

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



**3** 1 January—30 September 2022

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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 30 September 2022 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, profit for the period from 1 January to 30 September 2022 amounted to USD 12.0 million. Total comprehensive loss for the period was USD 6.6 million. Equity at 30 September 2022 amounted to USD 286.9 million according to the Consolidated Statement of Financial Position and share capital amounted to USD 311.0 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 nine months ended 30 September 2022 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.

In the third quarter 2022 we had robust results on the back of strong post-pandemic travel demand during a period where Icelandair's business model proved its worth. Profit amounted to USD 58 million up from USD 20 million last year. EBIT was almost USD 93 million with a 19% EBIT margin. The results were driven by strong revenue generation with total income amounting to USD 487 million up by 89% between years. Thereof passenger revenues amounted to USD 408 million, a record in a single quarter.

We reached 82% of 2019 capacity and more than doubled the number of passengers between years. It is great to see how fast our transatlantic market has recovered, accounting for 43% of the total number of passengers in the quarter. Continued improvement of revenue generation from our Saga Premium product positively impacted unit revenue. Furthermore, our cargo and leasing businesses continued to complement our revenue generation.

The on-time performance was 70%, negatively affected by staffing issues at major airports this summer. This in turn affected customer experience but Icelandair's extensive flight schedule, with its high frequency of flights and diverse departure times within each day, enabled us to minimize the impact that these disruptions had on passengers.

Fuel price remained high throughout the quarter increasing by 78% year-on-year. Fuel cost amounted to USD 137 million, which is 38% of operation expenses compared to 23% in the same period last year. A larger proportion of the substantially more fuel efficient B737 MAX aircraft within the fleet, in addition to improved load factor, resulted in a 20% reduction of CO2 emissions per OTK compared to Q3 2021.

Total assets on the balance sheet amounted to USD 1.4 billion and the equity ratio of the Company was 20% at the end of September 2022.

The Company took delivery of two B737 MAX aircraft and one B767-300 freighter during the quarter. In addition, it expects to take delivery of one B767-300 freighter on operating lease in addition to the purchase of three B737 MAX 8 aircraft before summer 2023. The financing for the B737 MAX aircraft is in progress.

Icelandair's liquidity position was strong at the end of the third quarter with cash, cash equivalents and marketable securities amounting to USD 321 million an increase of USD 58 million from the beginning of the year. Additionally, the Company had undrawn committed credit lines in the amount of USD 52 million bringing the total liquidity to USD 373 million.

Icelandair will continue to rebuild capacity in the fourth quarter of 2022 and expects it to reach around 98% of 2019 levels compared to 82% of 2019 in Q3 2022. Despite significant economic turmoil in many of Icelandair's markets booking flows continue to be resilient for early 2023.

## 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.:**

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 nine month period ended 30 September 2022, its assets, liabilities and consolidated financial position as at 30 September 2022 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 30 September 2022 and confirm them by means of their signatures.

Reykjavík, 20 October 2022.

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 30 September 2022

	Notes	2022 Q3	2021 Q3	2022 YTD	2021 YTD
<b>Operating income</b>					
Transport revenue .....	6	451,724	208,514	874,998	302,021
Aircraft and aircrew lease .....		13,455	9,601	40,920	28,414
Other operating revenue .....	6	21,548	39,408	58,419	61,941
		<u>486,727</u>	<u>257,524</u>	<u>974,337</u>	<u>392,376</u>
<b>Operating expenses</b>					
Salaries and salary related expenses .....		74,758	60,395	224,789	148,188
Aviation expenses .....		205,524	90,173	441,363	150,595
Other operating expenses .....		79,996	66,531	185,858	108,160
	7	<u>360,278</u>	<u>217,099</u>	<u>852,010</u>	<u>406,943</u>
<b>Operating profit (loss) before depreciation and amortization (EBITDA) .....</b>					
		126,449	40,425	122,327	( 14,567)
Depreciation and amortization .....	8	( 33,729)	( 32,248)	( 86,739)	( 85,697)
<b>Operating profit (loss) (EBIT) .....</b>					
		92,720	8,177	35,588	( 100,263)
Finance income .....		2,118	4,946	5,284	12,350
Finance costs .....		( 12,291)	( 6,474)	( 27,675)	( 14,857)
Fair value changes .....		( 10,185)	11,103	( 580)	15,076
<b>Net finance (loss) income .....</b>	9	<u>( 20,358)</u>	<u>9,575</u>	<u>( 22,971)</u>	<u>12,569</u>
Gain on sale of associate .....		0	4,653	0	4,653
Share of profit (loss) of associates, net of tax .....		1,447	( 1,144)	829	( 3,789)
<b>Profit (loss) before tax (EBT) .....</b>					
		73,809	21,261	13,446	( 86,830)
Income tax .....		( 15,938)	( 1,615)	( 1,474)	21,440
<b>Profit (loss) for the period .....</b>					
		<u>57,871</u>	<u>19,646</u>	<u>11,972</u>	<u>( 65,390)</u>
<b>Other comprehensive (loss) profit:</b>					
Currency translation differences .....		( 10,133)	( 5,316)	( 12,750)	( 3,615)
Net loss on hedge of investment, net of tax .....		( 3,883)	( 2,487)	( 4,570)	( 1,321)
Cash flow hedges - effective portion of changes in fair value, net of tax .....		( 10,980)	4,466	( 22,008)	20,715
Cash flow hedges - reclassified to profit or loss .....		3,785	( 1,346)	20,762	( 4,406)
<b>Other comprehensive (loss) profit for the period .....</b>					
		<u>( 21,211)</u>	<u>( 4,683)</u>	<u>( 18,566)</u>	<u>11,373</u>
<b>Total comprehensive profit (loss) for the period .....</b>					
		<u>36,658</u>	<u>14,963</u>	<u>( 6,594)</u>	<u>( 54,017)</u>
<b>Profit (loss) attributable to:</b>					
Owners of the Company .....		55,033	19,722	8,759	( 65,243)
Non-controlling interest .....		2,838	( 76)	3,213	( 147)
<b>Profit (loss) for the period .....</b>					
		<u>57,871</u>	<u>19,646</u>	<u>11,972</u>	<u>( 65,390)</u>
<b>Total comprehensive profit (loss) attributable to:</b>					
Owners of the Company .....		33,078	15,040	( 9,807)	( 53,870)
Non-controlling interest .....		3,578	( 77)	3,213	( 148)
<b>Total comprehensive profit (loss) for the period .....</b>					
		<u>36,658</u>	<u>14,963</u>	<u>( 6,594)</u>	<u>( 54,017)</u>
<b>Earnings per share:</b>					
Basic earnings per share in US cent per share .....		0.16	0.07	0.04	( 0.22)
Diluted earnings per share in US cent per share .....		0.16	0.07	0.04	( 0.22)

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

## Consolidated Statement of Financial Position as at 30 September 2022

	Notes	30.9.2022	31.12.2021
<b>Assets</b>			
Operating assets .....	15	465,326	391,293
Right-of-use assets .....	15	329,343	224,794
Intangible assets and goodwill .....		55,259	55,614
Investments in associates .....		9,904	11,592
Receivables and deposits .....		19,771	18,987
Deferred tax asset .....		58,793	60,647
Non-current assets		<u>938,396</u>	<u>762,927</u>
Inventories .....		22,707	24,398
Derivatives used for hedging .....		1,976	2,853
Trade and other receivables .....		151,037	118,417
Marketable securities .....		30,477	58,197
Cash and cash equivalents .....		290,140	204,767
Current assets		<u>496,337</u>	<u>408,632</u>
<b>Total assets</b>		<u><u>1,434,733</u></u>	<u><u>1,171,559</u></u>
<b>Equity</b>			
Share capital .....		310,973	272,204
Share premium .....		47,795	34,178
Reserves .....		5,593	24,116
Accumulated deficit .....		( 78,399 )	( 105,876 )
Equity attributable to equity holders of the Company		<u>285,962</u>	<u>224,622</u>
Non-controlling interest .....		975	( 2,238 )
Total equity		<u>286,937</u>	<u>222,384</u>
<b>Liabilities</b>			
Loans and borrowings .....	10	214,949	222,139
Lease liabilities .....	11	305,491	212,042
Payables .....		39,146	23,384
Non-current liabilities		<u>559,586</u>	<u>457,565</u>
Loans and borrowings .....	10	52,766	35,646
Lease liabilities .....	11	45,608	33,617
Warrants .....	12	0	18,395
Derivatives used for hedging .....		3,274	1,136
Trade and other payables .....		181,243	143,736
Deferred income .....	13	305,319	259,080
Current liabilities		<u>588,210</u>	<u>491,610</u>
Total liabilities		<u>1,147,796</u>	<u>949,175</u>
<b>Total equity and liabilities</b>		<u><u>1,434,733</u></u>	<u><u>1,171,559</u></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 30 September 2022

	Attributable to equity holders of the Company								Non-con- trolling interest	Total equity
	Share capital	Share premium	Reserves				Accumulated deficit	Total		
			Hedging reserve	Translation reserve	Other reserves					
<b>1 January to 30 September 2021</b>										
Equity 1 January 2021 .....	212,969	13,208	( 16,720 )	8,403	16,690	0	234,550	( 1,741 )	232,809	
Shares issued .....	59,235	20,970					80,205		80,205	
Warrants issued .....						( 3,300 )	( 3,300 )		( 3,300 )	
Warrants exercised .....						4,095	4,095		4,095	
Loss for the period .....						( 65,243 )	( 65,243 )	( 148 )	( 65,391 )	
Currency translation differences .....				( 3,615 )			( 3,615 )		( 3,615 )	
Net profit on hedge of investment, net of tax .....				( 1,321 )			( 1,321 )		( 1,321 )	
Effective portion of changes in fair value of cash flow hedges, net of tax .....			16,309				16,309		16,309	
Effects of profit or loss of subsidiaries and associates .....					870	( 870 )	0		0	
Equity 30 September 2021 .....	272,204	34,178	( 411 )	3,467	17,560	( 65,318 )	261,680	( 1,889 )	259,791	
<b>1 January to 30 September 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 .....	38,769	13,617					52,386		52,386	
Warrants exercised .....						18,761	18,761		18,761	
Profit for the period .....						8,759	8,759	3,213	11,972	
Currency translation differences .....				( 12,750 )			( 12,750 )		( 12,750 )	
Net loss on hedge of investment, net of tax .....				( 4,570 )			( 4,570 )		( 4,570 )	
Effective portion of changes in fair value of cash flow hedges, net of tax .....			( 1,246 )				( 1,246 )		( 1,246 )	
Effects of profit or loss of subsidiaries and associates .....					43	( 43 )	0		0	
Equity 30 September 2022 .....	310,973	47,795	( 1,154 )	( 12,350 )	19,097	( 78,399 )	285,962	975	286,937	

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

## Consolidated Statement of Cash Flows for the nine months ended 30 September 2022

	Notes	2022 Q3	2021 Q3	2022 YTD	2021 YTD
<b>Cash flows (to) from operating activities</b>					
Profit (loss) for the period .....		57,871	19,646	11,972	( 65,390 )
Adjustments for:					
Depreciation and amortization .....	8	33,729	32,248	86,739	85,697
Expensed deferred cost .....		8,416	4,559	18,431	10,410
Net finance cost .....		10,173	1,528	22,391	2,507
Gain on sale of associate .....		0	( 4,653 )	0	( 4,653 )
Changes in fair value .....		10,185	( 11,103 )	580	( 15,076 )
Gain on sale of operating assets .....		( 780 )	( 1,218 )	( 2,317 )	( 7,514 )
Share in (profit) loss of associates .....		( 1,447 )	1,144	( 829 )	3,789
Deferred income tax .....		15,938	1,615	1,474	( 21,440 )
		<u>134,085</u>	<u>43,766</u>	<u>138,441</u>	<u>( 11,670 )</u>
Changes in:					
Inventories .....		1,967	104	2,101	1,639
Trade and other receivables .....		39,407	20,184	( 38,971 )	( 27,478 )
Trade and other payables .....		( 61,784 )	6,454	22,851	17,441
Deferred income .....		( 157,471 )	( 40,823 )	47,211	78,125
		<u>( 177,881 )</u>	<u>( 14,081 )</u>	<u>33,192</u>	<u>69,727</u>
Interest received .....		640	92	1,915	375
Interest paid .....		( 5,954 )	( 4,585 )	( 17,063 )	( 13,508 )
Net cash (to) from operating activities		<u>( 49,110 )</u>	<u>25,192</u>	<u>156,485</u>	<u>44,924</u>
<b>Cash flows (used in) from investing activities:</b>					
Acquisition of operating assets .....		( 54,538 )	( 6,140 )	( 249,507 )	( 163,980 )
Proceeds from sale of operating assets .....		1,056	13,618	111,024	194,978
Deferred cost .....		( 1,189 )	( 3,112 )	( 2,217 )	( 5,597 )
Acquisition of intangible assets .....		( 22 )	0	( 315 )	( 237 )
Proceeds from sale of a subsidiary .....		0	3,400	0	3,400
Investment in associates .....		( 233 )	0	( 271 )	( 1,759 )
Non-current receivables, change .....		1,999	( 1,887 )	8,421	4,646
Cash attributable to assets held for sale .....		0	( 2,953 )	0	( 5,532 )
Marketable securities, change .....		13,723	( 29,639 )	27,720	( 18,728 )
Net cash (used in) from investing activities		<u>( 39,204 )</u>	<u>( 26,713 )</u>	<u>( 105,145 )</u>	<u>7,190</u>
<b>Cash flows from financing activities:</b>					
Shares issued .....		34,419	80,206	52,386	80,206
Proceeds from non-current borrowings .....		0	0	42,002	3,229
Repayment of non-current borrowings .....		( 12,355 )	( 5,601 )	( 31,159 )	( 16,039 )
Repayment of lease liabilities .....		( 9,494 )	( 10,313 )	( 27,359 )	( 19,247 )
Net cash from financing activities		<u>12,570</u>	<u>64,292</u>	<u>35,870</u>	<u>48,148</u>
<b>Change in cash and cash equivalents .....</b>		<b>( 75,744 )</b>	<b>62,771</b>	<b>87,210</b>	<b>100,262</b>
<b>Effect of exchange rate fluctuations on cash held .....</b>		<b>( 1,672 )</b>	<b>( 1,292 )</b>	<b>( 1,837 )</b>	<b>( 941 )</b>
<b>Cash and cash equivalents at beginning of the period .....</b>		<b>367,556</b>	<b>155,500</b>	<b>204,767</b>	<b>117,657</b>
<b>Cash and cash equivalents at period end .....</b>		<b>290,140</b>	<b>216,978</b>	<b>290,140</b>	<b>216,978</b>

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

### 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 Reykjavíkurlflugvöllur in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2022 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 and tourism 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 2021 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 nine months ended 30 September 2022 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 2021.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 20 October 2022.

#### 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.

#### c. 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.

### 3. 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 2021.

### 4. 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 2021. A number of new standards are effective for annual periods beginning after 1 January 2022 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.:

### 5. 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 nine months ended 30 September 2022

	North America	Europe	Iceland	Other	Total
Transport revenue .....	432,800	255,394	175,418	11,386	874,998
Aircraft and aircrew lease .....	5,400	2,908	8,105	24,507	40,920
Other operating revenue .....	14,664	9,699	33,708	348	58,419
Total revenue .....	452,864	268,001	217,231	36,241	974,337
Total revenue % .....	46%	28%	22%	4%	100%

#### Geographic segments for the nine months ended 30 September 2021

	North America	Europe	Iceland	Other	Total
Transport revenue .....	121,928	88,942	88,324	2,827	302,021
Aircraft and aircrew lease .....	1,933	0	3,831	22,650	28,414
Other operating revenue .....	10,840	12,965	37,985	150	61,941
Total revenue .....	134,701	101,907	130,140	25,627	392,376
Total revenue % .....	34%	26%	33%	7%	100%

## Notes, contd.:

### 6. Operating income

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
Transport revenue is specified as follows:				
Passengers .....	408,288	171,775	757,887	212,110
Passenger ancillary revenue .....	25,159	14,960	54,330	22,069
Cargo .....	18,277	21,779	62,781	67,842
Total transport revenue .....	451,724	208,514	874,998	302,021
Other operating revenue is specified as follows:				
Sale at airport .....	2,963	2,347	6,189	3,405
Revenue from tourism .....	7,459	25,148	25,068	29,440
Aircraft and cargo handling services .....	4,581	4,664	11,690	10,026
Maintenance revenue .....	957	435	1,768	2,628
Gain on sale of operating assets .....	780	1,218	2,317	7,514
Other operating revenue .....	4,808	5,596	11,387	8,928
Total other operating revenue .....	21,548	39,408	58,419	61,941

### 7. Operating expenses

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
Salaries and salary related expenses are specified as follows:				
Salaries .....	60,275	49,367	174,195	118,093
Contributions to pension funds .....	9,461	7,785	28,076	19,108
Other salary-related expenses .....	5,022	3,243	22,518	10,987
Total salaries and salary related expenses .....	74,758	60,395	224,789	148,188
Aviation expenses are specified as follows:				
Aircraft fuel .....	136,742	50,069	288,072	77,368
Aircraft lease .....	1,326	69	1,326	582
Aircraft handling, landing and navigation .....	40,743	27,811	90,118	41,841
Aircraft maintenance expenses .....	26,713	12,224	61,847	30,804
Total aviation expenses .....	205,524	90,173	441,363	150,595
Other operating expenses are specified as follows:				
Operating cost of real estate and fixtures .....	2,354	1,664	6,708	3,819
Communication .....	8,211	6,818	19,847	15,399
Advertising .....	6,334	2,795	15,819	8,452
Booking fees and commission expenses .....	19,722	10,936	40,586	12,293
Cost of goods sold .....	2,432	1,318	4,841	1,832
Customer services .....	15,941	5,497	33,496	8,027
Travel and other employee expenses .....	14,765	11,624	36,685	18,384
Tourism expenses .....	4,199	17,915	14,557	19,646
Allowance for bad debt .....	( 1,475 )	1,610	( 7,623 )	1,880
Other operating expenses .....	7,513	6,354	20,942	18,428
Total other operating expenses .....	79,996	66,531	185,858	108,160

### 8. Depreciation and amortization

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
The depreciation and amortization charge in profit or loss is specified as follows:				
Depreciation of operating assets .....	23,165	25,449	58,622	68,786
Depreciation of right-of-use assets .....	10,421	6,290	27,451	15,021
Amortization of intangible assets .....	143	509	666	1,890
Depreciation and amortization .....	33,729	32,248	86,739	85,697

## Notes, contd.:

### 9. Finance income and finance costs

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
Finance income and finance costs are specified as follows:				
Interest income on cash and cash equivalents and marketable securities .....	1,485	108	2,941	356
Interest income on lease receivables .....	71	89	203	196
Other interest income .....	562	140	2,140	3,465
Net currency exchange gain .....	0	4,609	0	8,333
Finance income total .....	2,118	4,946	5,284	12,350
Interest expenses on loans and borrowings .....	2,942	2,606	7,963	7,572
Interest on lease liabilities .....	3,677	2,405	9,313	4,932
Other interest expenses .....	223	1,463	1,041	2,353
Net currency exchange loss .....	5,449	0	9,358	0
Finance costs total .....	12,291	6,474	27,675	14,857
Changes in fair value of warrants, see note 12 .....	( 10,185 )	11,103	( 580 )	15,076
Net finance (loss) income .....	( 20,358 )	9,575	( 22,971 )	12,569

### 10. 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.

	30.9.2022	31.12.2021
Non-current loans and borrowings:		
Secured bank loans .....	243,997	238,612
Unsecured loans .....	23,718	19,173
Total loans and borrowings .....	267,715	257,785
Current maturities .....	( 52,766 )	( 35,646 )
Total non-current loans and borrowings .....	214,949	222,139
Current loans and borrowings:		
Current maturities .....	52,766	35,646
Total current loans and borrowings .....	52,766	35,646
Total loans and borrowings .....	267,715	257,785

#### Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.9.2022	31.12.2021
Secured bank loans .....	USD	5.0%	2023-2034	200,177	180,115
Secured bank loans .....	EUR	2.4%	2028	43,820	58,497
Unsecured loans .....	ISK	4.9%	2023-2026	23,718	19,173
Total interest-bearing liabilities .....				267,715	257,785

Included in Unsecured loans are deferred payroll tax payments that formed a part of general government measures in 2020 and 2021 to mitigate the negative effects of COVID-19. The loans carry zero interest and are measured at net present value. The deferred payments granted in 2020 are payable in monthly installments over a 48-month period from July 2022 – June 2026. Payments deferred in 2021 are due in six installments from September 2022 to February 2023. At year-end 2021 this amount totaling USD 8.9 million was included in Other payables.

Icelandair Group has two committed credit lines in place with local banks in the total amount of USD 52 million. The lines were undrawn as at 30 September 2022.

## Notes, contd.:

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

Repayments of loans and borrowings are specified as follows:	<b>30.9.2022</b>	<b>31.12.2021</b>
Repayments in 2022 (3 months)(2021: 12 months) .....	17,143	35,646
Repayments in 2023 .....	48,027	46,847
Repayments in 2024 .....	57,934	58,541
Repayments in 2025 .....	36,407	34,605
Repayments in 2026 .....	27,389	25,328
Subsequent repayments .....	80,815	56,818
Total loans and borrowings .....	<u>267,715</u>	<u>257,785</u>

As part of its financial restructuring the Group signed deferral agreements with all major lenders in Q3 2020. The deferral agreements included temporary waivers from certain pre-COVID financial covenants, originally set to resume in the period of Q1-Q3 2022. On 7 February 2022 the Company terminated a loan agreement with two local banks in the amount of USD 120 million which was 90% guaranteed by the Icelandic government. In relation to the termination the Company renegotiated the timeline according to which the pre-Covid financial covenants would resume to take effect. The pre-COVID financial covenants are now set to resume gradually from Q3 2022 - Q4 2023.

The Group was not in breach of any financial covenants at 30 September 2022.

### 11. 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	
				30.9.2022	31.12.2021
Lease liabilities .....	USD	4.4%	2022-2033	341,922	233,988
Lease liabilities indexed .....	ISK	3.9%	2022-2029	8,123	10,160
Lease liabilities .....	other	2.5%	2022-2025	1,054	1,511
Current maturity .....				( 45,608 )	( 33,617 )
Total non-current lease liabilities .....				<u>305,491</u>	<u>212,042</u>

Repayments of lease liabilities are specified as follows:	<b>30.9.2022</b>	<b>31.12.2021</b>
Repayments in 2022 (3 months)(2021: 12 months) .....	11,309	33,617
Repayments in 2023 .....	45,314	31,219
Repayments in 2024 .....	40,915	28,614
Repayments in 2025 .....	41,278	28,003
Repayments in 2026 .....	40,934	26,908
Subsequent repayments .....	171,349	97,298
Total lease liabilities .....	<u>351,099</u>	<u>245,659</u>

Further lease agreements have been executed for one 767-300 freighter, scheduled for delivery in Q4 2022 and two 737 MAX8 aircraft which are scheduled to be delivered in Q4 2023.

The lease liability for these three aircraft equals approximately USD 83 million. See further note 15.

## Notes, contd.:

### 12. Warrant liabilities

The warrants specified as follows:

Warrant liabilities	ICEAIRW	ICEAIRW	ICEAIRW	Bain Capital	Total
	130821	180222	120822	120822	
Total warrant liabilities 31.12.2020 .....	9,129	9,001	9,634	0	27,764
Issued warrants .....				3,300	3,300
Gain on change					
in fair value of warrant liability .....	( 5,043 )	( 997 )	( 2,077 )	( 65 )	( 8,182 )
Foreign exchanges difference .....	9	( 139 )	( 154 )	( 108 )	( 392 )
Exercised warrants .....	( 4,095 )	0	0	0	( 4,095 )
Fair value at 31.12.2021 .....	0	7,865	7,403	3,127	18,395
Gain on change					
in fair value of warrant liability .....	0	( 1,795 )	2,741	( 366 )	580
Foreign exchanges difference .....	0	369	( 423 )	( 160 )	( 214 )
Exercised warrants .....	0	( 6,439 )	( 9,721 )	( 2,601 )	( 18,761 )
Fair value as of period ending .....	0	0	0	0	0

Warrant class ICEAIRW180222 was exercisable in Q1 with 97.6% of warrant holders opting to exercise their rights to purchase new shares in the Company at a price of ISK 1.22 pr. share. The total proceeds to the Company amounted to USD 17.9 million.

The Bain Capital warrant was exercised in full in July 2022 at a price of ISK 1.64 pr. share. Warrant class ICEAIRW120822 was exercisable in August with 98% of warrant holders opting to exercise their rights at a price of ISK 1.30 pr. share. The total proceeds to the Company amounted to USD 34,4 million.

### 13. Deferred income

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

Deferred income is specified as follows:

	30.9.2022	31.12.2021
Sold unused tickets and vouchers .....	262,355	223,975
Frequent flyer points .....	18,116	19,798
Other prepayments .....	24,848	15,307
Total deferred income .....	305,319	259,080

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 vouchers amounted to USD 46.6 million (2021: USD 83.7 million). The vouchers are generally valid for 3 years from the date of issuance.

### 14. Financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the 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:

	30.9.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging .....	( 1,298 )	( 1,298 )	1,717	1,717
Unsecured bond issue .....	( 23,718 )	( 23,894 )	( 19,173 )	( 19,308 )
Secured loans .....	( 243,997 )	( 254,822 )	( 238,612 )	( 248,043 )
Warrants .....	0	0	( 18,395 )	( 18,395 )
Lease liabilities .....	( 351,099 )	( 351,099 )	( 245,659 )	( 245,659 )
Total .....	( 620,112 )	( 631,113 )	( 520,122 )	( 529,688 )

## Notes, contd.:

### 15. Capital commitments

As announced in June 2022, The Company has entered into a purchase commitment for four 737 MAX8 aircraft. One of these aircraft was delivered in Q3 and will enter scheduled service early next year, but the others are scheduled for delivery in Q4 2022 and Q1 2023. The aircraft already delivered has temporarily been financed with the Group's own funds but financing for all the aircraft is in progress.

In addition, the company has entered into lease commitments as described further in note 11.

See the table below for expected delivery date:

	Q4 2022	Q1 2023	Q4 2023	Total
Boeing 737 MAX8 .....	1	2	2	5
Boeing 767-300 freighter .....	1	0	0	1
Total .....	2	2	2	6

The Group took delivery of six new 737 MAX8 aircraft during the first three quarters of the year. Four of them are classified as Right-of-use assets (of which two are financed through sale and leaseback agreements) and two classified as Operating assets.

The Group has taken delivery of one B767-300 freighter on operating lease (classified as Right-of-use asset) at the end of Q3 which is expected to enter service later this year.

### 16. Group entities

The Company held the following significant subsidiaries at the end of September 2022:

	Share
FERIA ehf. (VITA) .....	100%
IceCap Insurance PCC Ltd. ....	100%
Iceeignir ehf. ....	100%
Icelandair ehf. ....	100%
CAE Icelandair Flight Training ehf. ....	67%
Flugfélag Íslands ehf. ....	100%
Icelandair Cargo ehf. ....	100%
Loftleiðir - Icelandic ehf. ....	100%

The subsidiaries further own six 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. The exclusion of non-cash transactions from the statement of cash flows as these items do not involve cash flows in the current period.

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
Investment and financing without cash flow effect:				
Acquisition of right-of-use assets .....	( 48,448 )	( 191 )	( 122,446 )	( 132,590 )
New or renewed leases .....	48,448	( 899 )	125,808	133,802
Gain on sale due to sales and leaseback .....	0	( 158 )	90	( 2,460 )
Non-current receivables .....	0	1,248	( 3,452 )	1,248
Loans and borrowings .....	0	0	8,927	16,492
Trade and other payables .....	0	0	( 8,927 )	( 16,492 )
Warrants .....	( 12,322 )	( 795 )	( 18,761 )	( 795 )
Retained earnings .....	12,322	795	18,761	795

## Alternative performance measures (APMs)

	2022 Q3	2021 Q3	2022 YTD	2021 YTD
<b>Traffic</b>				
ASK ('000) .....	4,820	2,938	10,127	3,852
RASK (USD cent) .....	9.2	6.7	8.3	6.5
CASK (USD cent) .....	7.4	6.6	8.2	9.5
CASK less fuel (USD cent) .....	4.7	5.1	5.6	7.8
RPK ('000) .....	4,220	2,003	8,194	2,410
PAX .....	1,430,100	695,702	2,841,899	916,818
OTP .....	70.0%	86.0%	71.8%	87.0%
Passenger flights .....	5,228	3,193	11,358	5,190
LF .....	87.6%	68.2%	80.9%	62.6%
BH .....	4,027	3,427	10,748	10,146
FTK ('000) .....	29,661	35,087	98,842	102,940
Passenger mix				
To .....	590,319	364,115	1,179,206	442,046
From .....	154,018	74,970	401,265	107,051
Via .....	610,652	188,271	1,062,259	205,618
Within .....	75,111	68,346	199,169	162,103
<b>Capital structure</b>			<b>30.9.2022</b>	<b>31.12.2021</b>
Total cash and marketable securities (USD '000) .....			320,617	262,964
Liquidity (USD '000) .....			372,617	434,964
Net interest-bearing debt (USD '000) .....			( 52,902 )	( 5,179 )
Net lease liabilities (USD '000) .....			( 344,338 )	( 238,137 )
Current ratio .....			0.84	0.83
Equity ratio .....			0.20	0.19
Intrinsic value of share capital .....			0.92	0.82
<b>Other</b>				
	2022 Q3	2021 Q3	2022 YTD	2021 YTD
Effective fuel price (USD pr. Metric tonn) .....	1,227	716	1,150	701
CAPEX, gross .....	55,749	9,252	252,039	169,814
CAPEX, net .....	54,693	( 4,366 )	141,015	( 25,164 )
FTE .....	3,457	2,535	3,043	1,969



## Definitions

### 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 operational cost per available seat kilometer is calculated by dividing total operational cost on a given flight by available seat kilometers (ASK) on that flight
CASK less fuel .....	Total operational 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 operational 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, freight and mail according to a published timetable for which it receives commercial remuneration
LF .....	Passenger load factor, calculated by dividing RPK by ASK
BH .....	Block hours - 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 tonnes of freight carried, obtained by counting each tonne of freight on a particular flight (with one flight number)
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

### Other

Effective fuel price .....	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. tonn)
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

