ICELANDAIR: FINANCIAL RESULTS Q1 2025

- Improved profitability in all business segments year on year and results in line with management expectations
- EBIT improvement of USD 6.6 million, EBIT in Q1 negative by USD 62.3 million
- Net loss improved by USD 15.3 million year on year
- Unit cost (CASK) decreased by 3%, and unit revenue (RASK) increased by 1% year on year
- The transformation journey continued to contribute positively to unit cost development and revenue generation
- Revenue increase of 11%, total revenue USD 286 million
- Record passenger revenue USD 214 million, up by 8% from last year
- Cash flow from operations USD 204 million, up by USD 58 million between years
- Record liquidity position in Q1 of USD 510 million at end of the quarter
- Capacity increased by 7% in the passenger network, delivering a record number of passengers, 828 thousand, up by 9% between years
- Four new Airbus A321LR aircraft added to the fleet before the start of summer season
- Based on current bookings, profitability in the second and third quarters expected to improve year on year. Due to uncertainty in long-term demand trends, it remains a challenge to forecast Q4 results. A full year guidance will therefore not be reaffirmed at this time.

BOGI NILS BOGASON, PRESIDENT & CEO

“We achieved improved results in all business segments in the first quarter. It is great to see unit cost continue to decrease despite inflationary pressures and cost increases. This is the result of our focus on improving our operational and financial performance. At the end of the first quarter, we had already implemented improvement initiatives that will deliver over USD 40 million in annual impact, and we expect to deliver a total of USD 70 million in annual impact by the end of 2025. We are not stopping there and have numerous further improvement initiatives already in the pipeline.

The booking status for the summer season in the markets to and from Iceland is stronger than at the same time last year and we expect profitability to improve in the second and third quarters. We are, however, seeing slower pace of longer-term bookings, in the fall and into the winter, which reflects the uncertainty in the global economy. Our focus is first and foremost on the areas of the business that we can control, where we are already making good progress. Part of that effort is to further align our costs and service offering to the environment in which we operate and adjust our capacity to demand in line with market developments. Furthermore, we are diversifying our revenue streams, for example by strengthening our global airline partnerships, which also open new travel opportunities for our customers. Nashville, Tennessee, a new destination we launched in April, is a great example of how we connect into the extensive route network of our new partner, Southwest Airlines. The Southwest partnership only started in February, and we already have bookings to over 70 airports in North America through that partnership. Later this year, we will start operating to Istanbul where we will build on our partnership with Turkish Airlines on connections into Asia.

I would like to thank our employees for their dedication and hard work, and our customers for their loyalty. I am confident that our improvement initiatives, in addition to our ability to adapt to the dynamic market we operate in, will enable us to address the challenges and seize the opportunities ahead, drive profitability and create long-term value for our shareholders and the Icelandic economy and society.”

INVESTOR PRESENTATION 30 APRIL 2025

An investor presentation will be webcast in relation to the publication of the Q1 2025 results at 8:30 GMT on Wednesday, 30 April 2025, 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 2025	Q1 2024	Change
Operating results				
Total income	USDk	286.451	258.961	27.490
of which passenger revenue	USDk	214.027	198.862	15.165
Total operating cost	USDk	309.264	294.292	14.972
EBIT	USDk	-62.271	-68.892	6.621
EBT	USDk	-59.267	-72.655	13.388
Net profit/loss	USDk	-44.085	-59.417	15.332
Balance sheet and cash flow[1]				
Total assets	USDk	1.895.171	1.637.870	257.301
Total equity	USDk	241.359	269.067	-27.708
Interest bearing financial liabilities[2]	USDk	690.995	645.672	45.323
Net financial liabilities[3]	USDk	244.412	382.890	-138.478
Total liquidity position	USDk	509.519	346.797	162.722
Net cash from operating activities	USDk	204.714	147.102	57.612
CAPEX, gross	USDk	19.114	32.074	-12.960
CAPEX, net	USDk	19.081	32.028	-12.947
Key Ratios				
EPS	US cent	-0,11	-0,14	0,04
Equity ratio[1]	%	13%	14%	-1,0 ppt
EBIT ratio	%	-21,7%	-26,6%	4,9 ppt
RASK[4]	US cent	7,31	7,25	1%
Yield	US cent	8,08	8,51	-5%
CASK[4]	US cent	9,61	9,88	-3%
CASK less fuel[4]	US cent	7,78	7,88	-1%
Traffic figures				
Passenger flights	no.	3.511	3.367	4%
Passengers total	no.	827.720	756.962	9%
To Iceland	no.	294.260	284.346	3%
From Iceland	no.	159.270	149.321	7%
Via Iceland	no.	316.261	262.382	21%
Within Iceland	no.	57.929	60.913	-5%
Passenger load factor	%	80,3%	76,7%	3,6 ppt
Available seat-kilometers (ASK)	mill	3.055	2.859	7%
Revenue passenger-kilometers (RPK)	mill	2.452	2.192	12%
On-Time-Performance	%	80,9%	84,4%	-3,5 ppt
Freight ton kilometers (FTK'000)	k	38.506	39.402	-2%
Sold charter block hours	no.	6.273	4.063	54%
CO2 emissions per OTK	no.	0,73	0,78	-6%
Employees				
Av. no. of full-time employees	no.	3.175	3.438	-8%
No. of employees at period end	no.	3.249	3.325	-2%

[1] Comparison figures for the balance sheet are 31.12.2024
[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

Q1 TRAFFIC DATA

- **Number of passengers 828 thousand in Q1, up by 9% year-on-year**
- **Load factor increased by 3 percentage points**
- **On-Time-Performance 81%**

Icelandair's capacity in the passenger network increased by 7%. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), grew by 12%, with the total number of passengers reaching 828 thousand in the quarter, up from 757 thousand. The load factor was 80% compared to 77% last year, and improved across all months, underscoring Icelandair's ability to offer an attractive product to passengers year-round, also during the seasonally slower winter months. On-time performance was 81%, decreasing by 3.5 percentage points between years as adverse weather conditions in Keflavik affected operations several days during the quarter.

The number of passengers on the market to Iceland increased by 3%, while the number of passengers on the market from Iceland increased by 7%. The via market grew by 21% in passenger numbers. The number of domestic passengers decreased by 5%, mainly due to weather-related cancellations during the quarter.

Freight Ton-Kilometers (FTK) decreased by 2% year-on-year due to less dedicated freighter capacity. The number of block hours sold in the Leasing operation increased by 54% year-on-year. CO2 emissions per Operational Ton-Kilometer (OTK) decreased by 6% year-on-year, driven by an increase in flights operated by the fuel-efficient B737 MAX and A321 LR aircraft and higher load factor.

INCOME AND EXPENSES

- **Improvement in profitability in all business segments**
- **EBIT improvement of USD 6.6 million and net loss improvement by 15.3 million**
- **Record Q1 passenger revenue**

EBIT improved by USD 6.6 million year-on-year, totaling negative USD 62.3 million. All business segments, route network, cargo operations, and leasing contributed to this improvement. Despite ongoing inflationary pressures and salary increases, unit costs decreased by 3%, or 1% excluding fuel. Unit revenues rose by 1%, despite early Easter traffic benefit seen in the prior year in Q1.

Total income amounted to USD 286.5 million, up by 11%. **Passenger revenue** was USD 214.0 million, as compared to USD 198.9 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 21%. The market via Iceland was the Company's largest market with 38% of total passengers. **Cargo revenue** totaled USD 21.1 million, up by 2% between years. **Leasing revenue** amounted to USD 28.6 million, up by 48% between years while **other income** totalled USD 22.8 million, up by 13% compared to last year.

Operating expenses, excluding depreciation amounted to USD 309.3 million, up by 5%, or by USD 15.0 million between years. **Salaries and salary-related costs** totalled USD 92.2 million, as compared to USD 94.5 million in Q1 last year, a decrease of 2%. Full-time equivalent positions (FTEs) averaged 3,175 during the quarter, down by 8% between years. **Aircraft fuel expenses** amounted to USD 62.1 million during the quarter, down by 3% between years on a 7% capacity increase. The decrease results from a more fuel-efficient fleet and lower fuel prices. The weighted effective fuel price of the Company, including add-ons and hedges, was USD 862 per m/t, down by 10% year-on-year. The price of carbon emission credits increased by 10%. **Other aviation expenses,** totalled USD 60.6 million, increasing by 11%, primarily driven by more production. **Other operating expenses** totaled USD 94.4 million, up by USD 13.3 million, mainly because of a larger flight schedule within the passenger route network and increased cost related to flight irregularities due to several days with adverse weather conditions in Keflavik during the quarter. **Depreciation and amortization** amounted to USD 39.5 million compared to USD 33.6 million last year, the increase explained by higher depreciation of own and leased aircraft assets.

Net finance income totalled USD 2.7 million in Q1, increasing by USD 6.0 million year-on-year. Total finance income amounted to USD 12.4 million, increasing by USD 4.3 million between years. Finance costs totalled USD 9.7 million, down by USD 1.7 million. A foreign exchange gain of USD 5.2 million was recognized in Q1 this year, compared to an exchange loss of USD 1.1 million last year.

Unit revenue (RASK)[5] in Q1 2025 was 7.3 US cents and increased by 1% on higher load factor. In Q1, Saga Premium unit revenues increased by 9% while Economy Cabin unit revenues decreased by 2%. The average yield was US 8.1 cents and decreased by 5% year on year. **Unit cost (CASK)**[6] was 9.6 US cents and decreased by 3% and ex-fuel CASK decreased by 1%. Most cost items showed positive trends, supported by progress of the ONE transformation journey and focus on efficiency. As can be expected during the winter months, several days of adverse weather in Iceland affected the operation of the passenger route network, which led to higher costs related to irregularities, such as passenger accommodation and EU claims costs. Total maintenance unit cost was lower year-on-year as well as handling costs, reflecting the continued focus on leaner operations.

FINANCIAL POSITION

- **Equity USD 241.4 million and equity ratio 13%**
- **Strong cash flow with cash from operations USD 204.7 million**
- **Total liquidity USD 509.5 million**

Balance sheet

Total assets amounted to USD 1.9 billion at the end of Q1 2025, increasing by USD 257.3 million from the beginning of the year, primarily driven by seasonal increase in passenger bookings for the high season. Operating assets totaled USD 555.8 million and the right-of-use assets USD 436.2 million. **Total equity** amounted to USD 241.4 million, and the equity ratio at the end of the quarter was 13%. **Financial liabilities**[7] amounted to USD 691.0 million and increased by USD 20.0 million from the beginning of the year, mostly due to aircraft-related investments with the addition of one A321LR aircraft. **Net financial liabilities**[8] amounted to USD 244.4 million, a decrease of USD 138.5 million compared to the beginning of the year, due to higher cash and marketable securities position.

Liquidity

Cash and marketable securities amounted to USD 417.5 million at the end of Q1 2025 and increased by USD 162.7 million during the quarter. **Net cash from operations** in Q1 2025 amounted to USD 204.7 million, an improvement of USD 57.6 million. **Cash used in investing activities** totaled USD 27.8 million. Capex amounted to USD 19.1 million. **Net cash used in financing activities** was USD 25.8 million due to the repayment of interest-bearing loans and operational lease liabilities. The Company

[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

had available undrawn committed credit lines in the amount of USD 92.0 million at the end of March, bringing **total liquid funds** to USD 509.5 million.

PROSPECTS

Growth focused on shoulder seasons

The Company's focus remains on the development of the passenger route network, with new destinations and improved connectivity through increased flight frequencies and airline partnerships. Icelandair's flight schedule is about 8% larger in 2025 than last year, with the main growth in the shoulder seasons, spring and fall. The airline will serve over 60 destinations, including four new: Nashville, Miami, Istanbul, and Gothenburg. Additionally, flight frequencies will increase on several routes, offering more flexibility and choice for customers within the Icelandair network and with airline partners. This summer, Icelandair will operate 42 passenger aircraft in its route network, the same number as last year, including 21 Boeing 737 MAX and four new A321LRs. Three new Airbus A321LR aircraft were added to the fleet in early 2025 and the fourth is arriving in May.

Positive market mix development for the summer season

Booking status in the market to Iceland this summer is stronger than last year from all markets. Bookings in the market from Iceland have grown significantly, reinforcing Icelandair's position as the preferred airline for Icelandic travellers. The transatlantic market is becoming increasingly competitive and due to the Company's focus on the to and from market segments the proportion of via bookings is lower than last year. The domestic market is performing well, with more inbound tourists using the domestic network. Overall, however, there has been a slowdown in longer-term bookings, in the fall and into the winter due to current macroeconomic uncertainty and Icelandair monitors market developments closely and will adapt capacity to demand as required.

Strong commercial infrastructure key in adjusting to dynamic operating environment

In the current demand environment, Icelandair is well positioned to adjust to any changes in its markets to address challenges and capitalize on emerging opportunities. Its strong commercial infrastructure includes key differentiating factors such as the robust Icelandair brand, the Saga Premium product, the Saga Club, which is the largest loyalty program in Iceland, and strong airline partnerships. The demand for Icelandair's Saga Premium product continues to grow stronger. The Saga Club loyalty program, which is a strong asset in supporting customer retention and future revenue generation, has been growing significantly with membership approaching the two million mark. Icelandair has made significant progress in expanding its global partnership network. In January, the Company entered into a strategic partnership with Southwest Airlines, which has quickly become one of the Company's most impactful partnerships. Customers of both airlines can now seamlessly connect via Baltimore, Nashville and Denver, enabling onward travel to Iceland and Europe, as well as across Southwest's extensive U.S. network. Later this year, Icelandair will start operating to Istanbul where it will build on its partnership with Turkish Airlines on connections into Asia.

Continued focus on operational efficiency to strengthen profitability

Icelandair's transformation journey, launched last year, is progressing well. Its main purpose is to improve operational and financial performance by driving operational efficiencies, reducing costs and further increasing revenue generation. Over 400 initiatives are scheduled for implementation, with 90 successfully implemented by the end of Q1 2025. These initiatives have already had a positive financial impact, with an expected annual gain of over USD 40 million by the end of the first quarter and USD 70 million by the end of this year, with further gains expected in the following years. Initiatives that have already been implemented include a newly established centralized procurement function, ensuring standardized procedures, which has already started to deliver considerable savings. Another example is a review of Icelandair's products and service offering which is being optimized through incremental changes and alignment to customers' needs and expectations. Furthermore, fuel efficiency remains a key focus area, both from a cost-saving and sustainability perspective. A coordinated effort across multiple departments resulted in several new fuel-saving initiatives driving further impact.

Continued improvement in the cargo operation and leasing business performing well

Building on the strong turnaround in the cargo operations in 2024, performance is improving, with a positive outlook in the coming months. The leasing business is also expected to maintain its strong performance.

Revision of long-term wide-body fleet strategy

After reviewing its wide-body aircraft strategy in recent months, Icelandair has decided to phase out its wide-body aircraft and focus on more efficient narrow-body planes. Icelandair expects to continue to operate the B767 aircraft until autumn 2029. This decision aligns with Icelandair's core strategy and key competitive advantage – the ability to operate economical narrow-body aircraft further east and west than its competitors via Iceland, as well as to streamline its cost base. New long-range narrow-body aircraft will unlock opportunities for the Icelandair route network, underpinning Iceland's future growth as a tourist destination and a key connecting hub between continents.

Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q1 2025. 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 749 USD m/t.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)	Av. weighted price USD
Q2 2025	100,939	42,350	42%	782
Q3 2025	126,265	49,000	39%	754
Q4 2025	75,577	24,850	33%	731
9 months	**302,781**	**116,200**	**38%**	**759**
Q1 2026	61,891	20,700	33%	693
12 months	**364,672**	**136,900**	**38%**	**749**
Q2 2026	100,939	21,000	21%	698
Q3 2026	126,265	23,900	19%	670
13-18 months	**227,204**	**44,900**	**20%**	**683**

FINANCIAL GUIDANCE FOR 2025

Icelandair published its full-year guidance on 30 January 2025. The first-quarter results were in line with management expectations. Booking trends for the coming months in the markets to and from Iceland are stronger than at the same time last year and the Company expects improved profitability in the second and third quarters year over year. However, since issuing the guidance, increased economic volatility has led to greater uncertainty around long-term travel planning, reflected in a slower booking flow for the fall and winter seasons. Additionally, the Icelandic króna has appreciated by 10% against the US dollar, adversely affecting the competitiveness of Iceland's export industries. Given the higher level of uncertainty regarding demand trends for the fall and winter, forecasting fourth-quarter results remains challenging. Consequently, the Company will not reaffirm its full-year guidance at this time.

INFORMATION

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FINANCIAL CALENDAR

- **Q2 2025 17 July 2025**
- **Q3 2025 23 October 2025**
- **Q4 2025 29 January 2025**