## RECORD UNIT REVENUES IN THE FIRST QUARTER OF 2023

- Operating income of USD 233.3 million increasing by 47% year-on-year
- Strong revenue generation in the passenger network with a record Q1 RASK of 7.6 US cents
- Severe weather disruptions in January and February negatively affected results
- Cargo results below expectations due to challenging market and operational conditions
- EBIT loss of USD 61.6 million
- EBIT ratio improving by 10.3 percentage points between years
- Loss of USD 49.1 million compared to USD 49.7 million last year
- Investments related to peak season included in operating expenses
- Capacity increased by 38% year-on-year in the passenger network
- 664 thousand passengers carried; 57% more than in Q1 last year
- Load factor of 78.2%, the highest in Q1 since 2016
- Strong liquidity position of USD 458 million
- Forward bookings for next six months more than 40% over last year

## BOGI NILS BOGASON, PRESIDENT & CEO

“The performance of our passenger route network improved significantly in the first quarter, driven by strong revenue generation with record unit revenue and improved utilization and yields. As we continued to increase capacity, transporting almost 60% more passengers than in the same period last year, we also reached the highest Q1 load factor in seven years. The market to Iceland was particularly strong accounting for 43% of total passengers, significantly contributing to the Icelandic tourist industry during the off season.

However, fuel prices, weather-related disruptions and inflation impacted the results more than expected. In addition, the performance of our cargo operation was below projections due to unfavorable market conditions and irregularities in our cargo flight schedule. The market outlook for cargo remains challenging and our focus over the next weeks and months will be on restoring profitability. Our aircraft leasing business performed well in the quarter and is expected to continue to deliver strong results throughout the year.

The prospects for the remainder of the year are positive, despite continued inflation and some challenges in our operating environment. Our flight schedule this summer will be the largest in Icelandair’s history, with 54 destinations, of which four are new. Demand for travel is robust with forward bookings for the next six months significantly higher than last year.

I would like to thank all our employees for their hard work as we prepare for the high season. Our training center is currently running almost 24/7 and it is a great pleasure to welcome around 1,100 new employees to our outstanding team to realize the record flight schedule in the summer.

Looking to the longer term, we are well-positioned to seize the opportunities ahead with our unique route network based in the strategic location of Iceland, our extensive commercial infrastructure and strong financial position. Underpinning our future growth is our decision to acquire Airbus A321XLR aircraft, which will not only allow us to further develop our business model on the transatlantic market but also provide opportunities to enter new and exciting markets.”

## WEBCAST 28 APRIL 2023

An investor presentation will be webcast in relation to the publication of the results at 8:30 GMT on Friday, 28 April 2023, at http://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: http://icelandairgroup.is and under Company News on: http://www.nasdaqomxnordic.com/news/companynews

## KEY INDICATORS

| | | Q1 2023 | Q1 2022 | Change |
|---|---|---|---|---|
| **Operating results** | | | | |
| Total income | USDk | 233,255 | 158,665 | 74,590 |
| of which passenger revenue | USDk | 170,540 | 102,683 | 67,857 |
| Total operating cost | USDk | 265,341 | 190,394 | 74,947 |
| EBIT | USDk | -61,625 | -58,337 | -3,288 |
| EBT | USDk | -65,102 | -62,495 | -2,607 |
| Net loss | USDk | -49,132 | -49,700 | 568 |
| **Balance sheet and cash flow[1]** | | | | |
| Total assets | USDk | 1,740,563 | 1,411,173 | 329,390 |
| Total equity | USDk | 226,324 | 273,386 | -47,062 |
| Financial liabilities | USDk | 711,085 | 592,109 | 118,976 |
| Net financial liabilities | USDk | 305,234 | 325,698 | -20,464 |
| Total liquidity position | USDk | 457,851 | 318,411 | 139,440 |
| Net cash from operating activities | USDk | 154,414 | 83,883 | 70,531 |
| CAPEX, gross | USDk | 49,122 | -165,804 | 214,926 |
| CAPEX, net | USDk | 48,827 | -63,622 | 112,449 |
| **Key Ratios** | | | | |
| EPS | US cent | -0.12 | -0.14 | 0.02 |
| Equity ratio[1] | % | 13.0% | 14.7% | -1.7 ppt |
| EBIT ratio | % | -26.4% | -36.8% | 10.3 ppt |
| RASK[2] | US cent | 7.6 | 6.5 | 17% |
| CASK[2] | US cent | 10.4 | 10.5 | 0% |
| CASK less fuel[2] | US cent | 8.0 | 8.2 | -2% |
| **Traffic figures** | | | | |
| Passenger flights | no. | 2,821 | 2,129 | 33% |
| Passengers total | no. | 664,288 | 421,978 | 57% |
| To Iceland | no. | 288,122 | 203,051 | 42% |
| From Iceland | no. | 137,111 | 86,089 | 59% |
| Via Iceland | no. | 176,543 | 82,245 | 115% |
| Within Iceland | no. | 62,512 | 50,593 | 24% |
| Passenger load factor | % | 77.8% | 67.2% | 10.6 ppt |
| Available seat-kilometers (ASK) | mill | 2,355 | 1,704 | 38% |
| Revenue seat-kilometers (RPK) | mill | 1,831 | 1,144 | 60% |
| On-Time-Performance | % | 77.0% | 71.8% | 5.2 ppt |
| Freight ton kilometers (FTK'000) | k | 43,233 | 33,739 | 28% |
| Sold charter block hours | no. | 3,732 | 3,433 | 9% |
| Total CO2 emissions tons | no. | 175,723 | 133,247 | 32% |
| CO2 emissions per OTK | no. | 0.79 | 0.91 | -13% |
| **Employees** | | | | |
| Average number of full-time employees | no. | 3,092 | 2,486 | 24% |

[1] Comparison figures for balance sheet are 31.12.2022

## TRAFFIC DATA

- **Capacity increased 38% year-on-year**
- **Passengers 664 thousand, up by 57%**
- **Load factor improved by 11 ppt between years to 78% - highest Q1 load factor since 2016**

The capacity in the route network increased by 38% from Q1 last year. Weather disruptions in the first two months of 2023 caused cancellations of 5% of planned international trips and 27% of domestic trips. The number of passengers was 664 thousand compared to 422 thousand in 2022, up by 57%.

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

The demand was strong in all markets resulting in a load factor of 77.8%, the highest load factor in the first quarter since 2016. The improvement between years was 10.6 percentage points. The load factor on Saga Premium, our front cabin, continued to improve significantly. On-time performance in the quarter was 77% and was negatively affected by the above-mentioned disruptions.

Freight carried, measured in Freight Ton Kilometers (FTK) increased by 28% between years driven by increase in transit freight following the addition of a wide-body B767-300 freighter aircraft into operation last December. The volume increase was however less than expected in all markets with import and export volumes decreasing year-on-year. Sold block hours in the leasing operation increased by 9% year-on-year resulting in strong performance during the quarter.

Icelandair reduced its $CO_2$ emission by 13% per OTK in the first quarter compared to Q1 2022. This was achieved through improved load factor and a larger proportion of B737 MAX aircraft within the fleet than in Q1 2022. The Company has set clear and ambitious goals of reducing its carbon emissions by 50% per operational ton kilometer (OTK) by 2030 and to achieve net zero emissions by 2050.

## INCOME AND EXPENSES

- **Strong revenue generation**
- **Cargo operations below expectations**
- **Considerable investment for peak season**

### Income

The Company's passenger revenue generation was strong in the quarter. Both the passenger load factor and the yields improved on top of the 38% capacity increase year-on-year with the highest improvement on N-American routes. The unit revenue on Saga Premium, our front cabin, continued to significantly improve year-on-year. Cargo revenues were however below expectations as market conditions weakened and because of irregularities in the cargo flight schedule.

**Total income** amounted to USD 233.3 million in Q1 2023 up from USD 158.7 million in Q1 2022. **Passenger revenue** including ancillary revenues amounted to USD 170.5 million compared to USD 102.7 million last year, an increase of 66%. **Cargo revenue** amounted to USD 23.7 million compared to USD 24.8 million last year. **Leasing revenue** increased by 40% from USD 13.7 million to USD 19.1 million. The Company's leasing operation is performing well, with all market segments showing signs of strength. **Other Operating revenue** amounted to USD 19.9 million, compared to USD 17.5 million last year. Thereof, **revenue from tourism** increased by 22% from USD 10.2 million to USD 12.4 million.

### Expenses

Increased scope of business, high effective fuel costs, severe weather disruptions in January and February in addition to inflationary pressure and costs related to the preparation for the high season all contributed to higher costs compared to last year.

**Operating expenses excluding depreciation** amounted to USD 265.3 million up by 39% or USD 74.9 million year-on-year. Thereof **salaries and salary-related costs** totaled USD 78.7 million compared to USD 66.2 million in Q1 last year an increase of 19%. A general labor market agreement in Iceland resulted in salary increases of approx. 7%, with retroactivity from 1 November 2022. The average number of full-time employees increased by 24% compared to Q1 2022. **Aircraft fuel expenses** amounted to USD 66.6 million in Q1 2023 up by USD 21.3 million, or 47% from last year. The Company's weighted effective fuel price including add-ons and hedges amounted to USD 1,092 per metric ton and increased by 21% year-on-year. Significant volatility in New York Harbor Jet fuel prices, which applies to fuel purchases at airports on the US East Coast, negatively impacted fuel costs in the first quarter by approximately USD 2 million. The index was 34% above world market prices in January but has eased and is now on par with other indices. Hedge levels in Q1 2023 equaled 36% of the consumption at an average price of USD 1,026 per metric ton and resulted in an expense of USD 2 million. **Other aviation expenses** including aircraft handling, landing, navigation, and maintenance amounted to USD 48.8 million, up by USD 15.2 million. More production is the primary driver, but the cost is also under pressure from higher engine maintenance costs and landing fees at foreign airports, where price hikes have reached as high as 10-20% in many cases. **Other operating expenses** amounted to USD 71.3 million, up by USD 26.0 million mainly due to the increased scope of business.

**Total RASK** (revenue per available seat kilometer) in Q1 2023 was a record of 7.6 US cents and increased by 17% year-on-year. **Total CASK** (cost per available seat kilometer) was 10.4 US cents compared to 10.5 US cents in Q1 2022. CASK excluding fuel was down by 2% year-on-year.

## FINANCIAL POSITION

- **Equity ratio 13%**
- **Record liquid funds of USD 458 million**

### Balance sheet

**Total assets** amounted to USD 1.7 billion at the end of Q1 2023, increasing from USD 1.4 billion at year-end 2022. Operating assets amounted to USD 530.1 million increasing by USD 24.5 million including the purchase of three engines and other aircraft components. The Right-of-use assets amounted to USD 385.8 million, increasing by USD 66.8 million. The Company entered three lease agreements during the quarter, one for a B767-300 freighter and two for B737 MAX 8 aircraft. All aircraft have been delivered and are scheduled to enter service in Q2 2023. **Total equity** amounted to USD 226.3 million. The equity ratio at the end of the quarter was 13% compared to 19% at the beginning of the year. **Total financial liabilities** amounted to USD 711.1 million and increased during the quarter due to aircraft investments. **Net financial liabilities** amounted to USD 305.2 million and decreased by USD 20.5 million compared to the beginning of the year due to an improved cash position.

### Liquidity

Total cash and marketable securities amounted to USD 405.9 million at the end of the quarter and increased by USD 139.4 million during the quarter. Net cash from operations amounted to USD 154.4 million during the quarter mainly due to higher deferred income. The booking flow in the passenger network has been very strong and the first quarter was a record quarter in terms of sales of flight tickets. Cash used in investing activities totaled USD 67.8 million, thereof net CAPEX in the amount of USD 48.8 million. Net cash from financing activities was USD 37.3 million. The Company entered a financing agreement for two B737 MAX 8 aircraft in January, which improved the cash position by USD 63.5 million during the quarter. 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 457.9 million.

## PROSPECTS

### Growing route network

Icelandair's flight schedule in 2023, as measured in available seat kilometers, is set to grow by 20% and take 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.

### Passenger demand remains strong

The booking outlook for the second and third quarters is good and passenger demand has remained resilient in all key markets, with a particular strength towards the latter half of the year. The forward bookings for the next six months are more than 40% over last year. Demand for the Saga Premium product offering has been on a strong upward trajectory for the past 18 months and this trend continues. The winter schedule for the 23/24 season will be the most extensive to date and will increase by 20-25% compared to winter 22/23. The destinations of Barcelona, Raleigh-Durham, Rome, Vancouver, and Baltimore will be developed from seasonal to full-year destinations during this winter. Frequencies will furthermore be increased on a number of routes and a focus will be put on increasing North American capacity to fulfill strong demand to Iceland and across the Atlantic. These actions will result in further flexibility and choice for our customers both within the Icelandair network and in connection with our numerous airline partners.

### Favorable outlook in the leasing operation

The outlook in our leasing operation is favorable. The number of block hours flown under AM projects (Aircraft and Maintenance) has been increasing and a Letter of Intent was signed in March 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.

### Freight market conditions remain challenging

Icelandair has started to develop KEF airport as an airfreight hub, mirroring Icelandair's successful passenger operation. Three key markets will be served; exports and imports to and from Iceland as well as the transit freight market between Europe and North America. Favorable progress has already been made in making capacity agreements with well-known international logistics providers and further agreements are in the pipeline. However, the capacity development in the coming months will likely be slower than previously assumed due to challenging market conditions, such as for the market for fresh fish export. Conditions are expected to improve in the fall when new fishing quota season begins and salmon production re-commences. The Company's focus over the next weeks and months will be on restoring profitability. Currently the Company operates two B767-300 and one B757-200 freighters. Any surplus aircraft capacity will be made available on the ACMI market in co-operation with the leasing business – Loftleidir.

### Decision on future fleet concluded with the entry of Airbus into the fleet in 2025

On 6 April, Icelandair and Airbus signed a Memorandum of Understanding for the purchase of 13 Airbus A321XLR aircraft with purchase rights for an additional 12 aircraft. The aircraft deliveries will commence in 2029. Icelandair, however, plans to begin operating Airbus aircraft in 2025 and is currently in advanced stages of negotiations in relation to four leased Airbus A321LR for that purpose. Further additions can be expected in the years thereafter. With the acquisition of the Airbus aircraft, Icelandair will complete the replacement of the Boeing B757. Until 2025, Icelandair will continue to operate a full

Boeing fleet but following the first deliveries from Airbus, the Company will operate a mixed fleet of Airbus and Boeing aircraft. The agreed purchase price of the 13 aircraft is confidential. The financing of the aircraft is yet to be determined but the Company will explore financing options closer to the delivery dates.

**Fuel hedging position at the end of Q1 2023**

Current hedge levels equal 50% of the estimated consumption in Q2 at an average price of USD 897 per metric ton, 49% of the estimated consumption in Q3 at an average price of USD 878 per metric ton, 29% of the estimated consumption in Q4 at an average price of USD 872 per metric ton and 6% of the estimated consumption in Q1 2024 at an average price of USD 802 per metric ton.

## FULL-YEAR OUTLOOK FOR 2023

The EBIT margin is expected to be in the 4-6% range for the full year of 2023.

| | | |
|---|---|---|
| EBIT margin | Total year | ~4% - 6% |
| Net capex USDm | Total year | 115 – 130 |
| Capacity chg. | Total year | ~20% |
| Av. fuel m/t USD | Apr-Dec | 820 |
| Av. EUA per unit EUR | Apr-Jul / Aug-Sep | 90/95 |
| Av. USD/ISK | Apr-Dec | 136 |

## INFORMATION

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## FINANCIAL CALENDAR

- **Q2 2023 – 20 July 2023**
- **Q3 2023 – 19 October 2023**
- **Q4 2023 – week 5 2024**