

ICELANDAIR: FINANCIAL RESULTS 2023

- Profit of the year USD 11 million, a turnaround from a loss of USD 6 million in 2022
- Strong revenue generation in the year and record unit revenue
- Number of passengers 4.3 million in the year, an increase of 17%
- Load factor of the year 81.5%, up by nearly 2 percentage points
- Seismic activity in Southwest Iceland, volcanic eruption and labor action by air traffic controllers significantly impacted the Q4 results
- EBIT in Q4 negative by USD 50.3 million
- Capacity increased 13% in Q4; number of passengers up by 12%
- Strong liquidity position at year-end at USD 323 million

BOGI NILS BOGASON, PRESIDENT & CEO

“It is an important milestone to turn a profit after taxes in 2023 following many challenging years. Revenue generation was very strong during the year with strong demand in all our markets, especially from North America to Iceland. In addition, we achieved the best on-time performance for years, with Icelandair being named one of the top 10 most punctual airlines in Europe in 2023.

Our core business performed well in 2023, especially in light of impacts of external challenges and negative results in the cargo operation that we have already acted on. Following one of the strongest third quarters in our history, the fourth quarter started off well. However, when the seismic activity in Southwest Iceland started in November with the consequent global media coverage, demand weakened and, thereby, revenue generation was negatively affected. In addition, the impact of labor actions by air traffic controllers in Iceland and a volcanic eruption in December was significant. Furthermore, the capacity increase seen in key markets inevitably puts pressure on unit revenue. The results in the fourth quarter were therefore below expectations and impacted the full-year results.

There are exciting times ahead, although the first part of the year will be challenging due to the aforementioned impacts that will continue into the first quarter. We are in a good position to respond to the challenges and seize the opportunities ahead with our flexibility to adapt to the situation at any given time. Aviation and tourism are very important industries for the Icelandic economy and society. The tax footprint of Icelandair in Iceland was USD 236 million in 2023 and tourism accounts for a significant proportion of Iceland's export revenue. It is therefore key to ensure the competitiveness of these industries into the future. An important part of that is to reach an effective solution on the collective bargaining agreements that are currently being negotiated in Iceland and the successful easing of inflationary pressures in the country.

The outlook for the summer is good. The demand for travel to Iceland is recovering, following last weeks' events, with Iceland continuing to be a popular destination. We are also seeing a higher proportion of bookings on the via market than before. Our flight schedule in 2024 will be around 11% larger than in 2023 with 57 destinations, thereof three new – Pittsburgh, Halifax and the Faroe Islands.

I look forward to our endeavors in 2024 with our outstanding team of employees and I would like to thank them for their incredible resilience and great work during challenging times in 2023. I would also like to thank our partners, shareholders and last but not least our customers for choosing Icelandair.”

WEBCAST 2 FEBRUARY 2024

An investor presentation will be webcast in relation to the publication of the Q4 and the full-year 2023 results at 8:30 GMT on Friday, 2 February 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 meeting will take place in English. The presentation 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

		Q4 2023	Q4 2022	Change	12M 2023	12M 2022	Change
Operating results							
Total income	USDk	315,777	290,780	24,997	1,523,569	1,265,118	258,451
of which passenger revenue	USDk	258,615	235,340	23,275	1,289,927	1,047,557	242,370
Total operating cost	USDk	330,880	275,383	55,497	1,367,105	1,127,392	239,713
EBIT	USDk	-50,257	-16,737	-33,520	20,987	18,851	2,136
EBT	USDk	-48,654	-13,268	-35,386	7,789	179	7,610
(Loss) profit	USDk	-37,819	-17,791	-20,028	11,169	-5,819	16,988
Balance sheet and cash flow ¹							
Total assets	USDk	-	-	-	1,527,676	1,411,173	116,503
Total equity	USDk	-	-	-	288,347	273,386	14,961
Interest-bearing financial liabilities	USDk	-	-	-	638,580	597,872	40,708
Net financial liabilities	USDk	-	-	-	352,372	325,698	26,674
Total liquidity position	USDk	-	-	-	322,522	318,411	4,111
Net cash to/from operating activities	USDk	-25,472	34,134	-59,606	215,121	190,619	24,502
CAPEX, gross	USDk	40,327	62,469	-22,142	144,747	314,508	-169,761
CAPEX, net	USDk	40,151	61,275	-21,124	143,780	202,290	-58,510
Key Ratios							
EPS	US cent	-0.09	-0.04	-0.05	0.03	-0.06	0.09
Equity ratio	%	-	-	-	18.9%	19.4%	-0.5 ppt
EBIT ratio	%	-15.9%	-5.8%	-10.2 ppt	1.4%	1.5%	-0.1 ppt
RASK2	US cent	7.54	7.82	-4%	8.44	8.18	3%
CASK2	US cent	9.03	8.79	3%	8.38	8.34	0%
CASK less fuel ²	US cent	6.79	6.30	8%	6.23	5.72	9%
Traffic figures							
Passenger flights	no.	3,831	3,425	12%	16,966	14,671	16%
Passengers total	no.	910,489	816,475	12%	4,285,976	3,658,511	17%
To Iceland	no.	311,249	301,957	3%	1,622,722	1,392,638	17%
From Iceland	no.	165,687	163,262	1%	754,198	659,280	14%
Via Iceland	no.	369,516	283,723	30%	1,644,827	1,348,696	22%
Within Iceland	no.	64,037	67,533	-5%	264,229	257,897	2%
Passenger load factor	%	76.7%	75.9%	0.8 ppt	81.5%	79.7%	1.8 ppt
Available seat-kilometers (ASK)	mill	3,541	3,126	13%	15,666	13,253	18%
Revenue seat-kilometers (RPK)	mill	2,718	2,374	14%	12,767	10,569	21%
On-Time-Performance	%	77.5%	79.8%	-2.3 ppt	77.1%	73.6%	3.5 ppt
Freight ton-kilometers (FTK'000)	k	43,307	33,187	30%	177,448	132,029	34%
Sold charter block hours	no.	3,851	3,918	-2%	15,388	14,666	5%
Total CO2 emissions tons	no.	245,299	222,447	10%	1,113,467	951,109	17%
CO2 emissions per OTK	no.	0.79	0.79	0.4%	0.76	0.77	-1%
Employees							
Av. No. of full-time employees	no.	3,595	3,050	18%	3,638	3,045	19%
No. of employees at period end	no.	-	-	-	3,542	3,022	17%

¹ Comparison figures for the balance sheet are 31.12.2022² RASK/CASK: Revenue and cost per ASK in Icelandair's route network³ Financial liabilities: interest-bearing debt and net lease liabilities

TRAFFIC DATA

- **Number of passengers 910 thousand in Q4, up by 12% year-on-year**
- **Global media coverage of seismic activity had a negative effect on demand and thereby on load factor in the market To Iceland**
- **Labor action by air traffic controllers during the peak holiday season also negatively affected the load factor**
- **Number of Via passengers up by 30%**

Capacity measured in available seat kilometers increased by 13% year-on-year in the fourth quarter. Seismic activity in the last two months of the year and an eruption in Southwest Iceland had no effect on flights to and from Iceland. However, global media coverage of the events significantly slowed sales to Iceland compared to what had previously been estimated. Up to the fourth quarter, the increase in passenger numbers between years had been the greatest in the market to Iceland, or around 20%, but was only 3% in Q4. Demand was strong in the North-Atlantic market, which was Icelandair's largest market during the quarter, with 41% of total passengers. The number of passengers also increased the most in this market, or by 30% year-on-year.

The number of passengers in the quarter totaled 910 thousand, up by 12% compared to Q4 in 2022. The load factor was 76.7% improving by almost a percentage point between years. Despite this increase, load factor was lower than expected as the seismic activity, volcanic eruption and labor actions had a significant negative impact on the high season just before the holidays. On-time performance in the route network was 77.5%, decreasing by 2.3 percentage points between years, largely attributed to the labor actions.

Freight Ton Kilometers (FTK) increased by 30% year-on-year, however freight tons increased less or by 13% due to longer flight distances compared to last year. Both import and export to and from Iceland contracted between years but the volume of transit freight tripled in the market via Iceland. The number of sold block hours in the leasing operation decreased by 2% year-on-year due to different composition of flights but revenue per block hour increased between years.

CO2 emissions per operational ton kilometer (OTK) remained the same year-on-year in Q4. More flights were flown on MAX aircraft, but because of the labor actions and seismic activities, more fuel had to be carried on the aircraft than they would otherwise have required.

INCOME AND EXPENSES

- **Seismic activity, volcanic eruption, and labor action by air traffic controllers negatively affected results**
- **Leasing operation performed well**
- **Improved results in the cargo operation**

EBIT results were negative by USD 50.3 million in the fourth quarter, a negative change of USD 33.5 million between years. Global media coverage of seismic activity in Southwest Iceland, together with labor action by air traffic controllers just before Christmas, had a considerable negative impact on the operation and revenue generation of the route network in the quarter.

Although EBIT from cargo operations decreased considerably between years, or by USD 8.4 million, performance improved between the third and the fourth quarter as a result of diverse measures taken to improve profitability. The leasing operation continued to perform well with positive results.

Total income amounted to USD 315.8 million in Q4 2023 and increased by 9% year-on-year. **Passenger revenue** amounted to USD 258.6 million compared to USD 235.3 million last year. **Cargo revenue** amounted to USD 21.6 million and remained similar from year to year. **Leasing revenue** totaled USD 19.1 million and increased by 8% between years. **Other revenue** amounted to USD 16.5 million, up by 2% compared to last year.

Operating expenses, excluding depreciation, amounted to USD 330.9 million, up by 20% or USD 55.5 million year-on-year. **Salaries and salary-related costs** totaled USD 104.8 million compared to 83.8 million in Q4 last year, an increase of 25%. The main reasons are increased scope of business and large salary increases in Iceland, including the first salary increase for flight and cabin crew since 2020, effective from 1 June for pilots and 1 September for cabin crew. The strengthening of the ISK against the USD also increased the cost over the comparison period, as the vast majority of the Company's salary costs are in ISK. The average number of full-time employees was 3,595 in the quarter and increased by 18% year-on-year. **Aircraft fuel cost** amounted to USD 87.8 million in Q4 2023 and increased by only 2% year-on-year despite a 13% capacity increase in the passenger network. Average world fuel price decreased, and Icelandair's weighted effective fuel prices, including add-ons and hedges, amounted to USD 1,037 USD per m/t a decrease of 12% year-on-year. **Other aviation expenses** totaled USD 59.6 million compared to USD 42.6 million in Q4 2022. The cost of handling, landing, and navigation increased more than the capacity increase in the route network due to significant price increases by service providers. Maintenance cost amounted to USD 24.4 million, up by USD 7.3 million compared to last year. Considering an adjustment entry related to the redelivery of a leased aircraft in the fourth quarter last year which decreased cost, the deviation is just short of USD 3 million, explained by increased production and higher engine costs on the B737 MAX aircraft. **Other operating expenses** totaled USD 78.8 million, up by USD 16.2 million, mainly due to the increased scope of business within the passenger route network.

Net finance income totaled USD 2.0 million in Q4 2023 compared to a net finance cost of USD 1.4 million in Q4 last year. Interest earned on bank deposits and other marketable securities outweighed higher financial costs year-on-year. Part of the financial income was compounded interest over the full year.

Unit revenue (RASK)⁴ in Q4 2023 was 7.5 US cents and decreased by nearly 4% year-on-year, impacted by external factors, seismic activity and labor action. **Unit cost (CASK)**⁵ was 9.0 US cents and increased by almost 3% between years. Unit cost excluding fuel costs, increased by 8% between years, mainly due to salary increases and price increases of flight-related services.

FINANCIAL POSITION

- **Equity USD 288 million and equity ratio 19%**
- **Total liquidity USD 323 million**

Balance sheet

Total assets amounted to USD 1.5 billion at year-end 2023, increasing by USD 116.5 million from the beginning of the year. Operating assets amounted to USD 555.1 million, an increase of USD 49.5 million during the year due to the purchase of one Bombardier Dash 8 Q400 aircraft, maintenance of own aircraft and engine overhauls, as well as investment in new headquarters. Right-of-use assets amounted to USD 348.5 million, increasing by USD 29.5 million in 2023 due to lease agreements for one B767-300 freighter and two B737 MAX 8 aircraft. **Total equity** amounted to USD 288.3 million, and the equity

⁴ Unit revenue (RASK) revenue per available seat km in the route network

⁵ Unit cost (CASK) cost per available seat km in the route network

ratio at the end of the quarter was 19%, the same as at the beginning of the year. **Financial liabilities**⁶ amounted to USD 638.6 million and increased by USD 40.7 million from the beginning of the year, mostly due to aircraft related investments. **Net financial liabilities**⁷ amounted to USD 352.4 million and an increase of USD 26.7 million compared to the beginning of the year.

Liquidity

Cash and marketable securities amounted to USD 270.5 million at the end of 2023 and decreased by USD 101.2 million during the fourth quarter. **Net cash to operations** in Q4 2023 amounted to USD 25.5 million. **Cash used in investing activities** totaled USD 24.1 million. Capex amounted to USD 40.2 million including engine overhaul and other aircraft related investments. **Net cash used in financing activities** was USD 38.2 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 year bringing **total liquid funds** to USD 322.5 million.

SUSTAINABILITY

Continued focus on sustainability

Sustainability is an integral part of Icelandair's strategy with focus on economic, social and environmental factors, as well as governance. The value of aviation and tourism is undisputed, especially for an island nation like Iceland. Tourism in Iceland accounts for a significant proportion of Iceland's export revenue and the tax footprint of Icelandair in Iceland amounted to USD 236,2 million in 2023, increasing by 18%. Furthermore, Icelandair is one of the largest employers in the country and employed an average of 3,638 full-time employees in 2023, 19% more than in 2022.

Icelandair has set ambitious climate targets and has reduced carbon emissions per operational ton kilometer (OTK) by 15% from 2019. This is largely due to Icelandair's fleet renewal that involves a shift towards a new generation of more fuel-efficient aircraft. Another key sustainability focus area for Icelandair is gender equality. Icelandair has set goals of increasing gender equality within management, crew and aircraft maintenance. In 2023, the proportion of female pilots was 14% compared to 11% in 2022. Male cabin crew members were 15%, increasing from 14% in 2022. Icelandair entered a partnership with the Technical College in Reykjavik during the year to support and promote education and jobs in aircraft maintenance engineering with a special emphasis on appealing to a more diverse group of people. The ratio of women within the executive management team was 38% at year-end 2023 compared to 33% in 2022.

Icelandair has, over the past years, reported on its sustainability efforts in accordance with Nasdaq's ESG Reporting Guide but is currently working on the implementation of the new EU Corporate Sustainability Reporting Directive (CSRD) and its accompanying standards, the European Sustainability Reporting Standards (ESRS).

PROSPECTS

Booking status

Although the seismic activity and volcanic eruption in the Southwest of Iceland in November had no effect on Icelandair's flight schedule, global media coverage of the events did have a significant negative impact on bookings in the fourth quarter, affecting revenue generation in the first months of 2024. This negative development has eased during the first weeks of the year. The via market is strengthening significantly with a higher proportion of bookings than at the same time last year. The demand is also

⁶ Interest-bearing loans, borrowings, and net lease liabilities

⁷ Interest-bearing loans, borrowings, net lease liabilities net of cash and marketable securities

strong on the market from Iceland. Overall, the first half of the year is affected by increased capacity in the market to and from Iceland and there are many examples of airlines offering airfares that are not sustainable in the long run. This capacity increase is not as evident in the summer and revenue generation for the summer is strong.

Capacity 2024

Icelandair's capacity increase in 2024 is around 11% between years. This growth is mainly in the first half of the year with focus on destinations in North America where demand has been very strong. Icelandair started scheduled flights to Verona at the end of 2023 and to Innsbruck in January 2024 to meet strong demand from Iceland to ski areas in Europe. In total, Icelandair will fly to 57 destinations in 2024 and has introduced three new destinations that will be added to the route network in the spring and summer – Pittsburgh, Halifax and the Faroe Islands.

Turnaround of the cargo operation expected in 2024

The cargo operation was challenging in 2023 and various actions were taken in the second half of the year to improve profitability. One of the two cargo aircraft was leased out and the cargo flight schedule was adapted to market demand. These actions led to improved results in the fourth quarter of 2023 and operating profit (EBIT) is expected in 2024, compared to considerable operating loss in 2023.

Leasing operation successful

The leasing operation was successful in 2023 and the outlook for 2024 is good. One aircraft will be added on lease to one of the largest customers in the spring, bringing the total number of leased aircraft to this customer to five. The company's world tours are going well, and the number of such projects will increase in 2024. One aircraft has been added to the fleet for this purpose, bringing the number of aircraft dedicated to these projects to three in 2024.

Continued fleet renewal

A fleet of 42 aircraft will be operated within the passenger route network this summer, thereof 21 Boeing MAX aircraft, three more than in summer 2023. In July 2023, Icelandair signed an agreement with Airbus for the purchase of 13 Airbus A321XLR aircraft with purchase rights for an additional 12 aircraft. Deliveries will commence in 2029. Icelandair has also finalized long-term agreements for seven new A321LR aircraft. Delivery of the first four is expected during the winter 2024-2025 and the three remaining aircraft in the winter 2025-2026. Preparation for the implementation of the aircraft type has already started. The Airbus aircraft will increase the flexibility of the route network and provide opportunities for future growth, as well as further support the Company's sustainability journey.

Fuel hedge position

The Company's fuel hedging situation on 31 January 2024 is highlighted in the table below. The table shows that 41% of the projected use in the passenger network over the next twelve months has been hedged through contracts at a weighted average price of 834 USD m/t.

Period	Hedged tons	% of estimated total usage (tons)	Av. weighted price USD
Q4 2023	30,600	56%	839
Q1 2024	42,000	45%	844
Q2 2024	55,990	45%	826
Q3 2024	12,450	17%	818
12 months	141,040	41%	834
Q1 2025	5,810	10%	791
Q2 2025	7,550	8%	775
13-18 months	13,360	9%	782

FINANCIAL OUTLOOK FOR 2024

Over the past months various factors had an impact on Icelandair's operations, such as labor actions, seismic activity and unsustainable airfares of some airlines in important markets. There is still some uncertainty around many of these factors and a solution has not yet been reached in the negotiation of the collective bargaining agreements in Iceland. Therefore, the Company will not issue a detailed earnings guidance but expects to deliver better results in 2024 than in 2023, both in terms of EBIT and after-tax profit.

INFORMATION

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FINANCIAL CALENDAR

- AGM 7 March 2024
- Q1 2023 24 April 2024
- Q2 2023 18 July 2024
- Q3 2023 17 October 2024
- Q4 2023 1 February 2025