

ICELANDAIR: FINANCIAL RESULTS Q1 2024

- Revenue increase of 11%, total income USD 259.0 million
- Record passenger revenue USD 199.0 million up by 17% from last year
- 5% decrease in unit cost
- Fleet renewal and focus on operational efficiencies contributed to the decrease in unit cost
- EBIT result negative by USD 68.9 million, compared to USD 61.6 million last year with the decrease mostly driven by seismic activity in Southwest Iceland, especially in January
- Positive turnaround in the Cargo operation of USD 3.8 million
- Capacity increased by 21% in the passenger network, with focus on profitable markets
- Number of passengers 757 thousand up by 14%
- Number of passengers to Iceland 284 thousand
- Strong liquidity position of USD 411 million at the end of Q1 2024

BOGI NILS BOGASON, PRESIDENT & CEO

“The results of the first quarter were in line with our expectations with performance in January colored by the impact of global media coverage of the volcanic activity in Southwest Iceland. We leveraged the flexibility of our network to adapt to market developments, compensating for the slight decrease in demand to Iceland by focusing on the market via Iceland and thereby increasing the number of connecting passengers by 48%.

Strong revenue generation resulted in record passenger revenue in the first quarter. Although capacity increase in mature markets put pressure on yields and load factor, the focus of the capacity increase in our network was however first and foremost on markets that contribute to strong revenue generation and profitability. We achieved a 5% decrease in unit cost where a higher proportion of efficient aircraft in our fleet, economies of scale and improved operational efficiencies contributed to the decrease. Our on-time performance was outstanding in the quarter, which is also a key factor in reducing cost and increasing customer satisfaction.

We have achieved a great turnaround in our Cargo operation that turned operating profit in the quarter with outlook being good for the year. Our Leasing operation continued to perform well, driving important revenue and profitability for the Company and reducing seasonality with improved utilization of our fleet and crew.

The year 2023 marked the final year of Icelandair’s post-covid recovery and a return to profitability. Now, the focus is on actions that will improve operational efficiencies, reduce costs, and further strengthen revenue generation. We have already taken various actions, such as simplifying our organization, whereby the number of management positions was reduced, and outsourcing our flight catering business, which is one of the largest food production companies in Iceland with around 200 full-time employees. Further initiatives to drive efficiencies are underway.

With this focus, we expect increased net profit for the full year and are confident that we are on the right track to reach our long-term goals. I would like to thank our employees for their great work in preparation for the coming high season and our customers for choosing Icelandair. We look forward to the exciting journeys ahead.”

INVESTOR PRESENTATION 24 APRIL 2024

An investor presentation will be webcast in relation to the publication of the Q1 2024 results at 8:30 GMT on Wednesday, 24 April 2024, at <http://icelandairgroup.com>. Bogi Nils Bogason, President & CEO of Icelandair, 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>

KEY INDICATORS

		Q1 2024	Q1 2023	Change
Operating results				
Total income	USDk	258,961	233,255	25,706
of which passenger revenue	USDk	198,862	170,540	28,322
Total operating cost	USDk	294,292	265,341	28,951
EBIT	USDk	-68,892	-61,625	-7,267
EBT	USDk	-72,655	-65,102	-7,553
Net loss	USDk	-59,417	-49,132	-10,285
Balance sheet and cash flow¹				
Total assets	USDk	1,703,251	1,527,676	175,575
Total equity	USDk	233,343	288,347	-55,004
Interest-bearing financial liabilities ²	USDk	645,672	638,580	7,092
Net financial liabilities ³	USDk	246,799	352,372	-105,573
Total liquidity position	USDk	411,297	322,522	-88,775
Net cash from operating activities	USDk	147,102	154,414	-7,312
CAPEX, gross	USDk	32,074	49,122	-17,048
CAPEX, net	USDk	32,028	48,827	-16,799
Key Ratios				
EPS	US cent	-0.14	-0.12	-0.02
Equity ratio ¹	%	13.7%	18.9%	-5.2 ppt
EBIT ratio	%	-26.6%	-26.4%	-0.2 ppt
RASK ⁴	US cent	7.25	7.65	-5%
Yield	US cent	8.51	8.63	-1%
CASK ⁴	US cent	9.88	10.41	-5%
CASK less fuel ⁴	US cent	7.88	8.01	-2%
Traffic figures				
Passenger flights	no.	3,367	2,867	17%
Passengers total	no.	756,963	664,717	14%
To Iceland	no.	284,346	288,817	-2%
From Iceland	no.	149,321	137,947	8%
Via Iceland	no.	262,382	177,010	48%
Within Iceland	no.	60,914	60,944	0%
Passenger load factor	%	76.7%	77.8%	-1.1 ppt
Available seat-kilometers (ASK)	mill	2,859	2,355	21%
Revenue passenger kilometers (RPK)	mill	2,192	1,831	20%
On-Time-Performance	%	84.4%	78.0%	6.4 ppt
Freight ton-kilometers (FTK'000)	k	39,402	43,233	-9%
Sold charter block hours	no.	4,063	3,732	9%
CO2 emissions per OTK	no.	0.78	0.79	-1%
Employees				
Av. no. of full-time employees	no.	3,438	3,092	11%
No. of full-time employees at period end	no.	3,325	3,172	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 757 thousand in Q1, up by 14% year-on-year**
- **Number of via passengers up by 48%**
- **On-Time-Performance 84.4%, improving by 6.4 percentage points**

Icelandair's capacity in the passenger network increased by 21% year-on-year in the first quarter, with emphasis on destinations in North America where demand has been strong. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), increased by 20%. The number of passengers was 757 thousand in the quarter, as compared to 665 thousand last year.

The market to Iceland was the Company's largest market, with 38% of the passengers. Global media coverage of the volcanic activity in Iceland towards the end of last year had a negative impact on the development of bookings to Iceland, which is reflected in a 2% decrease in that market between years. The number of passengers on the via market between N-America and Europe, on the other hand, increased significantly, or by 48%, accounting for 35% of total passengers. The number of passengers on the market from Iceland increased by 8% and the number of domestic passengers remained similar to last year. These figures clearly show the flexibility of the route network and how the Company can adapt capacity to market conditions at any given time. The load factor was 76.7%, as compared to 77.8% last year. The load factor improved in February and March, but decreased year-on-year in January. On-time performance was 84.4%, improving significantly, or by 6.4 percentage points between years.

Freight Ton-Kilometers (FTK) decreased by 9% year-on-year due to less freight capacity, which was part of the measures taken to improve the profitability of the Cargo operations. Flown block hours on freighters were 35% less than last year as the capacity was better aligned with demand. The number of block hours sold in the Leasing operation increased by 9% year-on-year. CO2 emissions per Operational Ton-Kilometer (OTK) decreased by 1% year-on-year.

INCOME AND EXPENSES

- **Record Q1 passenger revenue**
- **Positive turnaround in the Cargo operation**
- **Cost related to high season in the amount of USD 5.5 million expensed in the quarter**

EBIT was negative by USD 68.9 million in Q1 2024, USD 7.3 million worse than last year. Cost due to the ramp-up of operations into the summer season is partly expensed during the quarter. These costs are estimated to be around USD 5.5 million. Global media coverage of the volcanic eruption in Southwest Iceland, combined with a substantial increase in competitor capacity into certain mature markets to and from Iceland, impacted EBIT results, especially in January, while the months of February and March improved in profitability compared to last year. There was a significant turnaround in the Cargo operation, with break-even EBIT compared to an EBIT loss of USD 3.8 million last year.

Total income amounted to USD 259.0 million in Q1 2024, up by 11% between years. **Passenger revenue** was USD 198.9 million, as compared to USD 170.5 million last year, a record for the first quarter. Passenger revenue grew in all markets with the largest increase in the North Atlantic market, where passenger numbers grew by 48%. Passenger revenue was highest in the market to Iceland, which was the Company's largest market with 38% of total passengers. **Cargo revenue** totaled USD 20.7 million, down by 13% between years. Various measures were taken in the latter half of last year to improve the results in the Cargo operations which are now starting to pay off. Capacity was adjusted to

demand, and one freighter was put on a long-term lease, which explains the revenue decrease year-on-year. **Leasing revenue** amounted to USD 19.3 million, up by 1% between years. **Other income** totaled USD 20.1 million, up by 1% compared to last year.

Operating expenses, excluding depreciation amounted to USD 294.3 million, up by 11%, or by USD 29.0 million between years. **Salaries and salary-related costs** totaled USD 94.5 million, as compared to USD 78.7 million in Q1 last year, an increase of 20%. The increase is due to the larger scope of operations, contractual salary increases, and the strengthening of the Icelandic Krona (ISK) against the USD, as the vast majority of the salary costs are denominated in ISK. Full-time equivalent positions (FTEs) averaged 3,438 during the quarter, up by 11% between years. The Company outsourced its flight kitchen operation from 1 March 2024, which led to a reduction of 200 FTEs in March. **Aircraft fuel expenses** amounted to USD 64.1 million during the quarter, down by 4% between years on a 21% capacity increase in the passenger route network. The decrease is a result of a more fuel-efficient fleet, lower fuel and carbon emission credit prices, and positive hedges. The weighted effective fuel price of the Company, including add-ons and hedges, was USD 953 per m/t, down by 13% year-on-year. The price of carbon emission credits decreased by 31%. **Other aviation expenses**, including handling, landing, navigation, and maintenance costs, totaled USD 54.6 million, increasing only by 12% due to a higher proportion of efficient Boeing 737 MAX aircraft in the fleet and positive economies of scale. **Other operating expenses** totaled USD 81.1 million, up by USD 9.9 million or 14%, mainly because of larger flight schedule within the passenger route network.

Net finance costs totaled USD 3.3 million in Q1, increasing by USD 0.4 million year-on-year. Total finance income amounted to USD 8.0 million, increasing by USD 1.7 million between years. Finance costs totaled USD 11.4 million, up by USD 2.1 million. A foreign exchange loss of USD 1.1 million was expensed in Q1 this year, compared to an exchange gain of USD 1.6 million last year.

Unit revenue (RASK)⁵ in Q1 2024 was 7.3 US cents and decreased by 5% year-on-year. Global media coverage of volcanic activity in Southwest Iceland and substantial competitor capacity increase in the market to and from Iceland had a negative effect on unit revenue, especially in January. The average yield was US 8.5 cents and reduced by 1% year on year. **Unit cost (CASK)**⁶ was 9.9 US cents and decreased by 5%. Many cost items showed positive trends. Our On-time performance improvement of 6.4 percentage points resulted in a lowering of costs related to irregularities, such as EU compensation and passenger accommodation costs. Our maintenance unit cost was lower year-on-year as well as our handling costs, as we continue to place emphasis on leaner operations. Unit cost, excluding fuel, decreased by around 2% between years due to a more cost-efficient fleet, increased cost focus, and economies of scale.

FINANCIAL POSITION

- **Equity USD 233.3 million and equity ratio 14%**
- **Total liquidity USD 411 million**

Balance sheet

Total assets amounted to USD 1.7 billion at the end of Q1 2024, increasing by USD 175.6 million from the beginning of the year. Operating assets totaled USD 562.6 million and the right-of-use assets USD 345.0 million. **Total equity** amounted to USD 233.3 million, and the equity ratio at the end of the quarter was 14%. **Financial liabilities**⁷ amounted to USD 645.7 million and increased by USD 7.1 million from the beginning of the year, mostly due to aircraft-related investments with the addition of one B737 MAX

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 aircraft. **Net financial liabilities**⁸ amounted to USD 246.8 million, a decrease of USD 105.6 million compared to the beginning of the year, due to higher cash position.

Liquidity

Cash and marketable securities amounted to USD 359.3 million at the end of Q1 2024 and increased by USD 88.8 million during the quarter. **Net cash from operations** in Q1 2024 amounted to USD 147.1 million. **Cash used in investing activities** totaled USD 10.5 million. Capex amounted to USD 32.0 million, including aircraft maintenance, one aircraft engine, and investments in new headquarters. **Net cash used in financing activities** was USD 26.5 million due to the repayment of interest-bearing loans and operational lease liabilities. The Company had available undrawn committed credit lines in the amount of USD 52.0 million at the end of March bringing **total liquid funds** to USD 411.3 million.

PROSPECTS

Via market growth demonstrating the flexibility and robustness of the route network

Demand in the via market remains strong and the share of via passengers has grown significantly in comparison to 2023, displaying the inherent flexibility and robustness of Icelandair's route network. The booking inflow in the market to Iceland has been slower than last year due to effects of volcanic activity on top of inflation and intensifying competition with other destinations. This change in the passenger mix is expected to put some pressure on yields. The traffic from Iceland is steady and in line with last year. Demand for Icelandair's Saga Premium product continues to be strong. The domestic market is performing well, with a positive outlook for the summer with an increasing share of inbound tourists utilizing the domestic network.

Although demand for Iceland as a tourist destination is currently slightly weaker than last year, the effects related to the volcanic activity have eased, and the longer-term prospects of Iceland as a tourist destination remain strong with great opportunities for continued developments.

Route network enabling a record of 790 via connections

Icelandair's flight schedule in 2024, as measured in available seat kilometers, is set to grow by ~10% and take Icelandair's passenger numbers to around 4.7 million. This growth is centered on profitable markets. Flights will be offered to 57 destinations, including three new ones that will be added to the route network in Q2 – Pittsburgh, Halifax, and the Faroe Islands. Over 790 origin and destination markets will be served within the network and countless others through partnerships.

Positive turnaround taking place in Cargo operations

The Cargo operation is seeing a significant turnaround in its financial results with break-even EBIT in the first quarter of 2024 as a result of various actions taken in the second half of last year and in early 2024 to restore profitability. These included leasing out one of the two freighter, adjusting the cargo flight schedule to market conditions and simplifying the organization.

Leasing operation performing well

The outlook of the Leasing operation remains promising as it continues a gradual expansion of its profitable operations. In Q2, an additional aircraft will be added on lease to one of the largest customers, bringing the number of leased aircraft to this customer to five. Additionally, the third aircraft has been added to the Company's VIP passenger fleet to meet high demand in this segment.

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

Fleet renewal continues

Icelandair will operate a fleet of 42 aircraft in the passenger route network this summer. Thereof, 21 are Boeing 737 MAX aircraft, three more than in summer 2023. Icelandair has already taken delivery of one of these additional 737 MAX aircraft while delivery of the other two is expected in the coming weeks.

Operational efficiency at the top of the agenda in 2024

The year 2023 marked the final year of Icelandair's post-pandemic rebuild and saw the Company return to profitability with record unit revenues. Through the rebuild, Icelandair was focused on ramping up its operations, and revamping its commercial engine. Now in 2024, Icelandair is putting its focus firmly on increasing efficiency and lowering cost, alongside continued investments in commercial infrastructure.

Over the past months, Icelandair has already implemented several initiatives in line with this focus, including simplifying the organization whereby the number of management positions was reduced, the outsourcing of Icelandair's flight kitchen, which is one of the largest food production companies in Iceland with around 200 FTEs, as well as executing a turnaround project within the cargo business.

Icelandair will continue on the same path and the cost-focused initiatives currently in the works include:

- Reducing seasonality in the business with actions including further emphasis on leasing of route network aircraft in the low season, which will improve performance in the weakest quarters.
- Lowering sales and distribution fees and optimizing delivery of products and pricing across channels.
- Reducing costs related to flight disruptions (IRROPS costs) through better planning and further effectiveness in maintenance operations.
- Decreasing fuel costs through further optimization of fuel efficiency processes.
- Renegotiating supplier agreements.
- Increasing flexibility in Icelandair's Collective Bargaining Agreements to the benefit of the Company and its employees.

At the same time, Icelandair aims to continue to develop its strong commercial infrastructure through initiatives such as:

- Continuing the strategic development of the route network, both with new destinations and increased connections through additional frequencies and bank structure development.
- Strengthening Icelandair's airline partnership network, which currently accounts for over 10% of total revenue. Icelandair has recently entered into partnership agreements with Emirates and Turkish Airlines, and more new partnerships are on the horizon.
- Growing package sales and extracting synergies following the integration of VITA, the Company's outbound travel agency, with Icelandair last year.
- Increasing ancillary sales through digital channel development and optimization of sales efforts through the customer journey.
- Further strengthening Icelandair's position in the Arctic, such as with flight to Greenland and the Faroe Islands as well as through partnership agreements.

Most of Icelandair's key health metrics are in a good place – positioning the Company well for strong performance going forward. Customer satisfaction surveys are showing high levels, OTP is running ahead of Icelandair's goal of 80% on an annual basis and employee engagement metrics remain high.

Fuel hedge position

The table below highlights the Company's fuel hedging position on 23 April 2024. As demonstrated, 42% of the projected use in the passenger network over the next twelve months has been hedged at a weighted average price of 832 USD m/t.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)	Av. weighted price USD
Q2 2024	93,511	46,700	50%	844
Q3 2024	127,057	62,240	49%	832
Q4 2024	75,633	29,560	31%	823
9 months	296,201	138,500	47%	834
Q1 2025	59,517	11,010	18%	799
12 months	355,718	149,510	42%	832
Q2 2025	97,785	14,700	15%	798
Q3 2026	127,057	7,000	6%	833
13-18 months	224,842	21,700	10%	809

FINANCIAL GUIDANCE FOR 2024

Icelandair published a full-year guidance on 2 April 2024. Capacity in 2024, as measured in Available Seat Kilometers (ASK), is expected to increase by ~10% year-on-year. This growth is focused on capacity which has potential for strong revenue generation and will contribute to improved profitability. The largest growth was in Q1, or around 21%. Around 9% growth is expected in Q2 and Q3, and 6% in Q4. Based on the financial results for the first quarter of the year, current booking status, and other key assumptions, Icelandair expects total revenue for the full year 2024 to be around USD 1.6 billion. The EBIT margin is expected to be in the 2-4% range, and net profit is expected to increase between years. With operational efficiency at the top of the agenda, Icelandair is on track to reach its long-term goals.

Full-year guidance 2024, main assumptions:

Operating income USDbn	Total year	~1.6
EBIT %	Total year	2-4%
Net capex USDm	Total year	~130-140
Capacity chg.	Total year	~10%
Av. fuel price m/t USD	Q2-Q4	840
Av. weighted hedged fuel price m/t USD	Q2-Q4	834
Hedged % of est. usage (tons)	Q2-Q4	47%
Av. EUA per unit EUR	Q2-Q4	65
Av. USD/ISK	Q2-Q4	138

INFORMATION

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FINANCIAL CALENDAR

- **Q2 2023 17 July 2024**
- **Q3 2023 17 October 2024**
- **Q4 2023 01 February 2025**