## ICELANDAIR: FINANCIAL RESULTS Q3 2024

- EBIT USD 83 million and net profit USD 69 million
- Increased operational stability resulted in a 2% decrease in unit cost
- Outstanding on-time performance, up by 5 percentage points, whilst driving down unit cost
- Transformation journey underway, driving further cost-efficiency and revenue-generation
- Unit revenue decreased due to softer demand in the market to Iceland and negative yield development in the transatlantic market
- Load factor 86%, up by 1.4 percentage points compared to last year
- Number of passengers 1.7 million up by 9%, including 550 thousand passengers to Iceland
- Leasing operations delivering strong results, achieving EBIT margin of 21%
- Positive turnaround in the Cargo operation of USD 5.7 million
- Strong liquidity position of USD 395.7 million
- Significant milestone reached when introduced as Southwest Airline's first airline partner, in addition to four new strategic partnership agreements signed this year

## BOGI NILS BOGASON, PRESIDENT & CEO

„With a joint effort of our team, we managed to successfully respond to changes in demand to Iceland by leveraging our flexibility and shifting focus to the transatlantic market, resulting in a strong load factor in the third quarter. This, however, impacted our results due to lower yields on the transatlantic market. The market to Iceland is starting to regain its strength and we expect significant performance improvements in the fourth quarter and next year. We continued to drive strong performance in our operations with record on-time performance and robust execution of maintenance programs, resulting in decreased unit cost despite on-going inflationary pressure. We also saw continued improvement in the performance of our cargo operation and our leasing business delivered strong results in the quarter.

In line with our continued focus on improving our competitiveness to ensure profitable growth and long-term success, we launched a comprehensive transformation journey in the first half of 2024, which has already started to materialize. We are leaving no stone unturned in this important journey and have put a plan in place that will significantly contribute to reaching our long-term 8% EBIT goal. By the end of next year, our objective is that the transformation journey will deliver USD 70 million at an annual run rate, with further impact in the following years. Numerous cost reduction projects are already underway and on the revenue side, where we are building on our strong commercial infrastructure, we are enhancing our revenue generation through diverse streams, such as airline partnerships. This year, we have signed strategic partnership agreements with four airlines – Emirates, TAP, Air Greenland and Atlantic Airways. In addition, we reached a significant milestone when introduced as the first airline partner of Southwest Airlines, one of the largest airlines in the US.

The foundation of our business model and our key competitive advantage is the geographical location of Iceland. Our route network is the heart of our business and provides extensive connectivity between Europe, North America, and beyond through our airline partners. Furthermore, with new longer-range aircraft we will be able to open new and exciting markets, which will be fundamental for the future development of Iceland as a tourist destination and a connecting hub for air travel.

The outlook is promising, and we expect significant improvement in profitability in the fourth quarter as well as the full year of 2025. Building on our proven business model and core strengths, coupled with our focused efforts on driving efficiencies and strengthening our competitiveness, I firmly believe that

Icelandair is in a prime position to capture emerging opportunities and create long-term value for shareholders and the Icelandic society."

## INVESTOR PRESENTATION 23 OCTOBER 2024

An investor presentation will be webcast in relation to the publication of the Q3 2024 results at 8:30 GMT on Wednesday, 23 October 2024, at http://icelandairgroup.com. Bogi Nils Bogason, President & CEO, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. The presentation will take place in English and will be accessible after the meeting on the Company's website and under Corporate News on the Nasdaq Nordic website:
http://www.nasdaqomxnordic.com/news/companynews

## INFORMATION

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## FINANCIAL CALENDAR

- **Q4 2024 and 12M 2024 – 30 January 2025**
- **AGM – 13 March 2025**

## KEY INDICATORS

| | | Q3 2024 | Q3 2023 | Change | 9M 2024 | 9M 2023 | Change |
|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | |
| Total income | USDk | 553,482 | 560,357 | -6,875 | 1,221,826 | 1,207,792 | 14,034 |
| of which passenger revenue | USDk | 496,458 | 508,044 | -11,586 | 1,048,503 | 1,031,312 | 17,191 |
| Total operating cost | USDk | 427,409 | 412,304 | 15,105 | 1,090,514 | 1,036,225 | 54,289 |
| EBIT | USDk | 83,477 | 112,015 | -28,538 | 17,894 | 71,244 | -53,350 |
| EBT | USDk | 83,070 | 106,204 | -23,134 | 10,939 | 56,443 | -45,504 |
| Net profit/loss | USDk | 69,201 | 84,464 | -15,263 | 10,406 | 48,988 | -38,582 |
| **Balance sheet and cash flow**[1] | | | | | | | |
| Total assets | USDk | - | - | - | 1,659,346 | 1,527,676 | 131,670 |
| Total equity | USDk | - | - | - | 297,118 | 288,347 | 8,771 |
| Interest bearing financial liabilities[2] | USDk | - | - | - | 647,783 | 638,580 | 9,203 |
| Net financial liabilities[3] | USDk | - | - | - | 308,826 | 352,372 | -43,546 |
| Total liquidity position | USDk | - | - | - | 395,671 | 322,522 | 73,149 |
| Net cash from operating activities | USDk | -48,008 | -41,441 | -6,567 | 209,337 | 215,121 | -5,784 |
| CAPEX, gross | USDk | 24,652 | 16,501 | 8,151 | 88,984 | 144,747 | -55,763 |
| **Key Ratios** | | | | | | | |
| EPS | US cent | 0.15 | 0.21 | -0.06 | 0.02 | 0.12 | -0.10 |
| Equity ratio[1] | % | - | - | - | 17.9% | 18.9% | -1.0 ppt |
| EBIT ratio | % | 15% | 20% | -4.9 ppt | 1.5% | 5.9% | -4.4 ppt |
| RASK[4] | US cent | 8.4 | 9.3 | -10% | 8.0 | 8.7 | -8% |
| Yield | US cent | 9.3 | 10.4 | -11% | 9.1 | 9.8 | -7% |
| CASK[4] | US cent | 7.1 | 7.3 | -2% | 8.0 | 8.2 | -2% |
| CASK excl. fuel[4] | US cent | 5.1 | 5.2 | -2% | 6.0 | 6.1 | -2% |
| **Traffic figures** | | | | | | | |
| Passenger flights | no. | 6,167 | 5,780 | 7% | 14,367 | 13,135 | 9% |
| Passengers total | no. | 1,669,025 | 1,530,224 | 9% | 3,644,079 | 3,375,487 | 8% |
| To Iceland | no. | 549,792 | 607,113 | -9% | 1,186,285 | 1,311,473 | -10% |
| From Iceland | no. | 241,911 | 236,079 | 2% | 585,726 | 588,511 | - |
| Via Iceland | no. | 808,427 | 615,849 | 31% | 1,674,489 | 1,275,310 | 31% |
| Within Iceland | no. | 68,895 | 71,183 | -3% | 197,580 | 200,192 | -1% |
| Passenger load factor | % | 85.9% | 84.5% | 1.4 ppt | 82.5% | 82.9% | -0.4 ppt |
| Available seat-kilometers (ASK) | mill | 6,007 | 5,543 | 8% | 13,429 | 12,124 | 11% |
| Revenue passenger-kilometers (RPK) | mill | 5,159 | 4,683 | 10% | 11,073 | 10,049 | 10% |
| On-Time-Performance | % | 83.0% | 77.9% | 5.1 ppt | 84.0% | 77.3% | 6.7 ppt |
| Freight ton kilometers (FTK'000) | k | 29,625 | 44,993 | -34% | 98,899 | 134,140 | -26% |
| Sold charter block hours | no. | 5,771 | 4,007 | 44% | 14,632 | 11,537 | 27% |
| CO2 emissions per OTK | no. | 0.72 | 0.74 | -3% | 0.74 | 0.75 | -1% |
| **Employees** | | | | | | | |
| Av. no. of full-time employees | no. | 3,899 | 4,070 | -4% | 3,682 | 3,653 | 1% |
| No. of employees at period end | no. | - | - | - | 3,707 | 3,920 | -5% |

[1] Comparison figures for the balance sheet are 31.12.2023
[2] Interest-bearing financial liabilities: Interest-bearing debt + net lease liabilities
[3] Net financial liabilities: Interest-bearing debt + net lease liabilities – cash and marketable securities
[4] RASK/CASK: Revenue and cost per available seat KM (ASK) in the passenger network

## TRAFFIC DATA

- **Number of passengers 1.7 million in Q3, up by 9% year-on-year**
- **Number of via passengers up by 31%, accounting for 48% of total passengers**
- **On-time-performance 83%, up by 5.1 percentage points**
- **Load factor 86% in Q3, up by 1.4 percentage points from last year**

In Q3, Icelandair's capacity, measured in Available Seat Kilometers (ASK) within the passenger network, increased by 8% year-on-year. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), rose by 10%. The number of passengers reached 1.7 million, with a load factor of 85.9%, up from 84.5% last year.

The number of passengers traveling to Iceland decreased by 9% year-on-year as a result of softening demand for flights to Iceland. However, Icelandair successfully leveraged the flexibility of its route network by focusing its efforts more on the transatlantic market and thus ensuring a strong load factor. The number of connecting passengers increased by 31% year-on-year, now constituting 48% of the total passenger count, up from 40% last year. The number of passengers traveling from Iceland increased by 2.5% this quarter, underscoring Icelandair's strong position in the home market. Domestic passenger numbers decreased slightly by 3% year-on-year, mainly driven by the decline in the market to Iceland.

Flight operations performed exceptionally well during the busiest quarter of the year, with an on-time performance (OTP) of 83.0%, marking a 5.1 percentage point increase compared to the same quarter last year. Icelandair ranked as the second most punctual airline in Europe, according to the Cirium Analytics report, with an OTP of 80.2% in July, and secured third place in August, with an even higher OTP of 83%.

Freight Ton-Kilometers (FTK) decreased by 34% year-on-year due to reduced freight capacity, implemented as part of actions to enhance the profitability of the cargo operation. The Leasing business saw a significant 44% year-on-year increase in block hours sold, as production rose in all of its main business segments. Additionally, CO2 emissions per Operational Ton-Kilometer (OTK) decreased by 3% compared to the previous year, driven by an improved load factor, higher number of flights operated by the fuel-efficient B737 MAX aircraft and good results in projects aimed at reducing fuel consumption.

## INCOME AND EXPENSES

- **Unit cost decreased by 2% between years**
- **The shift in the passenger mix put downward pressure on yields**
- **Continued strong recovery in the Cargo operation**
- **Strong result for Leasing business**

**EBIT** for the third quarter was USD 83.5 million, a decrease of USD 28.5 million compared to last year. Despite rising costs in certain parts of the value chain, there was a positive trend in cost management, with a 2% reduction in unit costs. A temporary decline in the passenger market to Iceland led to changes in the passenger mix that negatively impacted passenger revenue and the overall financial performance of the route network. The Cargo operation showed continued improvement, with a year-over-year gain of approximately USD 5.7 million. The Leasing operation performed strongly, achieving an EBIT margin of 21%.

**Total income** amounted to USD 553.5 million, reflecting a 1% year-over-year decline. **Passenger revenue** totaled USD 496.5 million, down by 2% compared to last year. **Cargo revenue** decreased by 19% to USD 16.9 million as capacity was adjusted to align with demand and improve profitability. **Leasing revenue** rose by 69% year-over-year to USD 23.2 million, while **other income** totaled USD 16.9 million, representing a 4% decrease compared to USD 17.7 million in the previous year.

**Operating expenses, excluding depreciation,** amounted to USD 427.4 million, up by 4%, or by USD 15.1 million between years. **Salaries and salary-related costs** totaled USD 101.7 million, as compared to USD 102.2 million in Q3 last year. Full-time equivalent positions (FTEs) averaged 3,899 during the quarter, down by 4% between years, because of the company outsourcing its flight catering operation earlier this year. **Aircraft fuel expenses** amounted to USD 125.0 million during the quarter, up 3% between years on an 8% capacity increase in the passenger route network. This is a result of a more fuel-efficient fleet, operational efficiencies, and lower carbon emission credit prices. The weighted effective fuel price of the Company, including add-ons and hedges, was USD 908 per m/t compared to USD 910 per m/t last year. The price of carbon emission credits decreased by 4% year-on-year. **Other aviation expenses,** including handling, landing, navigation, and maintenance costs, totaled USD 95.0 million, compared to USD 85.1 million last year. **Other operating expenses** totaled USD 105.7 million, up by USD 2 million due to a larger flight schedule within the passenger route network.

**Net finance costs** totaled USD 1.8 million in Q3, compared to USD 5.4 million last year. Total finance income amounted to USD 7.9 million, increasing by USD 0.4 million between years. Finance costs totaled USD 9.7 million, down by USD 3.3 million. The foreign exchange gain amounted to USD 0.2 million.

**Unit revenue (RASK)**[5] in Q3 2024 was 8.4 US cents, marking a 10% year-on-year decline. A decrease in demand in the tourist market to Iceland and an increased share of connecting passengers has put pressure on yields, resulting in lower unit revenue. The average yield was US 9.3 cents and reduced by 11% year-on-year. The revenue generation on Saga Premium was strong with total revenue increasing year-on-year. **Unit cost (CASK)**[6] was 7.1 US cents, decreasing by 2% year-on-year. Excluding fuel, unit cost decreased by 2% year-on-year. This reduction was driven by a more cost-efficient fleet, successful operational planning, and tight cost control. Significant improvements in on-time performance reduced costs related to irregularities.

## FINANCIAL POSITION

- **Equity USD 297.1 million and equity ratio 18%**
- **Total liquidity USD 395.7 million**

### Balance sheet

**Total assets** amounted to USD 1.66 billion at the end of September 2024, increasing by USD 131.7 million from the beginning of the year. Operating assets totaled USD 556.9 million, and the right-of-use assets were USD 368.3 million. **Total equity** amounted to USD 297.1 million, and the equity ratio at the end of the quarter was 18%. **Financial liabilities**[7] amounted to USD 647.8 million and increased by USD 9.2 million from the beginning of the year. **Net financial liabilities**[8] amounted to USD 308.8 million, a decrease of USD 43.5 million compared to the beginning of the year.

[5] Unit revenue (RASK): Revenue per available seat km in the passenger network
[6] Unit cost (CASK): Cost per available seat km in the passenger network
[7] Financial liabilities: Interest-bearing debt + net lease liabilities
[8] Net financial liabilities: Interest-bearing debt + net lease liabilities - cash and marketable securities

**Liquidity**
**Cash, cash equivalents and marketable securities** amounted to USD 303.7 million at the end of September 2024 and increased by USD 33.1 million from the beginning of the year. **Net cash from operations** in the first nine months amounted to USD 209.3 million. **Cash used in investing activities** totaled USD 161.3 million, of which USD 62 million was investment in marketable securities and net capex amounted to USD 84.5 million. **Net cash used in financing activities** was USD 77.3 million due to the repayment of interest-bearing loans and lease liabilities. The company has secured an additional USD 40 million of undrawn committed credit line from local bank, bringing the **total liquid funds** to USD 395.7 million, including the USD 52 million of undrawn credit line it already had in place.

## PROSPECTS

**The market to Iceland regaining its strength**
The outlook in Icelandair's passenger network is promising and the booking status is stronger now for the fourth quarter than at the same time last year. In addition, volcanic activity in the Reykjanes Peninsula in November 2023 negatively impacted bookings to Iceland in the following months. The stronger booking outlook indicates a recovery in the market to Iceland after temporary softening of demand in previous months. At the same time, the market from Iceland continues to be resilient and its outlook remains strong. Yields in the via market have been lower than anticipated this year due to capacity additions outpacing growth in demand. However, there are indications that some of the unsustainable capacity in many markets to and from Iceland is being withdrawn, which will lead to a better balance between demand and capacity in Q4 2024 and into 2025.

**Capacity growth of 8-10% with similar resources in 2025**
Icelandair will serve 55 destinations in the summer of 2025. Nashville, Tennessee, which will be added as a new destination, will provide exciting connections for passengers from Iceland and Europe to various US destinations. Additionally, Orlando and Lisbon will become year-round destinations, and flights to Gothenburg will start next summer. Frequency will also be increased to destinations where Icelandair has strong airline partners, leveraging these partnership opportunities. Next summer, Icelandair will operate 42 aircraft, including 21 B737 MAX aircraft and four new Airbus A321LRs, keeping the total number of aircraft the same between years. The new aircraft are more fuel-efficient, with lower variable costs than the B757s they are replacing. The lower operating cost supports growth outside of the summer season. In 2025, growth will be concentrated on the spring and fall, including an earlier start of the second bank just before Easter. Capacity during the summer peak will be similar to this year. The increased production outside of the peak will positively impact unit costs. Overall, the company expects capacity to grow by 8-10% in 2025 compared to 2024 with similar resources.

**First Airbus aircraft expected in Q4 2024**
Icelandair is preparing for the arrival of its first Airbus A321LR aircraft in Q4 2024, the first of four A321LRs scheduled to join Icelandair's fleet by the summer of 2025. The arrival of these new aircraft is a significant milestone and will gradually replace Icelandair's long-serving B757s, which have been the core of Icelandair's fleet for decades. The A321LR is expected to bring significant benefits to Icelandair, especially in operational efficiency, with better fuel efficiency and reduced maintenance costs, in addition to supporting Icelandair's sustainability journey.

**Expanding our global partnership network**
Icelandair places great emphasis on strengthening partnerships with other airlines to extend its market reach and strengthen its comprehensive route network. Currently, around 10% of total revenues are derived from partnerships and as high as 40% of revenues on individual routes. This year Icelandair has signed four codeshare agreements – with Emirates, TAP Air, Air Greenland and Atlantic Airways. Furthermore, in September, an important milestone was reached when the upcoming partnership with

Southwest Airlines was announced, with Icelandair becoming its first airline partner. This partnership will unlock many exciting travel options for the customers of both companies.

**Ongoing improvement in Cargo operations**

There has been a significant turnaround in the performance of Icelandair's cargo operations. This year, the cargo operation is expected to deliver an operating profit (EBIT) compared to a USD 16 million operating loss last year. Export volumes are anticipated to increase in the coming months. There is a growing interest in the export of salmon, especially to the US market. This surge in demand is expected to continue, contributing positively to the overall performance of cargo operations.

**Continued positive outlook in Leasing**

The Leasing operation has shown strong performance this year, a trend expected to continue in the coming months. The VIP world tours project is performing strongly, currently operating three aircraft. In November, the Leasing business will undertake its annual South Pole project for the fourth consecutive year, maintaining regular flights between South Chile and the South Pole.

**The ONE transformation journey – the path towards achieving financial targets**

Icelandair launched a comprehensive transformation journey named ONE in the first half of 2024. This effort is imperative to address ongoing market dynamics, inflation and cost pressure, as well as fluctuations in demand. Furthermore, it will put Icelandair in a prime position to capture emerging expansion opportunities and create long-term value for both shareholders and Icelandic society. The primary objective of the transformation is to increase operational efficiency, mainly by lowering costs but also through revenue generating initiatives. The Company is leaving no stone unturned in this important journey. The transformation, which is supported by a newly established Transformation Office, has already started to deliver financial impact, most noticeably on the cost side. Over 400 improvement initiatives have been identified and planned across all divisions and will be implemented over the next two years. This transformation journey is expected to significantly contribute to reaching the Company's long-term 8% EBIT goal. The objective is that by the end of 2025 the transformation will deliver USD 70 million at an annual run rate, with further impact in the following years.

**Fuel hedge position**

The table below highlights the Company's fuel hedging position at the end of Q3 2024. As demonstrated, 38% of the projected use in the passenger network over the next 12 months has been hedged at a weighted average price of 798 USD m/t.

| Period | Estimated usage | Hedged tons | % of estimated usage (tons) | Av. weighted price USD |
|---|---|---|---|---|
| Q4 2024 | 75,577 | 37,560 | 50% | 825 |
| Q1 2025 | 63,094 | 27,760 | 44% | 802 |
| Q2 2025 | 97,785 | 39,350 | 40% | 788 |
| **9 months** | **236,456** | **104,670** | **44%** | **805** |
| Q3 2025 | 126,265 | 31.500 | 25% | 775 |
| **12 months** | **362,721** | **136,170** | **38%** | **798** |
| Q4 2025 | 75,577 | 12,850 | 17% | 764 |
| **13-18 months** | **63,094** | **5,700** | **9%** | **735** |

**Financial Outlook**

For the fourth quarter, the Company expects a significant improvement in profitability compared to the same quarter last year. Results in all three business segments, Route network, Cargo and Leasing are expected to develop favorably year-on-year. Unit cost is expected to decrease year-on-year, driven by focus on cost control and operational efficiency, in addition to lower fuel prices. Despite the meaningful improvement in EBIT in the fourth quarter, EBIT for the full year 2024 is expected to be negative of USD 10-20 million, compared to positive EBIT of USD 21 million in 2023. The difference in profitability is driven by less demand on the market to Iceland and lower yields on the transatlantic market.

As in the fourth quarter, profitability is expected to continue to improve in 2025. Economic indicators are generally positive in key markets and slower growth in overall capacity is expected than in 2024, both on the market to Iceland and on the transatlantic market. The projected growth in Icelandair's capacity will be on the same number of aircraft as in 2024 as four more fuel-efficient A321LR's will replace four B757 aircraft, positively impacting unit costs.