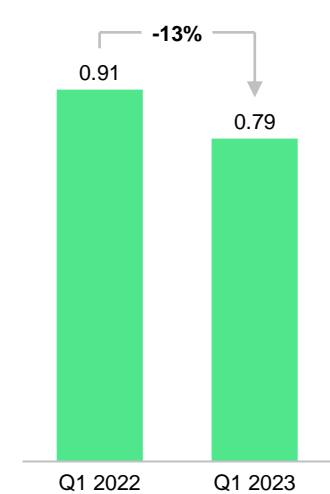
Sold block hours

Leasing operation



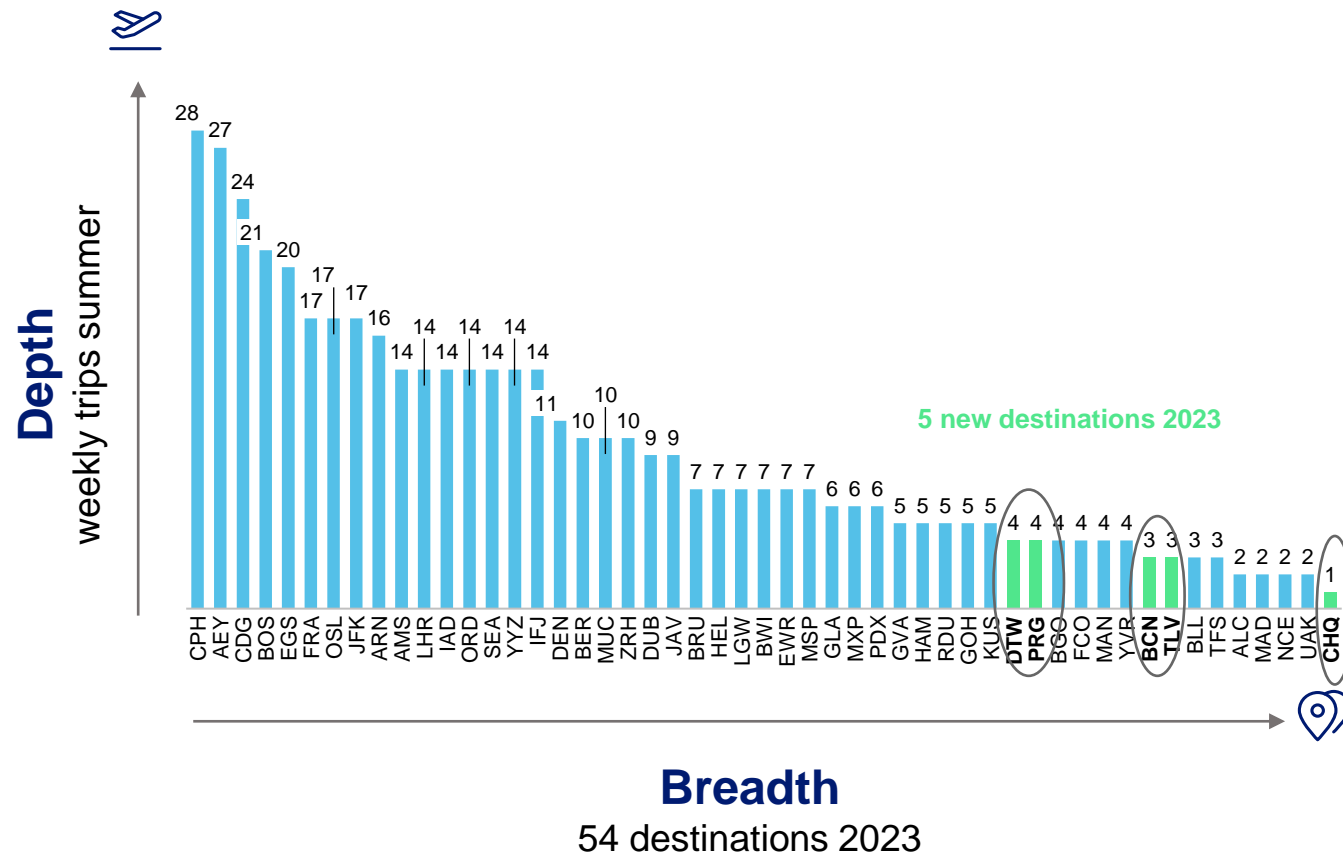
CO2 emissions

Per OTK*



The Icelandair route network will expand in 2023 both in breadth and depth

The network will connect 39 European airports with 15 N-American airports through the hub in Keflavik



Disclaimer

- | This material has been prepared by Icelandair Group hf. Unless stated otherwise all information is sourced by Icelandair Group hf.
- | The circulation of the information contained within this document may be restricted in some jurisdictions. It is the responsibility of the individual to comply with any such jurisdictional restrictions.
- | Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Icelandair Group. Past performance should not be viewed as a guide to future performance. Where amounts involve a foreign currency, they may be subject to fluctuations in value due to movements in exchange rates.
- | Icelandair Group cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Icelandair Group believes to be reliable. Neither Icelandair Group nor any of its directors or employees can however warrant that all information is correct. Furthermore, information and opinions may change without notice. Icelandair Group is under no obligation to make amendments or changes to this presentation if errors are found or opinions or information change. Icelandair Group accepts no responsibility for the accuracy of its sources or information provided herein and therefore can neither Icelandair Group nor any of its directors or employees be held responsible in any way for the contents of this document.
- | This document must not be construed as investment advice or an offer to invest.
- | Icelandair Group is the owner of all works of authorship including, but not limited to, all design, text, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Icelandair Group's material, works or trademarks is forbidden without written consent except where otherwise expressly stated.
- | Furthermore, it is prohibited to publish, copy, reproduce or distribute further the material made or gathered by Icelandair Group without the company's explicit written consent.