



ICELANDAIR



Condensed

Consolidated Interim

Financial Statements

3 1 January—30 September 2024

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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 September 2024 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, profit for the period from 1 January to 30 September 2024 amounted to USD 10.4 million. Total comprehensive income for the period was USD 8.1 million. Equity on 30 September 2024 amounted to USD 297.1 million, according to the Consolidated Statement of Financial Position, and share capital amounted to USD 311 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 nine months ended 30 September 2024 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 third quarter of 2024 amounted to USD 69.2 million compared to USD 84.5 million last year. EBIT totalled USD 83.5 million. Positive results have been achieved on the cost side, which is reflected in the 2% reduction in unit cost in the third quarter despite still relatively high inflation. 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. There was a continued positive turnaround in the Cargo operation, and the Leasing operation performed strongly.

Icelandair transported 1.7 million passengers in the third quarter, 9% more than last year's third quarter. Strong competition with other destinations 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 31% between years, accounting for 48% of the total number of passengers compared to 40% last year. However, the number of passengers on the market to Iceland decreased by 9% and accounted for 33% of the total number of passengers compared to 40% last year. The number of passengers in the market from Iceland increased by 2%, and the number of domestic passengers decreased slightly or by 3% year-on-year. Flight operations performed well during the quarter, with an on-time performance of 83%, up by five percentage points compared to the third quarter last year.

Following a challenging year in the Cargo operations in 2023, various actions have restored the profitability of the segment. Measures introduced earlier this year are materializing. The Leasing operation has shown strong performance this quarter, a trend expected to continue in the coming months. Currently, five aircraft are fully operational with Air Niugini, the Company's largest leasing customer. The VIP world tours project are also performing strongly, currently operating three aircraft.

Icelandair employed an average of 3,899 full-time employees in Q3, down by 4% between years.

Equity amounted to USD 297.1 million, with an equity ratio of 18% at the end of September. The total liquidity position is strong, 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.

Icelandair launched a comprehensive transformation journey under the name ONE in the first half of 2024. This effort is imperative to respond to ongoing market dynamics, such as high level of competition, ongoing inflation and cost pressure as well as fluctuations in demand. The primary objective of the transformation is to increase operational efficiency, mainly by lowering costs but also through revenue generating initiatives. The transformation has already started to deliver financial impact, most noticeably on the cost side. Over 400 improvement initiatives have been identified, assessed and planned across all divisions of the Company and will be implemented over the next two years.

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 nine month period ended 30 September 2024, its assets, liabilities and consolidated financial position as at 30 September 2024 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 1 January to 30 September 2024 and confirm them by means of their signatures.

Reykjavík, 22 October 2024

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 September 2024

	Notes	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Operating income					
Passenger revenue	7	496,458	508,044	1,048,503	1,031,312
Cargo revenue		16,944	20,951	54,525	66,662
Leasing revenue		23,188	13,708	63,170	52,247
Other operating revenue	7	16,892	17,654	55,628	57,571
		<u>553,482</u>	<u>560,357</u>	<u>1,221,826</u>	<u>1,207,792</u>
Operating expenses					
Salaries and salary-related expenses		101,669	102,214	303,129	286,806
Aircraft fuel		125,030	121,363	285,649	283,551
Other aviation expenses		95,029	85,131	223,447	204,965
Other operating expenses		105,681	103,596	278,289	260,903
	8	<u>427,409</u>	<u>412,304</u>	<u>1,090,514</u>	<u>1,036,225</u>
Operating profit before depreciation and amortization (EBITDA)					
		126,073	148,053	131,312	171,567
Depreciation and amortization	9	(42,596)	(36,038)	(113,418)	(100,323)
Operating profit (EBIT)		83,477	112,015	17,894	71,244
Finance income		7,876	7,474	24,891	15,836
Finance cost		(9,653)	(12,915)	(32,113)	(31,474)
Net finance cost	10	(1,777)	(5,441)	(7,222)	(15,638)
Gain on sale of subsidiary		0	0	0	1,381
Share of gain (loss) of associates		1,370	(370)	267	(544)
Profit before tax (EBT)		83,070	106,204	10,939	56,443
Income tax		(13,869)	(21,740)	(533)	(7,455)
Profit for the period		<u>69,201</u>	<u>84,464</u>	<u>10,406</u>	<u>48,988</u>
Other comprehensive (loss) income:					
Currency translation differences		4,290	(1,160)	1,331	4,093
Net profit (loss) on hedge of investment, net of tax		1,400	(570)	307	1,372
Cash flow hedges - effective portion of changes in fair value, net of tax		(6,185)	7,132	(555)	10,624
Cash flow hedges - reclassified to profit or loss		(4,530)	5,540	(3,368)	(2,078)
Other comprehensive (loss) income for the period		<u>(5,025)</u>	<u>10,942</u>	<u>(2,285)</u>	<u>14,011</u>
Total comprehensive profit for the period		<u>64,176</u>	<u>95,406</u>	<u>8,121</u>	<u>62,999</u>
Profit attributable to:					
Owners of the Company		69,286	84,409	10,249	48,610
Non-controlling interest		(85)	55	157	378
Profit profit for the period		<u>69,201</u>	<u>84,464</u>	<u>10,406</u>	<u>48,988</u>
Total comprehensive profit attributable to:					
Owners of the Company		64,261	95,365	7,964	62,630
Non-controlling interest		(85)	41	157	369
Total comprehensive profit for the period		<u>64,176</u>	<u>95,406</u>	<u>8,121</u>	<u>62,999</u>
Earnings per share:					
Basic earnings per share in US cent		0.15	0.21	0.02	0.12
Diluted earnings per share in US cent		0.14	0.21	0.02	0.12

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 September 2024

	Notes	30.09.2024	31.12.2023
Assets:			
Operating assets		556,944	555,110
Right-of-use assets		368,313	348,520
Intangible assets and goodwill		56,003	55,377
Investments in associates		32,057	8,395
Receivables and deposits		78,514	43,469
Deferred tax assets		60,085	59,728
Non-current assets		<u>1,151,916</u>	<u>1,070,599</u>
Inventories		23,149	23,841
Derivatives used for hedging		3,206	791
Trade and other receivables		177,404	161,923
Marketable securities		133,353	71,008
Cash and cash equivalents		170,318	199,514
Current assets		<u>507,430</u>	<u>457,077</u>
Total assets		<u>1,659,346</u>	<u>1,527,676</u>
Equity:			
Share capital		310,973	310,973
Reserves		31,873	20,112
Accumulated deficit		(47,162)	(44,015)
Equity attributable to equity holders of the Company		<u>295,684</u>	<u>287,070</u>
Non-controlling interest		1,434	1,277
Total equity		<u>297,118</u>	<u>288,347</u>
Liabilities:			
Loans and borrowings	11	177,889	207,390
Lease liabilities	12	366,096	332,167
Payables		100,043	53,952
Non-current liabilities		<u>644,028</u>	<u>593,509</u>
Loans and borrowings	11	41,501	44,940
Lease liabilities	12	62,297	54,083
Derivatives used for hedging		13,037	6,598
Trade and other payables		262,598	222,414
Deferred income	13	338,767	317,785
Current liabilities		<u>718,200</u>	<u>645,820</u>
Total liabilities		<u>1,362,228</u>	<u>1,239,329</u>
Total equity and liabilities		<u>1,659,346</u>	<u>1,527,676</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 September 2024

	Attributable to equity holders of the Company								
	Share capital	Reserves				Accumulated deficit	Total	Non- controlling interest	Total equity
		Hedging	Translation reserve	Other reserves	Total				
1 January to 30 September 2023									
Equity 1 January 2023	310,973	(182)	(9,555)	29,187	(57,914)	272,509	877	273,386	
Profit for the period					48,610	48,610	378	48,988	
Currency translation differences			4,093			4,093	(9)	4,084	
Net profit on hedge of investment, net of tax			1,372			1,372		1,372	
Effective portion of changes in fair value of cash flow hedges, net of tax		10,624				10,624		10,624	
Cash flow hedges, reclassified to profit or loss		(2,078)				(2,078)		(2,078)	
Divestment of Non-controlling interest						0	(43)	(43)	
Stock options				239		239		239	
Effects of profit or loss and of subsidiaries and associates				(2,909)	2,909	0		0	
Equity 30 September 2023	310,973	8,364	(4,090)	26,517	(6,395)	335,369	1,203	336,572	
1 January to 30 September 2024									
Equity 1 January 2024	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347	
Profit for the period					10,249	10,249	157	10,406	
Currency translation differences			1,331			1,331		1,331	
Net profit on hedge of investment, net of tax			307			307		307	
Effective portion of changes in fair value of cash flow hedges, net of tax		(555)				(555)		(555)	
Cash flow hedges, reclassified to profit or loss		(3,368)				(3,368)		(3,368)	
Stock options					650	650		650	
Effects of profit or loss of subsidiaries and associates				14,046	(14,046)	0		0	
Equity 30 September 2024	310,973	(8,578)	34	40,417	(47,162)	295,684	1,434	297,118	

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

Consolidated Statement of Cash Flows for the nine months ended 30 September 2024

	Notes	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Cash flows (to) from operating activities					
Profit for the period		69,201	84,464	10,406	48,988
Adjustments for:					
Depreciation and amortization	9	42,596	36,038	113,418	100,323
Expensed deferred cost		18,210	7,603	41,342	19,932
Net finance cost	10	1,777	5,441	7,222	15,638
Gain on sale of operating assets		(1,106)	(74)	(1,179)	(567)
Gain on sale of subsidiary		0	0	0	(1,381)
Share in (profit) loss of associates		(1,370)	370	(267)	544
Income tax		13,869	21,740	533	7,455
		<u>143,177</u>	<u>155,582</u>	<u>171,475</u>	<u>190,932</u>
Changes in:					
Inventories		1,345	483	1,651	(510)
Trade and other receivables		3,459	22,436	(34,820)	(5,659)
Trade and other payables		(15,527)	(4,953)	53,533	57,492
Deferred income		(181,910)	(208,250)	20,900	21,512
		<u>(192,633)</u>	<u>(190,284)</u>	<u>41,264</u>	<u>72,835</u>
Interest received		10,666	2,316	24,826	6,755
Interest paid		(9,218)	(9,055)	(28,228)	(29,929)
Net cash (used in) from operating activities		<u>(48,008)</u>	<u>(41,441)</u>	<u>209,337</u>	<u>240,593</u>
Cash flows to investing activities:					
Acquisition of operating assets		(17,503)	(16,277)	(77,295)	(94,999)
Proceeds from sale of operating assets		4,346	105	4,447	791
Deferred cost, change		(6,795)	0	(10,665)	(9,022)
Acquisition of intangible assets		(354)	(224)	(1,024)	(399)
Proceeds from sale of a subsidiary		0	0	0	1,347
Proceeds from sale of associates		0	174	212	3,069
Non-current receivables, change		(16,809)	(9,674)	(14,607)	(17,901)
Marketable securities, change		(11,341)	(15,772)	(62,345)	(42,450)
Net cash used in investing activities		<u>(48,456)</u>	<u>(41,668)</u>	<u>(161,277)</u>	<u>(159,564)</u>
Cash flows to financing activities:					
Proceeds from loans and borrowings		0	0	0	63,461
Repayment of loans and borrowings		(9,284)	(16,691)	(33,646)	(45,539)
Repayment of lease liabilities		(15,431)	(13,328)	(43,671)	(36,305)
Net cash used in financing activities		<u>(24,715)</u>	<u>(30,019)</u>	<u>(77,317)</u>	<u>(18,383)</u>
Change in cash and cash equivalents		<u>(121,179)</u>	<u>(113,128)</u>	<u>(29,257)</u>	<u>62,646</u>
Effect of exchange rate fluctuations on cash held		336	(174)	61	194
Cash and cash equivalents at beginning of the period		291,161	400,394	199,514	224,252
Cash and cash equivalents at period end		<u>170,318</u>	<u>287,092</u>	<u>170,318</u>	<u>287,092</u>
Marketable securities		133,353	84,609	133,353	84,609
Cash, cash equivalents and marketable securities at period end ..		<u>303,671</u>	<u>371,701</u>	<u>303,671</u>	<u>371,701</u>

Investment and financing without cash flow effect, see note 17.

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 nine months ended 30 September 2024 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 2023 are available at its website address, www.icelandairgroup.com and at the Nasdaq Main Market Iceland website address, www.nasdaqomxnordic.com.

2. Basis of accounting

a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2024 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 2023.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 22 October 2024.

b. Basis of measurement

The Condensed Consolidated Interim 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.

c. Going concern

The Condensed Consolidated Interim Financial Statements are prepared on a going concern basis.

3. Functional and presentation currency

The Company's functional currency is U.S. dollars (USD). These Condensed Consolidated Interim Financial Statements are presented in 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 2023.

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 2023. A number of new standards were effective for annual periods beginning after 1 January 2024 and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, contd.:

6. Operating segments

Segment information is presented in the Condensed Consolidated Interim Financial Statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure and is divided into three segments; Route network, Cargo operation and Leasing operation.

The management of Icelandair Group assesses performance based on segment revenue and profit or loss and makes resource allocation decisions for the segment based on various performance metrics. The objective in making resource allocation decisions is to optimize consolidated financial results.

Inter-segment pricing is determined on an arm's length basis.

Route network

The Route network business unit is the main reporting segment, which provides passenger air travel to, from, via and within Iceland by the entities Icelandair ehf. and Flugfélag Íslands ehf.

The segment also consist of the parent company Icelandair Group hf., the holding company, and other entities such as Iceeignir, a real estate entity, IceCap, a captive insurance entity, CAE Icelandair Flight Training, which operates flight simulators and FERIA, a travel agency, are platform functions of the business that primarily support the Group entities in this segment and are therefore classified within this segment.

Cargo operation

The Cargo operation offers air-freight services to, from, via and within Iceland by utilizing the capacity within the aircraft of the Icelandair passenger network as well as with their own freighters.

Leasing operation

The Leasing operation offers aircraft leasing and consulting services to international passenger airlines and tour operators.

Reporting segments for the nine months ended 30 September 2024

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	1,101,767	55,714	64,345	0	1,221,826
Inter-segment revenue	45,939	2,465	1,391	(49,795)	0
Total segment revenue	1,147,706	58,179	65,736	(49,795)	1,221,826
External operating cost	(1,037,389)	(31,778)	(21,347)	0	(1,090,514)
Internal operating cost	(3,252)	(24,699)	(21,844)	49,795	0
Total operating cost	(1,040,641)	(56,477)	(43,191)	49,795	(1,090,514)
Depreciation and amortization	(98,811)	(3,459)	(11,148)	0	(113,418)
Segment EBIT	8,254	(1,757)	11,397	0	17,894
Net finance cost	(5,613)	(1,689)	80	0	(7,222)
Income tax	1,072	689	(2,294)	0	(533)
Profit (loss)	3,980	(2,757)	9,183	0	10,406
Segment assets	1,548,152	85,349	108,635	(82,790)	1,659,346
Capital expenditures	74,747	6,400	15,716	(7,879)	88,984
Segment liabilities	1,297,836	69,936	77,246	(82,790)	1,362,228

Notes, contd.:

6. Operating segments, contd.:

Reporting segments for the nine months ended 30 September 2023

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	1,085,834	71,782	50,176	0	1,207,792
Inter-segment revenue	43,716	1,756	482	(45,954)	0
Total segment revenue	1,129,550	73,538	50,658	(45,954)	1,207,792
External operating cost	(965,218)	(52,476)	(18,531)	0	(1,036,225)
Internal operating cost	(2,234)	(29,530)	(14,190)	45,954	0
Total operating cost	(967,452)	(82,006)	(32,721)	45,954	(1,036,225)
Depreciation and amortization	(87,451)	(6,191)	(6,681)	0	(100,323)
Segment EBIT	74,647	(14,659)	11,256	0	71,244
Net finance cost	(13,450)	(2,586)	398	0	(15,638)
Income tax	(8,592)	3,448	(2,311)	0	(7,455)
Profit (loss)	53,443	(13,798)	9,343	0	48,988
Segment assets	1,537,527	101,857	53,633	(80,994)	1,612,023
Capital expenditures	96,532	7,857	15,006	(14,975)	104,420
Segment liabilities	1,241,985	81,579	32,881	(80,994)	1,275,451

Geographic information

The geographic analyses the Group's revenue as the majority of the Group's clients are outside of Iceland. The vast majority of the Group's non-current assets are located in Iceland. In presenting the following information the Group's revenues have been based on point of sale.

Geographic segments for the nine months ended 30 September 2024

	North America	Europe	Iceland	Other	Total
Passenger revenue	620,825	250,372	154,915	22,392	1,048,503
Cargo revenue	3,959	19,705	28,424	2,438	54,525
Leasing revenue	22,033	0	3,281	37,856	63,170
Other Operating revenue	1,772	2,817	50,587	452	55,628
Total revenue	648,589	272,894	237,207	63,138	1,221,826
Total revenue %	53%	22%	20%	5%	100%

Geographic segments for the nine months ended 30 September 2023

	North America	Europe	Iceland	Other	Restated Total
Passenger revenue	596,592	256,365	156,194	22,161	1,031,312
Cargo revenue	4,286	28,131	34,244	0	66,662
Leasing revenue	19,805	1,653	3,895	26,894	52,247
Other Operating revenue	1,995	2,561	53,016	0	57,571
Total revenue	622,678	288,710	247,349	49,055	1,207,792
Total revenue %	52%	24%	20%	4%	100%

Notes, contd.:

7. Operating income

	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Passenger revenue is specified as follows:				
Passenger revenue	466,431	478,684	980,569	965,146
Ancillary revenue	30,027	29,360	67,934	66,166
Total passenger revenue	496,458	508,044	1,048,503	1,031,312
Other operating revenue is specified as follows:				
Revenue from tourism	6,287	7,514	28,710	30,034
Sale at airports	1,149	2,542	3,726	5,809
Aircraft handling	3,256	2,545	6,940	5,693
Gain on sale of operating assets	1,106	73	1,179	571
Other operating revenue	5,094	4,980	15,073	15,464
Total other operating revenue	16,892	17,654	55,628	57,571

8. Operating expenses

	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Salaries and salary-related expenses are specified as follows:				
Salaries	84,455	84,725	239,917	223,477
Contributions to pension funds	13,392	13,109	38,822	35,363
Other salary-related expenses	3,822	4,380	24,390	27,966
Total salaries and salary-related expenses	101,669	102,214	303,129	286,806
Average number of full time equivalents	3,899	4,070	3,682	3,653
Aircraft fuel is specified as follows:				
Aircraft fuel	113,076	117,033	265,158	260,417
Emission charges	7,590	7,944	16,279	18,478
Fuel hedges	4,364	(3,614)	4,212	4,656
Total aircraft fuel cost	125,030	121,363	285,649	283,551
Other aviation expenses is specified as follows:				
Aircraft and engine lease	2,886	3,608	4,537	10,643
Aircraft handling, landing and navigation	56,773	55,740	128,031	121,087
Aircraft maintenance expenses	35,370	25,783	90,879	73,235
Total other aviation expenses	95,029	85,131	223,447	204,965
Other operating expenses are specified as follows:				
Travel and other employee expenses	19,771	19,323	55,082	51,758
Tourism expenses	4,310	5,850	21,631	22,246
IT expenses	9,871	9,553	26,739	25,255
Advertising	4,761	6,829	18,210	20,969
Booking fees and commission expenses	25,513	25,176	54,516	51,954
Customer services	28,323	22,455	64,795	50,210
Operating cost of real estate and fixtures	1,965	2,584	6,980	7,340
Allowance for bad debt	615	115	1,162	1,504
Other operating expenses	10,552	11,711	29,174	29,667
Total other operating expenses	105,681	103,596	278,289	260,903

9. Depreciation and amortization

	2024 Q3	2023 Q3	2024 YTD	2023 YTD
The depreciation and amortization charge in profit or loss is specified as follows:				
Depreciation of operating assets	27,829	22,537	72,008	63,094
Depreciation of right-of-use assets	14,630	13,375	41,011	36,900
Amortization of intangible assets	137	126	399	329
Depreciation and amortization recognized in profit or loss ...	42,596	36,038	113,418	100,323

Notes, contd.:

10. Finance income and (finance cost)

	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and marketable securities	5,779	6,262	18,910	13,164
Interest income on lease receivables	616	32	1,772	124
Other interest income	1,481	1,180	4,209	2,548
Finance income total	7,876	7,474	24,891	15,836
Interest expenses on loans and borrowings	(3,850)	(4,985)	(11,982)	(14,047)
Interest on lease liabilities	(5,724)	(4,727)	(16,456)	(14,100)
Other interest expenses	(347)	(844)	(2,374)	(2,120)
Net currency exchange gain (loss)	268	(2,359)	(1,301)	(1,207)
Finance cost total	(9,653)	(12,915)	(32,113)	(31,474)
Net finance cost	(1,777)	(5,441)	(7,222)	(15,638)

11. Loans and borrowings

This note provides information on 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:

	30.9.2024	31.12.2023
Non-current loans and borrowings:		
Secured bank loans	209,523	239,335
Unsecured loans	9,867	12,995
Total loans and borrowings	219,390	252,330
Current maturities	(41,501)	(44,940)
Total non-current loans and borrowings	177,889	207,390
Current loans and borrowings:		
Current maturities	41,501	44,940
Total current loans and borrowings	41,501	44,940
Total loans and borrowings	219,390	252,330

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.9.2024	31.12.2023
Secured bank loans	USD	6.8%	2026-2034	174,594	199,589
Secured bank loans	EUR	3.9%	2028	34,929	39,746
Unsecured loans	ISK	4.3%	2026-2030	9,867	12,995
Total interest-bearing liabilities				219,390	252,330

The Company has two committed credit lines in place with local banks in the total amount of USD 92 million. The lines were undrawn at 30 September 2024.

	30.9.2024	31.12.2023
Repayments of loans and borrowings are specified as follows:		
Repayments in 2024 (3 months)(2023: 12 months)	11,385	44,940
Repayments in 2025	41,598	41,542
Repayments in 2026	38,431	38,372
Repayments in 2027	21,216	21,124
Repayments in 2028	55,406	54,999
Subsequent repayments	51,354	51,353
Total loans and borrowings	219,390	252,330

The Group was not in breach of any financial covenants at 30 September 2024.

Notes, contd.:

12. 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	
				30.9.2024	31.12.2023
Lease liabilities	USD	5.4%	2024-2033	422,055	376,530
Lease liabilities indexed	ISK	5.1%	2024-2038	5,363	8,415
Lease liabilities	GBP	2.4%	2025-2026	275	437
Lease liabilities	other	6.2%	2025-2028	700	868
Total lease liabilities				428,393	386,250
Current maturity				(62,297)	(54,083)
Total non-current lease liabilities				366,096	332,167

Repayments of lease liabilities are specified as follows:

	30.9.2024	31.12.2023
Repayments in 2024 (3 months)(2023: 12 months)	15,705	54,083
Repayments in 2025	61,970	52,432
Repayments in 2026	62,344	52,287
Repayments in 2027	59,321	48,474
Repayments in 2028	54,720	43,100
Subsequent repayments	174,333	135,874
Total loans and borrowings	428,393	386,250

Further lease commitments are in place for seven A321LR aircraft scheduled for delivery to the Route network as demonstrated in the table below and one spare engine lease scheduled for delivery in Q4 2024. The total lease liability for these seven aircraft and spare engine is estimated to be around USD 339 million.

	Q4 2024	Q1 2025	Q2 2025	Q4 2025	Q1 2026	Total
A321LR	1	2	1	2	1	7

13. 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:

	30.9.2024	31.12.2023
Sold unused tickets and vouchers	283,718	272,481
Frequent flyer points	26,771	22,137
Other prepayments	28,278	23,167
Total deferred income	338,767	317,785

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 265.3 million (2023: USD 247.1 million) and vouchers amounted to USD 18.4 million (2023: USD 25.4 million). When issued the vouchers are 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.

Notes, contd.:

14. Financial instruments and fair value

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:

	30.9.2024		31.12.2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	(9,831)	(9,831)	(5,807)	(5,807)
Unsecured bond issue	(9,867)	(9,407)	(12,995)	(12,285)
Secured loans	(209,523)	(214,619)	(239,335)	(249,713)
Lease liabilities	(428,393)	(428,393)	(386,250)	(386,250)
Total	(657,614)	(662,250)	(644,387)	(654,055)

15. Capital commitments

On 6 July 2023, the Group 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. The aircraft deliveries will commence in 2029. In addition the Group has also concluded long-term agreements for seven new A321LR aircraft, five with SMBC Aviation Capital Limited and two with CDB Aviation, scheduled for delivery to the Route network as demonstrated in the table in note 12.

16. Group entities

The Company held the following significant subsidiaries at the end of September 2024:

	Ownership interest	
	Q3 2024	2023
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%
Lofleiðir - Icelandic ehf.	100%	100%

The subsidiaries further own seven minor operating companies that are also included in the Interim Consolidated Financial Statements.

17. 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 Statement of Cash Flows. The exclusion of non-cash transactions from the Statement of Cash Flows as these items do not involve cash flows in the current period.

	2024	2023	2024	2023
	Q3	Q3	YTD	YTD
Investment and financing without cash flow effect:				
New or renewed leases	255	545	87,731	73,950
Acquisition of right-of-use assets	(255)	(545)	(59,468)	(73,950)
Non-current receivables	0	0	(28,263)	0
Investment in associates	0	0	(22,917)	0
Trade and other receivables	0	0	22,917	0
Non-current receivables, pre delivery payments	9,938	0	0	0
Trade and other payables	(9,938)	0	0	0

Alternative performance measures (APMs)

	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Traffic				
Available seat-kilometers ASK (m.)	6,007	5,543	13,429	12,124
RASK (US cents)	8.4	9.3	8.0	8.7
CASK (US cents)	7.1	7.3	8.0	8.2
CASK less fuel (US cents)	5.1	5.3	6.0	6.1
Yield (USD cents)	9.3	10.4	9.1	9.8
Revenue Passenger Kilometer (RPK m.)	5,159	4,683	11,073	10,049
Passenger total ('000)	1,669	1,530	3,644	3,375
On-Time-Performance OTP	83.0%	77.9%	84.0%	77.0%
Passenger flights	6,167	5,781	14,367	13,135
Passenger load factor	85.9%	84.5%	82.5%	82.9%
Sold Block Hours - Leasing	5,771	4,007	14,632	11,537
Freight ton kilometers (FTK '000)	29,625	44,993	98,899	134,140
Total CO2 emissions tons ('000)	398	383	897	846
CO2 emissions per OTK	0.72	0.74	0.74	0.75
Passenger mix ('000)				
To	550	607	1,186	1,311
From	242	236	586	589
Via	808	616	1,674	1,275
Within	69	71	198	200
Capital structure			30.9.2024	31.12.2023
Total cash and marketable securities (USD '000)			303,671	270,522
Liquidity (USD '000)			395,671	322,522
Net interest-bearing debt (USD '000)			(84,281)	(18,192)
Net lease liabilities (USD '000)			393,107	370,564
Net financial liabilities (USD '000)			308,826	352,372
Current ratio			0.71	0.71
Equity ratio			0.18	0.19
Intrinsic value of share capital			0.96	0.93
Other	2024 Q3	2023 Q3	2024 YTD	2023 YTD
Effective fuel price (USD pr. Metric ton)	908	910	927	947
CAPEX, gross (USD '000)	24,652	16,501	88,984	104,420
CAPEX, net (USD '000)	20,306	16,396	84,537	103,629
Average FTE	3,899	4,070	3,682	3,653

Alternative performance measures (APMs), contd.:

Traffic

Available seat-kilometers (ASK)	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)
Yield	The average amount of total passenger revenue received per paying passenger flown one kilometer. Total Yield is calculated as total passenger revenue/RPK. Total passenger revenue used for this calculation includes airfare, excess baggage, cabin upgrade and seat selection revenue
Revenue Passenger Kilometer (RPK)	The number of revenue passengers carried on scheduled flights multiplied by the number of kilometers flown
Passengers total	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
On-Time-Performance (OTP)	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
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
Freight ton kilometers (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 flights, measured in tons
CO2 emissions per OTK	CO2 emitted by moving one payload tonne one kilometer for all international flights
Passenger mix:	
To	Passenger visiting Iceland
From	Passengers originating in Iceland visiting destinations outside of Iceland
VIA	Passengers traveling across the Atlantic connecting in Iceland
Within	Passengers traveling solely 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 assets
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
Average FTE	Average full time employee equivalent

