

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



2 1 January—30 June 2023

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 30 June 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 30 June 2023 amounted to USD 35.5 million. Total comprehensive loss for the period was USD 32.4 million. Equity at 30 June 2023 amounted to USD 241.0 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 six months ended 30 June 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.

Profit in the second quarter of 2023 is the strongest Q2 result since 2016, amounting to USD 13.7 million compared to USD 3.8 million in Q2 last year. EBIT totaled USD 20.9 million, improving by USD 19.6 million year-on-year, driven by increased capacity, strong revenue generation, and lower fuel costs. Revenue totaled USD 414.2 million which is a record for Q2 and represents an increase of 26% between years. Delays in maintenance projects and implementation of aircraft led to aircraft shortages and one-off costs that negatively impacted the Q2 results by USD 8 million.

The capacity in the route network increased by 17% from Q2 last year. The number of passengers carried 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. Demand was strong, especially on North American routes, where the load factor reached 86%, a record for this period.

The cargo operation was challenging and delivered negative results. Freight carried, measured in Freight Ton Kilometers (FTK), increased by 30% between years, driven by an increase in transit freight following the addition of two wide-body B767-300 freighter aircraft into operation. Sold block hours in the leasing operation increased 16% year-on-year, resulting in a 41% revenue increase and strong performance during the quarter.

Icelandair employed an average of 3,795 full-time equivalents in Q2 2023, 19% more than in Q2 2022.

Equity amounted to USD 241.0 million, and the equity ratio was 14% at the end of the period. The liquidity position was strong, with cash and marketable securities amounting to USD 469.2 million. Additionally, the Company had undrawn committed credit lines of USD 52.0 million, bringing total liquidity to USD 521.2 million, which is the highest in the Company's history.

Icelandair and Airbus finalized a sale and purchase agreement for 13 A321XLR firm orders and purchase rights for an additional 12 aircraft on 6 July. Icelandair also signed long-term lease agreements with SMBC Aviation Capital Limited for four new A321LR aircraft, scheduled to be delivered in Q4 2024 and Q1 2025.

The prospects in the route network in 2023 are good, with strong bookings for the latter half of the year. Sharp capacity increases on the market to and from Iceland and on the transatlantic market are expected to somewhat soften revenue growth. Leasing is expected to deliver strong results in 2023, but cargo operation will remain challenging.

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

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 six month period ended 30 June 2023, its assets, liabilities and consolidated financial position as at 30 June 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 30 June 2023 and confirm them by means of their signatures.

Reykjavík, 20 July 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 30 June 2023

	Notes	2023 Q2	2022 Q2	2023 YTD	2022 YTD
Operating income			*Restated		*Restated
Passenger revenue	7	352,728	276,087	523,268	378,770
Cargo revenue		22,020	24,177	45,711	48,954
Leasing revenue		19,456	13,792	38,539	27,465
Other Operating revenue	7	19,976	14,889	39,917	32,421
		414,180	328,945	647,435	487,610
Operating expenses					
Salaries and salary-related expenses		105,930	83,869	184,592	150,031
Aircraft fuel		95,580	106,019	162,188	151,330
Other aviation expenses		71,024	50,851	119,834	84,509
Other Operating expenses		86,046	60,599	157,307	105,862
	8	358,580	301,338	623,921	491,732
Operating profit (loss) before depreciation and amortization (EBITDA)		55,600	27,607	23,514	(4,122)
Depreciation and amortization	9	(34,746)	(26,401)	(64,285)	(53,010)
Operating profit (loss) (EBIT)		20,854	1,206	(40,771)	(57,133)
Finance income		3,176	1,504	9,514	3,166
Finance cost		(10,431)	(9,895)	(19,711)	(15,384)
Fair value changes		0	9,950	0	9,605
Net finance (cost) income	10	(7,255)	1,559	(10,197)	(2,613)
Gain on sale of subsidiary	11	1,381	0	1,381	0
Share of gain (loss) of associates		361	(632)	(174)	(618)
Profit (loss) before tax (EBT)		15,341	2,133	(49,761)	(60,365)
Income tax		(1,685)	1,669	14,285	14,464
Profit (loss) for the period		13,656	3,802	(35,476)	(45,901)
Other comprehensive income (loss):					
Currency translation differences		666	(4,788)	5,253	(2,617)
Net profit (loss) on hedge of investment, net of tax		264	(1,490)	1,942	(687)
Cash flow hedges - effective portion of changes in fair value, net of tax		5,353	(14,437)	3,492	(11,028)
Cash flow hedges - reclassified to profit or loss		(5,286)	13,410	(7,618)	16,977
Other comprehensive income (loss) for the period		997	(7,305)	3,069	2,645
Total comprehensive profit (loss) for the period		14,653	(3,505)	(32,407)	(43,256)
Profit (loss) attributable to:					
Owners of the Company		13,477	3,622	(35,799)	(46,274)
Non-controlling interest		179	180	323	373
Profit (loss) for the period		13,656	3,802	(35,476)	(45,901)
Total comprehensive profit (loss) attributable to:					
Owners of the Company		14,467	(2,834)	(32,735)	(42,885)
Non-controlling interest		186	(673)	328	(372)
Total comprehensive profit (loss) for the period		14,653	(3,507)	(32,407)	(43,256)
Earnings per share:					
Basic and diluted earnings per share in US cent		0.03	0.02	(0.09)	(0.12)

* 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 Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	30.06.2023	31.12.2022
Assets:			
Operating assets		546,536	505,588
Right-of-use assets		374,225	318,971
Intangible assets and goodwill		55,174	55,202
Investments in associates		9,307	11,903
Receivables and deposits		21,608	17,668
Deferred tax asset		70,524	55,593
Non-current assets		<u>1,077,374</u>	<u>964,925</u>
Inventories		23,604	22,491
Derivatives used for hedging		5,109	2,029
Trade and other receivables		188,399	155,317
Marketable securities		68,837	42,159
Cash and cash equivalents		400,394	224,252
Current assets		<u>686,343</u>	<u>446,248</u>
Total assets		<u>1,763,717</u>	<u>1,411,173</u>
Equity:			
Share capital		310,973	310,973
Reserves		32,522	19,450
Accumulated deficit		(103,619)	(57,914)
Equity attributable to equity holders of the Company		<u>239,876</u>	<u>272,509</u>
Non-controlling interest		1,162	877
Total equity		<u>241,038</u>	<u>273,386</u>
Liabilities:			
Loans and borrowings	12	240,306	207,264
Lease liabilities	13	345,521	296,692
Payables		44,332	33,947
Non-current liabilities		<u>630,159</u>	<u>537,903</u>
Loans and borrowings	12	53,783	48,453
Lease liabilities	13	52,757	45,463
Derivatives used for hedging		0	820
Trade and other payables		252,767	201,789
Deferred income	14	533,213	303,359
Current liabilities		<u>892,520</u>	<u>599,884</u>
Total liabilities		<u>1,522,679</u>	<u>1,137,787</u>
Total equity and liabilities		<u>1,763,717</u>	<u>1,411,173</u>

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

Consolidated Statement of Changes in Equity for the period from 1 January to 30 June 2023

	Attributable to equity holders of the Company									
	Share capital	Share premium	Reserves				Accumulated deficit	Total	Non- controlling interest	Total equity
			Hedging	Translation reserve	Other reserves	Total				
1 January to 30 June 2022										
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) profit for the period						(46,274)	(46,274)	373	(45,901)	
Currency translation differences				(2,617)			(2,617)		(2,617)	
Net loss on hedge of investment, net of tax				(687)			(687)		(687)	
Effective portion of changes in fair value of cash flow hedges, net of tax			5,949				5,949		5,949	
Effects of profit or loss and of subsidiaries and associates					1,378	(1,378)	0		0	
Equity 30 June 2022	286,964	37,385	6,041	1,666	20,432	(147,089)	205,399	(1,866)	203,533	
1 January to 30 June 2023										
Equity 1 January 2023	310,973		(182)	(9,555)	29,187	(57,914)	272,509	877	273,386	
(Loss) profit for the period						(35,799)	(35,799)	323	(35,476)	
Currency translation differences				5,253			5,253	5	5,258	
Net profit on hedge of investment, net of tax				1,942			1,942		1,942	
Effective portion of changes in fair value of cash flow hedges, net of tax			(4,126)				(4,126)		(4,126)	
Divestment of Non-controlling interest								(43)	(43)	
Stock options					97		97		97	
Effects of profit or loss of subsidiaries and associates					9,906	(9,906)	0		0	
Equity 30 June 2023	310,973	0	(4,308)	(2,360)	39,190	(103,619)	239,876	1,162	241,038	

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

Consolidated Statement of Cash Flows for the six months ended 30 June 2023

	Notes	2023 Q2	2022 Q2	2023 YTD	2022 YTD
Cash flows to operating activities					
Profit (loss) for the period		13,656	3,802	(35,476)	(45,901)
Adjustments for:					
Depreciation and amortization	9	34,746	26,401	64,285	53,010
Expensed deferred cost		7,104	5,179	12,329	10,015
Net finance cost	10	7,255	8,391	10,197	12,218
Changes in fair value		0	(9,950)	0	(9,605)
Gain on sale of operating assets		(372)	(278)	(493)	(1,537)
Gain on sale of subsidiary	11	(1,381)	0	(1,381)	0
Share in (profit) loss of associates		(361)	632	174	618
Income tax		1,685	(1,669)	(14,285)	(14,464)
		62,332	32,508	35,350	4,354
Changes in:					
Inventories		(630)	577	(993)	134
Trade and other receivables		49,137	(4,979)	(26,714)	(78,378)
Trade and other payables		29,580	38,912	62,445	84,635
Deferred income		(3,237)	60,057	229,762	204,682
		74,850	94,567	264,500	211,073
Interest received		1,785	602	4,439	1,275
Interest paid		(9,966)	(5,964)	(20,874)	(11,109)
Net cash from operating activities		129,001	121,713	283,415	205,593
Cash flows to investing activities:					
Acquisition of operating assets		(38,356)	(29,968)	(78,722)	(194,969)
Proceeds from sale of operating assets		391	7,786	686	109,968
Deferred cost, change		(350)	(431)	(9,022)	(1,028)
Acquisition of intangible assets		(91)	(87)	(175)	(293)
Proceeds from sale of (investment in) associates		2,895	(38)	2,895	(38)
Non-current receivables, change		(4,472)	(1,889)	(8,261)	6,422
Marketable securities, change		(11,469)	17,418	(26,678)	13,997
Net cash used in investing activities		(51,452)	(7,209)	(119,277)	(65,941)
Cash flows from financing activities:					
Shares issued		0	0	0	17,967
Proceeds from loans and borrowings		0	0	63,461	42,002
Repayment of loans and borrowings		(14,292)	(5,905)	(28,848)	(18,804)
Repayment of lease liabilities		(11,368)	(9,063)	(22,977)	(17,865)
Net cash (used in) from financing activities		(25,660)	(14,968)	11,636	23,300
Change in cash and cash equivalents		51,889	99,536	175,774	162,952
Effect of exchange rate fluctuations on cash held		22	(476)	368	(163)
Cash and cash equivalents at beginning of the period		348,483	268,496	224,252	204,767
Cash and cash equivalents at period end		400,394	367,556	400,394	367,556

Investment and financing without cash flow effect, see note 18.

The notes on pages 9 to 15 are an integral part of these Interim Consolidated 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 Reykjavíkurlugvöllur in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 June 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 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 six months ended 30 June 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 20 July 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 six months ended 30 June 2023

	North America	Europe	Iceland	Other	Total
Passenger revenue	288,268	123,585	101,479	9,937	523,268
Cargo revenue	1,712	14,614	29,382	2	45,711
Leasing revenue	16,274	0	2,504	19,761	38,539
Other Operating revenue	2,416	1,386	36,089	26	39,917
Total revenue	308,670	139,585	169,454	29,726	647,435
Total revenue %	47%	22%	26%	5%	100%

Geographic segments for the six months ended 30 June 2022

	North America	Europe	Iceland	Other	Restated Total
Passenger revenue	181,021	106,056	85,234	6,459	378,770
Cargo revenue	1,814	15,959	31,169	12	48,954
Leasing revenue	4,845	2,422	3,510	16,688	27,465
Other Operating revenue	1,074	1,016	30,216	115	32,421
Total revenue	188,754	125,453	150,129	23,274	487,610
Total revenue %	38%	26%	31%	5%	100%

7. Operating income

	2023 Q2	*Restated 2022 Q2	2023 YTD	*Restated 2022 YTD
Passenger revenue is specified as follows:				
Passenger airfare	330,123	256,892	486,462	349,599
Ancillary revenue	22,605	19,195	36,806	29,171
Total Passenger revenue	352,728	276,087	523,268	378,770
Other Operating revenue is specified as follows:				
Revenue from tourism	10,128	7,436	22,520	17,609
Sale at airports	1,774	1,539	3,267	3,226
Aircraft handling	1,957	1,776	3,148	2,660
Gain on sale of operating assets	373	278	498	1,537
Other Operating revenue	5,744	3,860	10,484	7,389
Total Other Operating revenue	19,976	14,889	39,917	32,421

* 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 Q2	*Restated 2022 Q2	2023 YTD	*Restated 2022 YTD
Salaries and salary-related expenses are specified as follows:				
Salaries	78,996	64,651	138,752	113,920
Contributions to pension funds	12,570	10,305	22,254	18,615
Other salary-related expenses	14,364	8,913	23,586	17,496
Total salaries and salary-related expenses	105,930	83,869	184,592	150,031
Average number of full time equivalents	3,795	3,188	3,443	2,837
Aircraft fuel is specified as follows:				
Aircraft fuel	82,840	114,221	143,384	159,773
Emission charges	6,474	5,034	10,534	8,236
Fuel hedges	6,266	(13,236)	8,270	(16,679)
Total Aircraft fuel cost	95,580	106,019	162,188	151,330
Other aviation expenses is specified as follows:				
Aircraft and engine lease	6,188	352	7,035	494
Aircraft handling, landing and navigation	39,000	31,034	65,347	49,375
Aircraft maintenance expenses	25,836	19,465	47,452	34,640
Total Other aviation expenses	71,024	50,851	119,834	84,509
Other Operating expenses are specified as follows:				
Travel and other employee expenses	18,799	13,303	32,435	21,920
Tourism expenses	7,283	3,828	16,396	10,358
IT expenses	8,534	5,823	15,702	11,636
Advertising	5,829	5,337	14,140	9,485
Booking fees and commission expenses	17,169	15,647	26,778	20,864
Cost of goods sold	1,320	1,043	2,443	2,409
Customer services	14,842	11,182	25,312	17,555
Operating cost of real estate and fixtures	2,390	2,334	4,756	4,354
Allowance for bad debt	854	(4,354)	1,389	(6,148)
Other Operating expenses	9,026	6,456	17,956	13,429
Total Other Operating expenses	86,046	60,599	157,307	105,862

* 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. Aircraft and engine lease is specified separately as it has been restated from Aircraft maintenance expenses as a new line item in the Other aviation expenses note.

9. Depreciation and amortization

	2023 Q2	2022 Q2	2023 YTD	2022 YTD
The depreciation and amortization charge in profit or loss is specified as follows:				
Depreciation of operating assets	22,393	17,232	40,557	35,457
Depreciation of right-of-use assets	12,247	9,034	23,525	17,030
Amortization of intangible assets	106	135	203	523
Depreciation and amortization recognized in profit or loss	34,746	26,401	64,285	53,010

Notes, contd.:

10. Finance income and (finance cost)

	2023 Q2	2022 Q2	2023 YTD	2022 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and marketable securities	3,055	959	6,902	1,456
Interest income on lease receivables	42	77	92	132
Other interest income	517	468	1,368	1,578
Net currency exchange (loss) gain	(438)	0	1,152	0
Finance income total	3,176	1,504	9,514	3,166
Interest expenses on loans and borrowings	(4,784)	(2,204)	(9,062)	(4,073)
Interest on lease liabilities	(4,968)	(2,997)	(9,373)	(5,636)
Other interest expenses	(679)	(1,242)	(1,276)	(1,766)
Net currency exchange loss	0	(3,452)	0	(3,909)
Finance cost total	(10,431)	(9,895)	(19,711)	(15,384)
Changes in fair value of warrants	0	9,950	0	9,605
Net finance (cost) income	(7,255)	1,559	(10,197)	(2,613)

11. Gain on sale of subsidiary

In December 2021, Icelandair Group finalized the sale of Iceland Travel. Part of the sales price was subject to certain performance metrics for 2022 that have now been realized. Revenue in the amount of USD 1.4 million was realized in Q2 2023 related to the sale of subsidiary. The sales price has now been fully paid.

12. 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:

	30.6.2023	31.12.2022
Non-current loans and borrowings:		
Secured bank loans	278,834	236,516
Unsecured loans	15,255	19,201
Total loans and borrowings	294,089	255,717
Current maturities	(53,783)	(48,453)
Total non-current loans and borrowings	240,306	207,264
Current loans and borrowings:		
Current maturities	53,783	48,453
Total current loans and borrowings	53,783	48,453
Total loans and borrowings	294,089	255,717

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.6.2023	31.12.2021
Secured bank loans	USD	7.4%	2024-2034	236,270	190,677
Secured bank loans	EUR	3.7%	2028	42,564	45,839
Unsecured loans	ISK	4.4%	2026-2030	15,255	19,201
Total interest-bearing liabilities				294,089	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 30 June 2023.

Notes, contd.:

12. Loans and borrowings, contd.:

Repayments of loans and borrowings are specified as follows:	30.6.2023	31.12.2022
Repayments in 2023 (6 months)(2022: 12 months)	24,902	48,453
Repayments in 2024	64,472	58,501
Repayments in 2025	42,966	36,985
Repayments in 2026	34,555	27,852
Repayments in 2027	21,011	15,096
Subsequent repayments	106,183	68,830
Total loans and borrowings	<u>294,089</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 30 June 2023.

13. 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	
				30.6.2023	31.12.2022
Lease liabilities	USD	4.0%	2023-2033	387,461	331,684
Lease liabilities indexed	ISK	5.0%	2023-2038	9,772	9,245
Lease liabilities	GBP	2.2%	2024-2025	560	645
Lease liabilities	other	3.7%	2023-2028	485	581
Current maturity				(52,757)	(45,463)
Total lease liabilities				<u>345,521</u>	<u>296,692</u>

Repayments of lease liabilities are specified as follows:	30.6.2023	31.12.2022
Repayments in 2023 (6 months)(2022: 12 months)	27,132	45,463
Repayments in 2024	51,182	42,890
Repayments in 2025	50,100	41,541
Repayments in 2026	49,880	41,024
Repayments in 2027	46,428	37,550
Subsequent repayments	173,556	133,687
Total loans and borrowings	<u>398,278</u>	<u>342,155</u>

Further lease commitments are in place for three B737 MAX 8 aircraft scheduled for delivery in Q4 2023 and Q1 2024. In addition a letter of intent has been signed for one B737-800 aircraft now expected to be delivered in Q4 2023 which will be subleased to a long-term leasing customer. The total lease liability for these four aircraft will be approximately USD 90 million.

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

	Q4 2023	Q1 2024	Total
B737 MAX 8	2	1	3
B737-800	1	0	1
Total	<u>3</u>	<u>1</u>	<u>4</u>

The Group has announced plans to operate leased Airbus aircraft scheduled to be delivered in Q4 2024 and Q1 2025. See further information in note 19.

Notes, contd.:

14. 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:	30.6.2023	31.12.2022
Sold unused tickets and vouchers	493,232	253,425
Frequent flyer points	20,546	18,977
Other prepayments	19,435	30,957
Total deferred income	533,213	303,359

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 465.3 million (2022: USD 212.3 million) and vouchers amounted to USD 27.9 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.

15. 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:

	30.6.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	5,109	5,109	1,209	1,209
Unsecured bond issue	(15,255)	(14,265)	(19,201)	(18,008)
Secured loans	(278,834)	(281,243)	(236,516)	(234,488)
Lease liabilities	(398,278)	(398,278)	(342,155)	(342,155)
Total	(687,258)	(688,677)	(596,663)	(593,442)

16. Capital commitments

On 6 July 2023, the Group finalized the purchase agreement 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 19.

Notes, contd.:

17. Group entities

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

	Ownership interest	
	Q2 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%
Loftleiðir - Icelandic ehf.	100%	100%

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

18. 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.

	2023	2022	2023	2022
	Q2	Q2	YTD	YTD
Investment and financing without cash flow effect:				
Acquisition of right-of-use assets	(578)	(25,117)	(73,405)	(73,998)
New or renewed leases	578	23,868	73,405	77,360
Gain on sale due to sales and leaseback	0	1,249	0	90
Non-current receivables	0	0	0	(3,452)
Loans and borrowings	0	0	0	8,927
Trade and other payables	0	0	0	(8,927)
Warrants	0	0	0	(6,439)
Retained earnings	0	0	0	6,439

19. Events after reporting date

On 6 July 2023, Icelandair finalized the purchase agreement for up to 25 A321XLR aircraft from Airbus. The order consists of 13 firm orders and purchase rights for up to 12 additional aircraft. Deliveries will start in 2029. In addition the Company has also concluded long-term lease agreements with SMBC Aviation Capital Limited, for four new A321LR aircraft, scheduled to be delivered in fourth quarter of 2024 and first quarter of 2025.

Alternative performance measures (APMs)

	2023 Q2	2022 Q2	2023 YTD	2022 YTD
Traffic				
ASK (mill.)	4,226	3,603	6,581	5,307
RASK (US cents)	8.6	8.0	8.3	7.5
CASK (US cents)	8.2	8.2	9.0	8.9
CASK less fuel (US cents)	6.1	5.5	6.8	6.4
RPK (mill.)	3,535	2,830	5,366	3,974
PAX	1,180,530	989,820	1,844,818	1,411,799
OTP	75.1%	75.5%	76.3%	74.3%
Passenger flights	4,488	4,002	7,308	6,131
LF	83.6%	78.5%	81.5%	74.9%
Sold Block Hours - Leasing	3,798	3,288	7,530	6,721
FTK ('000)	45,914	35,442	89,147	69,181
Total CO2 emissions tons	287,278	255,787	463,001	389,034
CO2 emissions per OTK	0.74	0.78	0.76	0.82
Passenger mix				
To	455,775	385,836	743,897	588,887
From	172,468	161,157	309,579	247,247
Via	481,196	369,362	657,739	451,607
Within	71,091	73,465	133,603	124,058
Capital structure			30.6.2023	31.12.2022
Total cash and marketable securities (USD '000)			469,231	266,411
Liquidity (USD '000)			521,231	318,411
Net interest-bearing debt (USD '000)			(175,142)	(10,694)
Net lease liabilities (USD '000)			394,327	336,392
Current ratio			0.77	0.74
Equity ratio			0.14	0.19
Intrinsic value of share capital			0.78	0.88
Other				
	2023 Q2	2022 Q2	2023 YTD	2022 YTD
Effective fuel price (USD pr. Metric ton)	913	1,195	989	1,109
CAPEX, gross (USD '000)	38,797	30,486	87,919	196,290
CAPEX, net (USD '000)	38,406	22,700	87,233	86,322
FTE	3,795	3,188	3,443	2,837

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.:

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

