

## ICELANDAIR: FINANCIAL RESULTS Q2 2024

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- EBIT USD 3.3 million and net profit USD 0.6 million on a capacity increase of 8%
- Positive cost development reflected in a 2.4% decrease in unit cost despite high inflation
- Fleet renewal, cost control, and increased operational efficiency contributed to the decrease in unit cost
- Changes in non-production headcount and seasonal adjustments in May and June will result in USD 10 million in future annual savings
- Positive turnaround in the Cargo operation of USD 3.4 million
- Strong liquidity position of USD 465 million at the end of Q2 2024
- Number of passengers 1.2 million
- Passenger unit revenue decreased due to softer demand for travel to Iceland, and increased competition in the transatlantic market
- Flights were launched to three new destinations: Pittsburgh, Halifax, and the Faroe Islands
- Icelandair the most punctual airline in Europe in June by Cirium rankings

## BOGI NILS BOGASON, PRESIDENT & CEO

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„Our flight operations are performing well, on-time performance has been outstanding for five months in a row and Icelandair was named the most punctual airline in Europe in June. It is great to see that our focus on increased efficiencies is already paying off, as reflected in decreased unit cost in the second quarter, despite high inflation and cost increases. We have also continued improving the performance of our cargo operation, and the leasing business continues to perform well, as well as our domestic operation. This success is thanks to the united effort of our employees across all divisions. Demand in the tourist market to Iceland has not been as strong as last year but we have been successful in leveraging the flexibility of our route network to maintain an acceptable load factor by placing a stronger emphasis on the transatlantic market. This change in the passenger mix, however, impacted yields and, thereby, our unit revenue in the second quarter.

Following the past years of post-covid recovery that was completed last year, this year, our focus has been on driving efficiencies in our operations. Numerous improvement initiatives are underway, some of which have already yielded results, and we expect to see further results going forward. We are also continuing to strengthen our revenue generation, using our various revenue streams. We have, for example, strengthened our revenue base through partnership agreements with two airlines during the year – Emirates and TAP in Portugal. Revenue from such partnerships currently accounts for over 10% of the Company's total revenue.

We see great opportunities ahead, including the expansion of our route network with new, longer-range aircraft, which will be the foundation of Iceland's further development as a tourist destination and connecting hub between Europe and North America. Despite fluctuations from year to year, I have full confidence in the future success of Icelandic tourism and, not least, the connecting model we have built up over the decades. The market to Iceland is already showing positive signs and will recover over in the near future with the right supporting actions. The current emphasis in our operations will increase our competitiveness, productivity, and efficiency, which with our strong cash position makes us well-equipped for the journey ahead and will support the future success of Icelandair.“

## INVESTOR PRESENTATION 18 JULY 2024

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An investor presentation will be webcast in relation to the publication of the Q2 2024 results at 8:30 GMT on Thursday, 18 July 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

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- **Q3 2023 22 October 2024**
- **Q4 2023 30 January 2025**
- **AGM 13 March 2025**

## KEY INDICATORS

		Q2 2024	Q2 2023	Change	6M 2024	6M 2023	Change
<b>Operating results</b>							
Total income	USDk	409,383	414,180	-4,797	668,344	647,435	20,909
of which passenger revenue	USDk	353,183	352,728	455	552,045	523,268	28,777
Total operating cost	USDk	368,813	358,580	10,233	663,105	623,921	39,184
EBIT	USDk	3,309	20,854	-17,545	-65,583	-40,771	-24,812
EBT	USDk	524	15,341	-14,817	-72,131	-49,761	-22,370
Net profit/loss	USDk	622	13,656	-13,034	-58,795	-35,476	-23,319
<b>Balance sheet and cash flow<sup>1</sup></b>							
Total assets	USDk	-	-	-	1,799,623	1,527,676	271,947
Total equity	USDk	-	-	-	232,712	288,347	-55,635
Interest bearing financial liabilities <sup>2</sup>	USDk	-	-	-	671,044	638,580	32,464
Net financial liabilities <sup>3</sup>	USDk	-	-	-	220,520	352,372	-131,852
Total liquidity position	USDk	-	-	-	465,174	521,231	-56,057
Net cash from operating activities	USDk	110,243	129,001	-18,758	257,345	283,415	-26,070
CAPEX, gross	USDk	32,258	38,797	-6,539	64,332	87,919	-23,587
<b>Key Ratios</b>							
EPS	US cent	0.00	0.03	-0.03	-0.14	-0.09	-0.05
Equity ratio <sup>1</sup>	%	-	-	-	12.9%	18.9%	-6.0 ppt
EBIT ratio	%	0.8%	5.0%	-4.2 ppt	-9.8%	-6.3%	-3.5 ppt
RASK <sup>4</sup>	US cent	7.9	8.6	-7%	7.7	8.2	-7%
Yield	US cent	9.1	9.6	-5%	8.9	9.2	-4%
CASK <sup>4</sup>	US cent	8.0	8.2	-2%	8.7	9.0	-3%
CASK excl. fuel <sup>4</sup>	US cent	6.0	6.1	-2%	6.7	6.8	-1%
<b>Traffic figures</b>							
Passenger flights	no.	4,834	4,488	8%	8,201	7,308	12%
Passengers total	no.	1,218,091	1,180,545	3%	1,975,054	1,845,263	7%
To Iceland	no.	352,146	415,543	-15%	636,493	704,360	-10%
From Iceland	no.	194,494	214,486	-9%	343,815	352,432	-2%
Via Iceland	no.	603,680	482,451	25%	866,062	659,461	31%
Within Iceland	no.	67,770	68,065	0%	128,685	129,010	0%
Passenger load factor	%	81.6%	83.6%	-2.0 ppt	79.7%	81.5%	-1.8 ppt
Available seat-kilometers (ASK)	mill	4,563	4,226	8%	7,422	6,581	13%
Revenue passenger-kilometers (RPK)	mill	3,722	3,535	5%	5,914	5,366	10%
On-Time-Performance	%	86.0%	75.1%	10.9 ppt	85.3%	76.0%	9.3 ppt
Freight ton kilometers (FTK'000)	k	29,871	45,914	-35%	69,273	89,147	-22%
Sold charter block hours	no.	4,798	3,798	26%	8,861	7,530	18%
CO2 emissions per OTK	no.	0.74	0.74	0%	0.76	0.76	0%
<b>Employees</b>							
Av. no. of full-time employees	no.	3,708	3,795	-2%	3,573	3,443	4%
No. of employees at period end	no.	-	-	-	4,028	4,177	-4%

<sup>1</sup> Comparison figures for the balance sheet are 31.12.2023

<sup>2</sup> Interest-bearing financial liabilities: Interest-bearing debt + net lease liabilities

<sup>3</sup> Net financial liabilities: Interest-bearing debt + net lease liabilities – cash and marketable securities

<sup>4</sup> RASK/CASK: Revenue and cost per available seat KM (ASK) in the passenger network

## TRAFFIC DATA

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- **Number of passengers 1.2 million in Q2, up by 3% year-on-year**
- **Number of via passengers up by 25%, accounting for 50% of total passengers**
- **On-Time-Performance 86%, up by 11 percentage points**

Icelandair's capacity, measured in available seat kilometers in the passenger network, increased by 8% year-on-year in the second quarter. Scheduled flights were launched to three new seasonal destinations: Pittsburgh, Halifax, and the Faroe Islands, and the frequency was increased to several popular destinations. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), increased by 5%. The number of passengers was 1.2 million, and the load factor was 81.6% compared to 83.6% last year.

Strong competition with other destinations and the impact of repeated volcanic eruptions in Reykjanes on global media coverage on Iceland have temporarily softened demand for flights to Iceland. To compensate for this, Icelandair has utilized the flexibility of its route network and placed greater emphasis on the transatlantic market, which has led to changes in the passenger mix. The number of connecting passengers increased by 25% between years, accounting for 50% of the total number of passengers compared to 41% last year. However, the number of passengers on the market to Iceland decreased by 15% and accounted for 29% of the total number of passengers compared to 35% last year. The number of passengers in the market from Iceland decreased by 9%, and the number of domestic passengers remained the same year-on-year.

Flight operations performed well during the quarter, with an on-time performance of 86%, up by a considerable 11 percentage points compared to the second quarter last year. On-time performance has been outstanding for the last five months in a row, and in June, Icelandair was named Europe's most punctual airline by the Cirium report with an on-time performance of 85%, up by 14 percentage points year-on-year.

Freight Tons (FTK) decreased by 35% year-on-year due to less freight capacity. This was part of measures taken to improve the profitability of the cargo operation, including long-term leasing of one B767 freighter aircraft. The number of block hours sold in the Leasing operation increased by 26% year-on-year. CO<sub>2</sub> emissions per Operational Ton-Kilometer (OTK) remained the same year-on-year.

## INCOME AND EXPENSES

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- **Unit cost decreased by 2.4% between years**
- **Change in the passenger mix put pressure on yields**
- **Positive turnaround in the Cargo operation**

**EBIT** was 3.3 million USD in Q2 2024, USD 17.5 million lower than last year. Positive trend is showing on the cost side, which is reflected in the 2.4% reduction in unit cost despite significant cost increases in some parts of the value chain. The temporary decline in the passenger market to Iceland and the changes in the passenger mix affected passenger revenue and the financial results of the route network, in addition to the stronger demand during Easter in March this year compared to April last year. There was a continued positive turnaround in the Cargo operation of around USD 3.4 million between years. The Leasing operation performed well, with an EBIT ratio of 15%.

**Total income** amounted to USD 409.4 million in Q2 2024, down by 1% between years. A change in the distribution of passengers between markets affected passenger revenue, which was USD 353.2 million, similar to last year. **Cargo revenue** totaled USD 16.9 million, down by 23% between years as capacity

was adjusted to demand to restore profitability. **Leasing revenue** amounted to USD 20.7 million, up by 6% between years. **Other income** totaled USD 18.7 million, compared to USD 20.0 million, amounting to a 7% decrease between years.

**Operating expenses, excluding depreciation**, amounted to USD 368.8 million, up by 3%, or by USD 10.2 million between years. **Salaries and salary-related costs** totaled USD 107.0 million, as compared to USD 105.9 million in Q2 last year, an increase of 1%. Full-time equivalent positions (FTEs) averaged 3,708 during the quarter, down by 2% between years. In May, the Company announced the layoffs of 82 employees. The cost amounted to USD 1.5 million and was expensed during the quarter. Seasonal layoffs of pilots amounted to 57 and will come into effect in the fall. These actions combined are expected to result in future annual savings of around USD 10 million. The Company outsourced its flight kitchen operation from 1<sup>st</sup> March 2024, which reduced 200 FTEs from March. **Aircraft fuel expenses** amounted to USD 96.5 million during the quarter, up by only 1% between years on an 8% capacity increase in the passenger route network and a 9% increase in fuel market price between years. This is a result of a more fuel-efficient fleet, operational efficiencies, lower carbon emission credit prices and positive hedges. The weighted effective fuel price of the Company, including add-ons and hedges, was USD 936 per m/t, up by 3% year-on-year. The price of carbon emission credits decreased by 21%. **Other aviation expenses**, including handling, landing, navigation, and maintenance costs, totaled USD 73.8 million, compared to USD 71.0 million last year. Aircraft leasing costs decrease year-on-year, but the delay in the entry of aircraft into operation led to the leasing of aircraft in June last year. **Other operating expenses** totaled USD 91.5 million, up by USD 5.4 million or 6%, due to a larger flight schedule within the passenger route network.

**Net finance costs** totaled USD 2.1 million in Q2, compared to USD 7.3 million last year. Total finance income amounted to USD 9.0 million, increasing by USD 5.3 million between years. Finance costs totaled USD 10.6 million, up by USD 0.2 million. The foreign exchange loss amounted to USD 0.5 million.

**Unit revenue (RASK)**<sup>5</sup> in Q2 2024 was 7.9 US cents and decreased by 7% year-on-year. A decrease in demand for Iceland and an increased share of connecting passengers in the transatlantic market has put pressure on yields, which explains lower unit revenue. The average yield was US 9.1 cents and reduced by 5% year on year. **Unit cost (CASK)**<sup>6</sup> was 8.0 US cents, decreasing by 2%. A more cost-efficient fleet, operational excellence, cost control, and economies of scale positively affected unit cost. Also, a major improvement in on-time performance led to a reduction in costs related to irregularities, such as EU compensation and passenger accommodation costs. Unit cost, excluding fuel, decreased also by around 2% between years.

## FINANCIAL POSITION

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- **Equity USD 232.7 million and equity ratio 13%**
- **Total liquidity USD 465.2 million**

### Balance sheet

**Total assets** amounted to USD 1.8 billion at the end of June 2024, increasing by USD 271.9 million from the beginning of the year. Operating assets totaled USD 567.8 million, and the right-of-use assets USD 383.4 million. **Total equity** amounted to USD 232.7 million, and the equity ratio at the end of the quarter was 13%. **Financial liabilities**<sup>7</sup> amounted to USD 671.0 million and increased by USD 32.5 million from the beginning of the year, mostly due to aircraft-related investments with the addition of

<sup>5</sup> Unit revenue (RASK): Revenue per available seat km in the passenger network

<sup>6</sup> Unit cost (CASK): Cost per available seat km in the passenger network

<sup>7</sup> Financial liabilities: Interest-bearing debt + net lease liabilities

three B737 MAX 8 aircraft. **Net financial liabilities**<sup>8</sup> amounted to USD 220.5 million, a decrease of USD 131.9 million compared to the beginning of the year.

### Liquidity

**Cash, cash equivalents and marketable securities** amounted to USD 413.2 million at the end of June 2024 and increased by USD 142.7 million from the beginning of the year. **Net cash from operations** in the first six months amounted to USD 257.3 million. **Cash used in investing activities** totaled USD 112.8 million, and capex amounted to USD 64.3 million. **Net cash used in financing activities** was USD 52.6 million due to the repayment of interest-bearing loans and lease liabilities. The Company had available undrawn committed credit lines in the amount of USD 52.0 million at the end of June, bringing **total liquid funds** to USD 465.2 million.

## PROSPECTS

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### Flights offered to 57 destinations in the route network in 2024

The booking load factor for the next months is similar to or slightly better than at the same time last year. In the third quarter, the market mix will continue with a strong emphasis on the transatlantic market. Icelandair's flight schedule in 2024, as measured in available seat kilometers, is set to grow by ~10% for the full year and take Icelandair's passenger numbers to around 4.7 million. The capacity is expected to grow by 9% in Q3 and 7% in Q4. Lisbon was recently added as a winter destination. Flights will be offered to 57 destinations, and over 790 origin and destination markets will be served within the network and countless others through partnerships.

Icelandair has focused on strengthening its airline partnerships and signed two strategic partnership agreements in 2024, with Emirates and TAP in Portugal, and further partnership agreements are in the pipeline. The revenue from such partnership agreements is currently over 10% of total revenue.

### Continued turnaround in Cargo

A significant turnaround in the financial performance of the Cargo operation has been achieved, which is expected to result in positive EBIT for the full year compared with USD 17 million negative EBIT last year. The actions taken to improve the financial results include leasing out one of the two freighters, adjusting the cargo flight schedule to market conditions, and simplifying the organization.

### Positive outlook in Leasing

The Leasing operation continues to perform well. Five aircraft are now in full operation at Air Niugini, the Company's largest leasing customer, two more than last year. The VIP world tours are going very well, and the third aircraft was added to that fleet earlier this year. The preparation has started for a leasing project on the South Pole next winter, the fourth year in a row, with regular flights between the South of Chile and the South Pole. A strong emphasis is now on increasing leasing projects over the winter that compensate for the seasonality of Icelandair's route network.

### Investment in Airbus A321 flight simulator

Two new B737 MAX aircraft were delivered in the second quarter and are already in operation. The first Airbus aircraft in Icelandair's history are expected to be delivered in the fourth quarter of this year. These are four new A321LRs that will come into service next winter. The implementation of the Airbus fleet and pilot training is underway, and the Company signed a purchasing agreement for a new full flight simulator at the end of June that will be taken into operation in Icelandair's training center in 2025.

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<sup>8</sup> Net financial liabilities: Interest-bearing debt + net lease liabilities - cash and marketable securities

### Focus on increasing efficiency and competitiveness

In 2023, Icelandair completed its post-pandemic ramp-up and returned to profitability, contributing to the recovery of the tourism industry and, thus, Iceland's economy as a whole. Following this rapid growth phase, Icelandair is now focusing on optimizing its operations by driving efficiencies and increasing its competitiveness. This effort is imperative to respond to current market dynamics, such as increased competition, high inflation, and increased costs, as well as to ensure profitable growth and long-term success.

To support this aspiration, Icelandair launched a comprehensive transformation journey in the first half of 2024, which is named *ONE – collective effort, one journey*. Rakeł Óttarsdóttir has been appointed Chief Transformation Officer in addition to her role as Chief Digital Officer. She will lead a new dedicated team within Icelandair that is responsible for mapping and overseeing transformation initiatives across the Company. The main goal is to increase operational efficiency, mainly by lowering costs but also by strengthening revenue generation. The Company expects this journey to have a significant impact, which has already started to reflect in decreased unit cost and support the goal of becoming best-in-class in terms of efficiency.

This way, Icelandair will be in a prime position to capture emerging opportunities and create long-term value for shareholders and Icelandic society. These opportunities include expanding the route network with new, longer-range aircraft, which form the foundation for the further development of Iceland as a tourist destination and as a connecting hub between Europe and North America. At the same time, Icelandair is committed to offering a best-in-class customer experience, working towards more sustainable operations, and building a top-tier workplace.

### Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q2 2024. As demonstrated, 38% of the projected use in the passenger network over the next twelve months has been hedged at a weighted average price of 821 USD m/t.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)	Av. weighted price USD
Q3 2024	127,057	62,240	49%	832
Q4 2024	75,633	29,560	39%	827
Q1 2025	59,517	24,060	40%	807
<b>9 months</b>	<b>262,207</b>	<b>115,860</b>	<b>44%</b>	<b>825</b>
Q2 2025	97,785	19,550	20%	798
<b>12 months</b>	<b>359,991</b>	<b>135,410</b>	<b>38%</b>	<b>821</b>
Q3 2025	127,057	22,200	17%	809
<b>13-18 months</b>	<b>127,057</b>	<b>22,200</b>	<b>17%</b>	<b>809</b>

### Financial Guidance

Good progress has been made in lowering unit cost in a challenging environment. The Company expects unit cost in the second half of the year to continue to improve year-on-year slightly. Demand on the transatlantic market remains robust, but increased competition puts pressure on yields and, thereby, unit revenue. Although recent volcanic activity has not impacted Icelandair's flight schedule and Iceland remains safe to visit, further seismic activity in Southwest Iceland might impact demand. Coming into the winter season, there are signs that overall capacity is stabilizing, which should positively impact unit revenue. The market to Iceland is showing positive signs following a decrease in local hotel prices, and the Company is optimistic that it will rebound in the near future with increased marketing activities of the whole tourism sector in Iceland and more competitive pricing. However, how the above dynamics will

develop and impact revenue generation and profitability is still uncertain. Therefore, no financial guidance for the full year is provided at this time.