PROFIT OF USD 13.7 MILLION IN Q2 – HIGHEST SINCE 2016

- EBIT of USD 20.9 million, up by USD 19.6 million year-on-year
- EBIT ratio 5%, improving by 4.7 percentage points between years
- Profit of USD 13.7 million compared to USD 3.8 million in Q2 last year
- Record operating income of USD 414.2 million, increasing by 26% year-on-year
- Record Q2 unit revenue (RASK) of 8.6 US cents, increasing by 8% year-on-year
- Leasing revenue up 41% year-on-year resulting in strong profitability
- Challenging cargo operation had negative effect on EBIT
- Delays in maintenance projects and implementation of aircraft resulted in one-off cost of USD 8 million
- Capacity increased by 17% year-on-year in the passenger network
- 1.2 million passengers carried; 19% more than in Q2 last year
- Load factor of 83.6%, especially strong demand on North American routes
- Strong operating cash flow resulting in highest ever liquidity position of USD 521.2 million
- Forward bookings for the next six months strong and above last year

BOGI NILS BOGASON, PRESIDENT & CEO

“Thanks to the outstanding work of our employees, we are proud to deliver the strongest results in the second quarter since 2016. Achieving a profit of USD 13.7 million was driven by record passenger revenue, historically high load factor, and improved yields in all our markets. Lower fuel costs due to the efficiency of the Boeing 737 MAX aircraft and lower fuel prices also contributed positively to the results. In addition, our leasing business continued to perform very well and deliver strong profitability.

Delays in maintenance projects and implementation of aircraft led to aircraft shortage which we addressed by leasing additional aircraft in June to ensure the reliability of our ambitious flight schedule. This led to one-off costs that negatively impacted the Q2 results. Our cargo operation remained challenging, but we firmly believe that we will turn it around within the next few months with our strong focus on restoring profitability. Bearing this in mind, the Q2 results demonstrate a strong underlying financial performance and give us great confidence for the future.

All in all, the first six months of the year have been eventful as we have prepared for our largest flight schedule yet when it comes to the number of destinations and frequency of flights. We introduced five new destinations, implemented six new aircraft, carried 1.8 million passengers and recruited and trained almost 1,200 employees.

The prospects for the second half of the year remain favorable with continued strong bookings, particularly from North America. Demand for flights to and from Iceland has been strong over the past months. Capacity through Keflavik airport has also increased sharply to 20% above pre-Covid levels this summer and even more into next winter. This development is expected to impact yields and revenue growth in some markets in the second half of the year. However, we are well equipped to adapt to market conditions at any given time with our valuable infrastructure, very strong liquidity, and excellent team of employees. Our EBIT margin forecast for the full year remains unchanged in the 4-6% range and we therefore expect to deliver net profit for the full year of 2023.”

WEBCAST 21 JULY 2023

An investor presentation will be webcasted in relation to the publication of the results at 8:30 GMT on Friday, 21 July 2023, at https://icelandairgroup.is. Bogi Nils Bogason, President & CEO of Icelandair Group, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. **The presentation and Q&A will take place in English**. The presentation will be available after the meeting on the Icelandair Group website: https://icelandairgroup.is and under Company News on: http://www.nasdaqomxnordic.com/news/companynews

KEY INDICATORS

		Q2 2023	Q2 2022	Change	6M 2023	6M 2022	Change
Operating results							
Total income	USDk	414,180	328,945	85,235	647,435	487,610	159,825
of which passenger revenue	USDk	352,728	276,087	76,641	523,268	378,770	144,498
Total operating cost	USDk	358,580	301,338	57,242	623,921	491,732	132,189
EBIT	USDk	20,854	1,206	19,648	-40,771	-57,133	16,362
EBT	USDk	15,341	2,133	13,208	-49,761	-60,365	10,604
Net profit/loss	USDk	13,656	3,802	9,854	-35,476	-45,901	10,425
Balance sheet and cash flow[1]							
Total assets	USDk	-	-	-	1,763,717	1,411,173	352,544
Total equity	USDk	-	-	-	241,038	273,386	-32,348
Financial liabilities	USDk	-	-	-	688,416	592,109	96,307
Net financial liabilities	USDk	-	-	-	219,185	325,698	-106,513
Total liquidity position	USDk	-	-	-	521,231	318,411	202,820
Net cash from operating activities	USDk	129,001	121,713	7,288	283,415	205,593	77,822
CAPEX, gross	USDk	38,797	30,486	8,311	87,919	196,290	-108,371
CAPEX, net	USDk	38,406	22,700	15,706	87,233	86,322	911
Key Ratios							
EPS	US cent	0.03	0.02	0.01	-0.09	-0.12	0.03
Equity ratio[1]	%	-	-	-	13.7%	13.5%	0.2 ppt
EBIT ratio	%	5.0%	0.4%	4.7 ppt	-6.3%	-11.7%	5.4 ppt
RASK[2]	US cent	8.57	7.95	0.62	8.25	7.49	0.76
CASK[2]	US cent	8.18	8.22	-0.04	8.99	8.94	0.05
CASK less fuel[2]	US cent	6.11	5.51	0.60	6.80	6.37	0.43
Traffic figures							
Passenger flights	no.	4,488	4,002	12%	7,308	6,131	19%
Passengers total	no.	1,180,530	989,821	19%	1,844,818	1,411,799	31%
To Iceland	no.	455,775	385,836	18%	743,897	588,887	26%
From Iceland	no.	172,468	161,157	7%	309,579	247,247	25%
Via Iceland	no.	481,196	369,362	30%	657,739	451,607	46%
Within Iceland	no.	71,091	73,465	-3%	133,603	124,058	8%
Passenger load factor	%	83.6%	78.5%	5.1 ppt	81.5%	74.9%	6.7 ppt
Available seat-kilometers (ASK)	mill	4,226	3,603	17%	6,581	5,307	24%
Revenue seat-kilometers (RPK)	mill	3,535	2,830	25%	5,366	3,974	35%
On-Time-Performance	%	75.1%	75.5%	-0.4 ppt	76.3%	74.3%	2.0 ppt
Freight ton kilometers (FTK'000)	k	45,914	35,442	30%	89,147	69,181	29%
Sold charter block hours	no.	3,798	3,288	16%	7,530	6,721	12%
Total CO2 emissions tons	no.	287,278	255,787	12%	463,001	389,034	19%
CO2 emissions per OTK	no.	0.74	0.78	-5.7%	0.76	0.82	-6.8%
Employees							
Av. No. of full-time employees	no.	3,795	3,188	19%	3,443	2,837	21%
No. of employees at period end	no.	-	-	-	4,177	3,536	18%

[1] Comparison figures for balance sheet are 31.12.2022

TRAFFIC DATA

- **Capacity increased 17% year-on-year**
- **Passengers 1.2 million, up by 19%**
- **Load factor 83.6% improving by 5.1 ppt**

Capacity in the route network increased by 17% from Q2 last year. The number of passengers was 1.2 million compared to 990 thousand in Q2 2022, up 19%. The load factor was 83.6% and improved by 5.1 percentage points compared to Q2 last year. The demand was strong, especially on North American routes, where the load factor reached 86% in the quarter, a record load factor for this period. The load factor in Saga Premium, our front cabin, improved significantly.

The market "via" Iceland was the largest market with 41% of total passengers and grew by 30% year-on-year. The "to" market accounted for nearly 39% of total passengers. Passengers in the home market traveling "from" Iceland accounted for 15%, and domestic passengers "within" Iceland for 6%. On-time performance in the quarter was 75%.

The cargo operation was challenging and delivered negative results. Freight carried, measured in Freight Ton Kilometers (FTK), increased by 30% between years due to a larger flight schedule and longer flight distances. Tons carried, however, remained similar between years, with import and export volumes decreasing year-on-year but transit volumes growing more than five-fold. Lower yields resulted in cargo revenue declining by 9%. Sold block hours in the leasing operation increased by 16% year-on-year, resulting in a 41% revenue increase and strong performance during the quarter.

Icelandair reduced its CO_2 emission by 6% per OTK in the second quarter compared to Q2 2022. This was achieved through improved load factor and a larger proportion of B737 MAX aircraft within the fleet than in Q2 2022.

INCOME AND EXPENSES

- **Passenger revenue increased by 28% on a 17% capacity increase**
- **41% increase in leasing revenue**
- **One-off costs due to delays in maintenance projects and implementation of aircraft USD 8 million**

Income

Revenue generation was strong during the second quarter. Passenger revenue increased by 28% year-on-year on a 17% capacity increase. The load factor was historically high, especially on N-American routes, and yields improved in all markets between years. Revenue from leasing projects grew by 41% from Q2 last year however, cargo revenue contracted by 9% due to difficult market conditions.

Total income amounted to USD 414.2 million in Q2 2023, up from USD 328.9 million in Q2 2022, record revenue for Q2. **Passenger revenue,** including ancillary revenue, amounted to USD 352.7 million compared to USD 276.1 million last year, with passenger revenue on the N-American market increasing by 51% year-on-year. **Cargo revenue** amounted to USD 22.0 million compared to USD 24.2 million last year. **Leasing revenue** increased 41% from USD 13.8 million to USD 19.5 million. **Other Operating revenue** amounted to USD 20.0 million, compared to USD 14.9 million last year. Thereof, **revenue from tourism** increased by 36% from USD 7.4 million to USD 10.1 million.

Expenses

A larger scope of business and incremental increase in cost related to the ramp-up of the high season are the main cost drivers year-on-year. Delays in maintenance projects and implementation of aircraft resulted in a one-off cost of USD 8 million. This includes costs due to wet-lease, pilot overtime, and passenger compensation.

Operating expenses excluding depreciation, amounted to USD 358.6 million, up 19% or USD 57.2 million year-on-year. **Salaries and salary-related costs** totaled USD 105.9 million compared to USD 83.9 million in Q2 last year, an increase of 26% due to more production and wage increases. The average number of full-time employees increased by 19% year-on-year, and around 1,000 employees were recruited during the quarter, mainly pilots, cabin crew, and ground handling staff. **Aircraft fuel cost** decreased by 10% year-on-year and amounted to USD 95.6 million in Q2 2023 compared to 106.0 in Q2 2022 despite a 17% capacity increase. The Company's weighted effective fuel price, including add-ons and hedges, amounted to USD 913 per metric ton and decreased by 24% year-on-year. Hedge levels in Q2 2023 equaled 50% of the consumption at an average price of USD 897 per metric ton and resulted in an expense of USD 6.3 million. **Other aviation expenses,** including aircraft leasing, handling, landing, navigation, and maintenance, amounted to USD 71.0 million compared to 50.9 in Q2 2022. **Other operating expenses** totaled USD 86.0 million, up by USD 25.4 million mainly due to the increased scope of business between years.

Unit revenue and unit costs

Total RASK (revenue per available seat kilometer) in Q2 2023 was a record 8.6 US cents and increased by 8% year-on-year. **Total CASK** (cost per available seat kilometer) was 8.2 US cents, reduced by 0.5% year-on-year. CASK, excluding fuel, increased by 11% year-on-year with approximately half of the increase attributing to the one-off costs associated with the delays in aircraft maintenance and induction previously mentioned. **EBIT** per available seat kilometer in Q2 2023 was 0.39 US cents, a record high since 2016.

FINANCIAL POSITION

- **Equity ratio 14%**
- **Record liquid funds of USD 521.2 million**

Balance sheet

Total assets amounted to USD 1.8 billion at the end of Q2 2023, increasing from USD 1.4 billion at year-end 2022. Operating assets amounted to USD 546.5 million, increasing by USD 40.9 million, where the main contributing factor was the purchase of three engines and one Bombardier Dash 8 Q400 aircraft. Right-of-use assets amounted to USD 374.2 million, increasing by USD 55.3 million. The Company entered three lease agreements during the period, one for a B767-300 freighter and two for B737 MAX 8 aircraft. **Total equity** amounted to USD 241.0 million andthe equity ratio at the end of the quarter was 14% compared to 19% at the beginning of the year. **Total financial liabilities** amounted to USD 688.4 million and increased during the period mainly due to aircraft investments. **Net financial liabilities** amounted to USD 219.2 million and decreased by USD 106.5 million compared to the beginning of the year, mainly due to an improved cash position due to strong forward sales.

Liquidity

Total cash and marketable securities amounted to USD 469.2 million at the end of June 2023 and increased by USD 63.4 million during the second quarter. Net cash from operations amounted to USD 129.0 million during the quarter on strong booking inflow. Cash used in investing activities totaled USD

51.5 million, thereof net CAPEX in the amount of USD 38.4 million. Capex included the purchase of one Boeing MAX engine, engine overhaul of aircraft, and investments in other aircraft components. Net cash used in financing activities was USD 25.7 million and consisted of repayment of borrowings and lease liabilities. 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 521.2 million.

PROSPECTS

Largest flight schedule in the history of Icelandair

Icelandair's flight schedule, measured in available seat kilometers, is set to grow by 20% in 2023 and bring Icelandair´s passenger numbers to 4.5 million. Flights will be offered to 54 destinations, including four new ones – Detroit, Barcelona, Prague, and Tel Aviv. 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. The capacity growth year-on-year in the first six months of the year was 24% and is expected to be around 16% for the second half of the year. The flight schedule in summer 2023 will be the largest flight schedule as measured in the number of flights and destinations.

Strong booking outlook but signs of softening, especially on the market between Iceland and Europe

The booking outlook is currently strong, and bookings for the next six months are well ahead of last year due to the late booking trend coming out of the pandemic. However, the recovery rate of capacity on flights to and from Iceland after the pandemic is among the highest in the world at around 20% above 2019 in Q3 and even more into the winter. Similarly, capacity on the transatlantic market is set to increase considerably during Q4 this year. Therefore, some European markets are starting to show signs of capacity outpacing demand, resulting in some softening of yields. However, with its valuable infrastructure, a strong foothold, and brand awareness in Europe and North America, Icelandair will continue to shift focus appropriately between markets based on their development and performance.

Focus on restoring Cargo profitability

Icelandair has added significant capacity to its cargo operation with the addition of two B767 widebody cargo aircraft to support plans to develop KEF airport as an airfreight hub. Freight markets have, however, been challenging in 2023. This has negatively affected profits, and actions are currently being taken to improve profitability.

Leasing expected to deliver strong results throughout the year

The outlook for our leasing operation is good and is expected to continue to deliver strong results in the second half of the year. The number of block hours flown under AM projects (Aircraft and Maintenance) has been improving, and a Letter of Intent has been signed for one B737 800 aircraft that is expected to be sub-leased under an AM agreement to a long-term lease customer. The VIP charter market, in which Loftleidir specializes, has been picking up post-COVID, and the outlook for the coming months is promising.

Icelandair and Airbus finalize order for up to 25 Airbus A321XLR aircraft

On 6 July, Icelandair and Airbus signed a sale and purchase agreement for 13 A321XLR firm orders and purchase rights for an additional 12 aircraft. The aircraft deliveries will start in 2029. The agreed purchase price of the 13 aircraft is confidential. Icelandair has also finalized long-term lease agreements with SMBC Aviation Capital Limited for four new A321LR aircraft, scheduled to be delivered in the winter 2024/2025. The A321LR and A321XLR aircraft will further strengthen Icelandair's business model, increase the Company's flexibility and provide opportunities for future growth, as well as further support sustainability efforts.

Fuel hedging position at the end of Q2 2023

Current hedge levels equal 49% of the estimated consumption in Q3 at an average price of USD 878 per metric ton, 33% of the estimated consumption in Q4 at an average price of USD 841 per metric ton, 20% of the estimated consumption in Q1 2024 at an average price of USD 745 per metric ton and 6% of the estimated consumption in Q2 2024 at an average price of USD 767 per metric ton.

FULL-YEAR OUTLOOK FOR 2023

The EBIT margin is expected in the 4-6% range for the full year of 2023 and remains unchanged from the guidance published in the Q1 results.

EBIT margin	Total year	~4% - 6%
Net capex USDm	Total year	135 – 145
Capacity chg.	Total year	~20%
Av. fuel m/t USD	Jul-Dec	785
Av. EUA per unit EUR	Jul-Dec	95
Av. USD/ISK	Jul-Dec	132

INFORMATION

Investors: Iris Hulda Thorisdóttir, Director of Investor Relations. E-mail: iris@icelandair.is
Media: Asdís Petursdóttir, Director of Communications. E-mail: asdis@icelandair.is

FINANCIAL CALENDAR

- **Q3 2023 – 19 October 2023**
- **Q4 2023 – 01 February 2024**