Q3 2023 results

20 October 2023

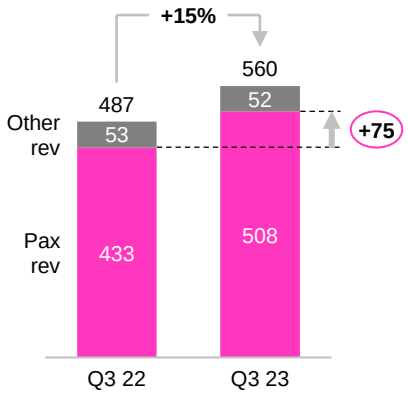


Bogi Nils Bogason, President and CEO
Ívar S. Kristinsson, CFO

Record revenue in third quarter driving 46% higher profit year-on-year

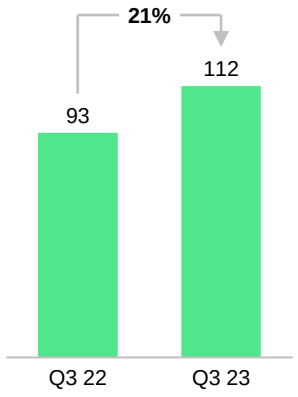
Record revenue of USD 560 million

Total revenue USD million



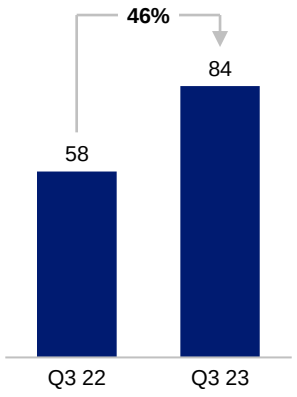
EBIT improving by USD 19 million

EBIT USD million



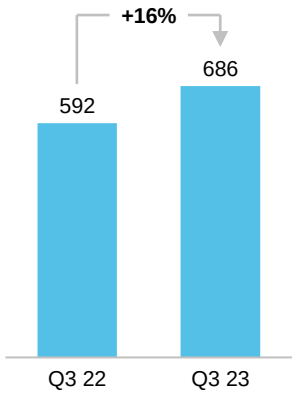
Profit up by 46%

Profit US cents



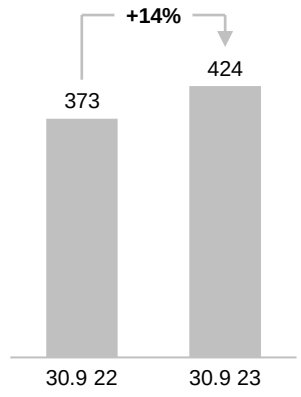
Robust demand on the market to Iceland

Passengers To market ´000



Liquid funds increasing y-o-y

Liquid funds[1] USD million



[1] Liquid funds = Cash, marketable securities and undrawn credit facilities

Icelandair received two international customer awards this fall



Icelandair announced as APEX 2024 Five Star Major Airline



Best European Airline at the Danish Travel Awards

Financials

Ívar S. Kristinsson, CFO

16% increase in the number of passengers on the To market driven by robust demand from N-America

Traffic figures - changes year-on-year in Q3

In percentage

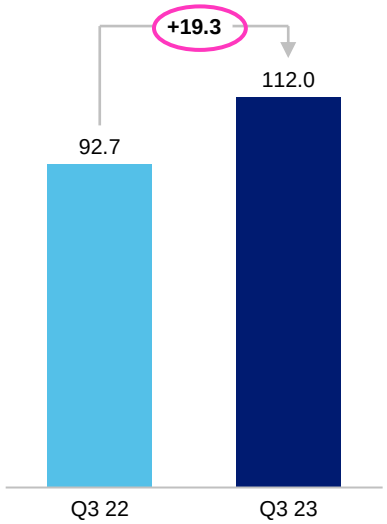


Strong revenue generation in the passenger network driving improved results

Income statement
USD million

USD million	Q3 2023	Q3 2022	Change
Passenger revenue	508.0	433.4	74.6
Cargo revenue	21.0	20.2	0.8
Leasing revenue	13.7	13.5	0.3
Other operating revenue	17.7	19.6	-2.0
Operating income	**560.4**	**486.7**	**73.6**
Salaries and salary related	102.2	74.8	27.5
Aircraft fuel	121.4	136.7	-15.4
Other aviation expenses	85.1	68.8	16.3
Other operating expenses	103.6	80.0	23.6
Operating expenses	**412.3**	**360.3**	**52.0**
Depreciation and amortization	-36.0	-33.7	-2.3
EBIT	**112.0**	**92.7**	**19.3**
EBIT ratio	**20.0%**	**19.0%**	**1.0 ppt**
EBT	**106.2**	**73.8**	**32.4**
Profit	**84.5**	**57.9**	**26.6**

EBIT
USD million



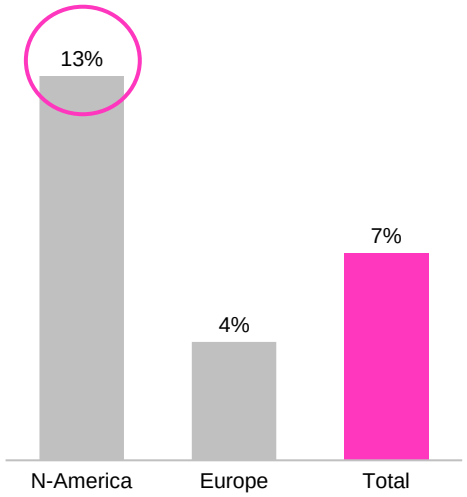
- Route network driving the improvement with strong revenue performance, including record unit revenue
- Improved yields, in all markets and both cabins
- Salaries increasing y-o-y due to more production, general salary increases, and weakening of the USD against the ISK
- Fuel costs developing favorably due to lower market prices and more B737 MAX flying
- Challenging cargo operation resulting in negative EBIT of USD 6.7 million
- Leasing operation performed well and delivered increased EBIT y-o-y

Robust demand particularly from N-America

56% of passenger revenue originating from United States and Canada

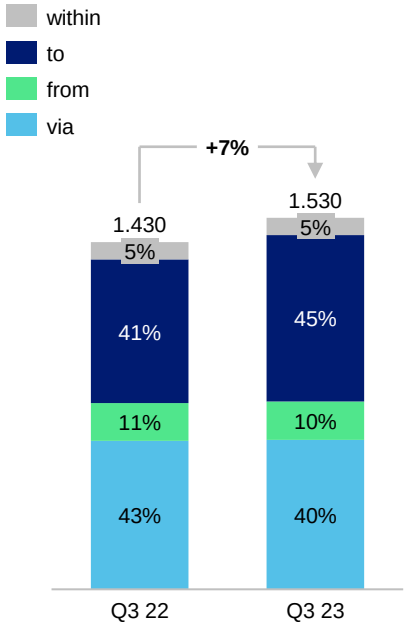
Chg. in no of passengers

Year-on-year Q3



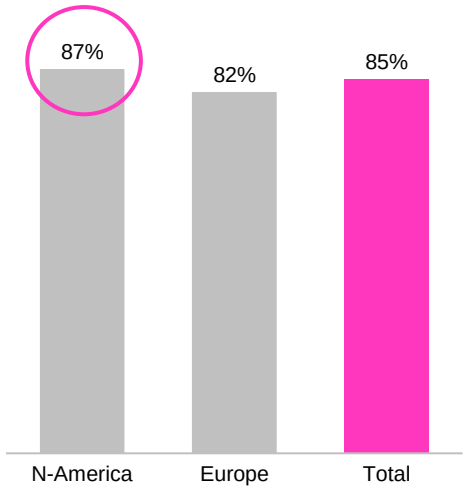
Passenger mix

Year-on-year Q3



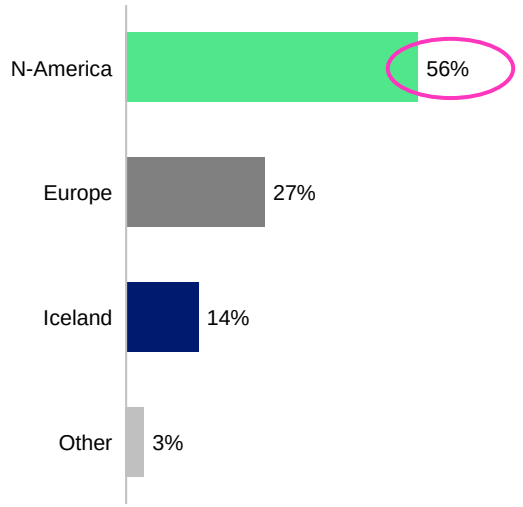
Load factor

Q3 23 in %



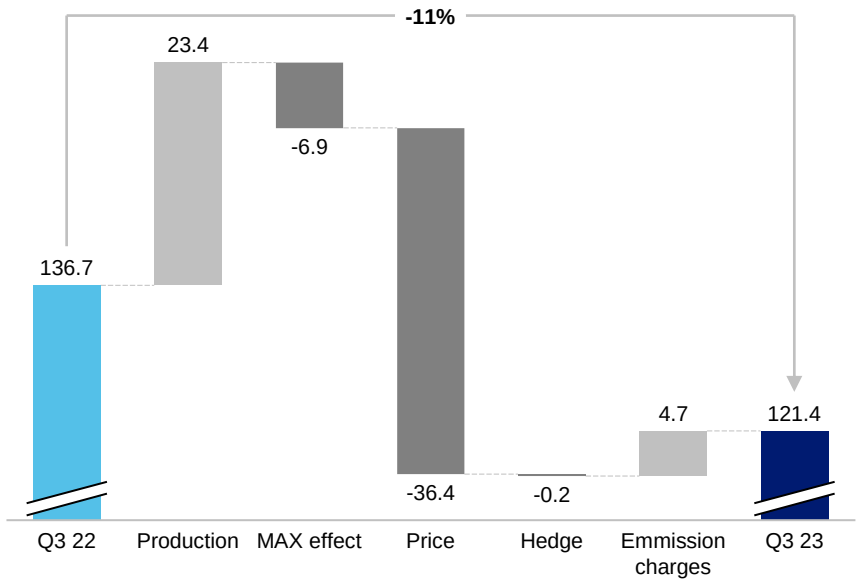
Passenger revenue

Point of sales Q3 23

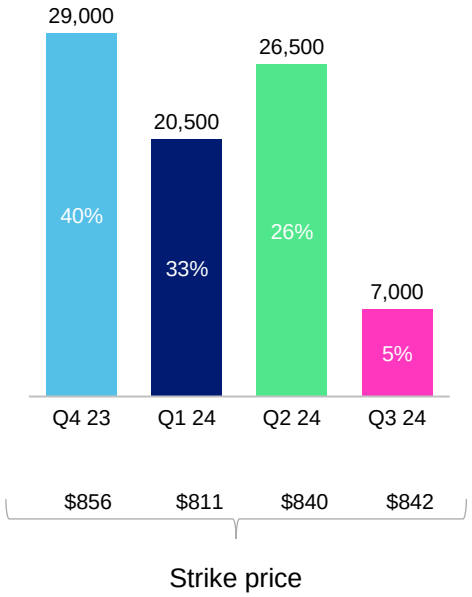


Fuel cost down 11% year-on-year due lower fuel prices and more flights on fuel-efficient MAX aircraft

Fuel cost main changes
USD million



Hedge contracts and ratios
Overview ton (Hedge %, Strike Price $/mt)



Fuel price
USD per metric ton

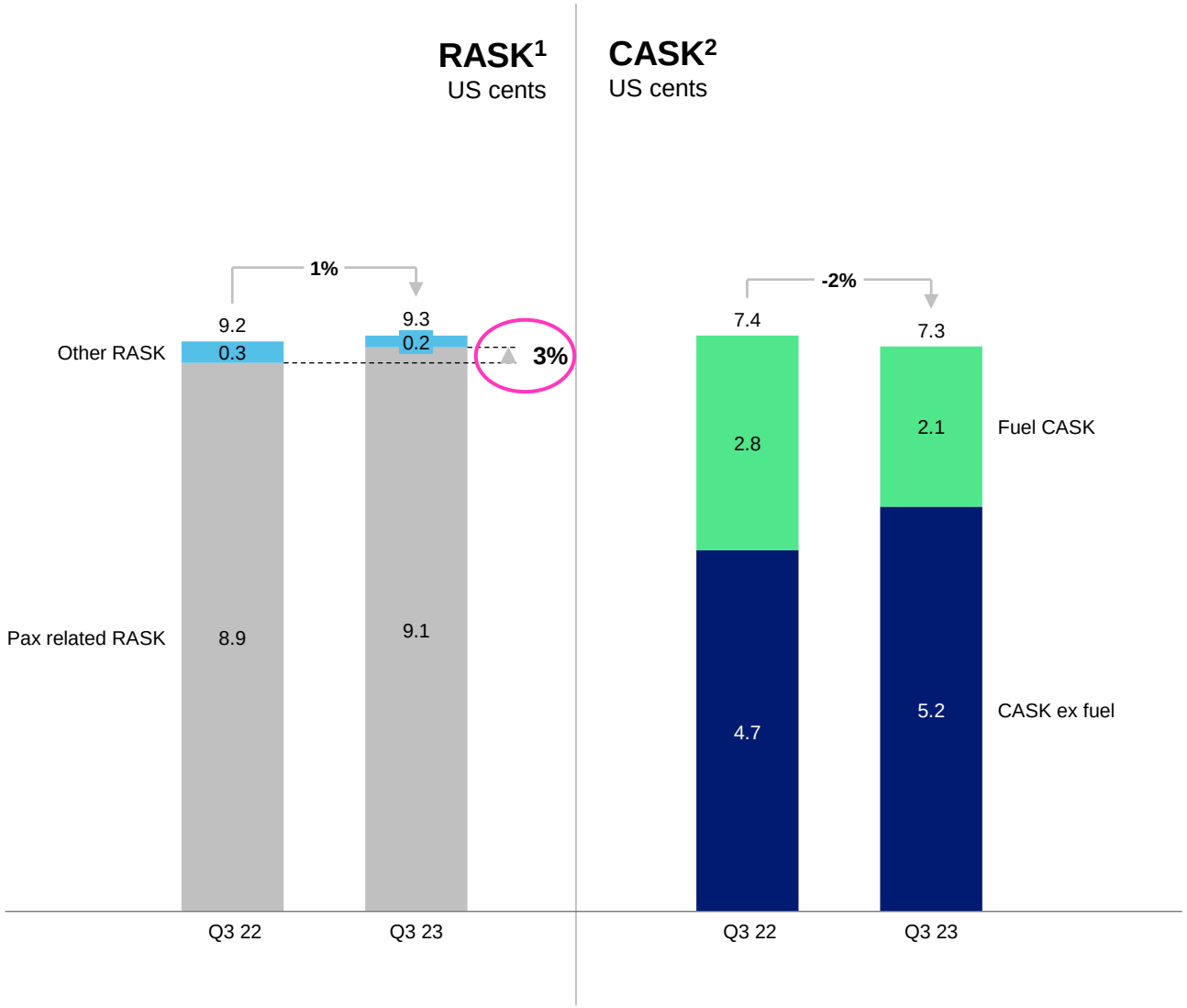


Record third quarter unit revenue driven by yield improvements in all markets and cabins

Passenger related RASK up by 3%, with September particularly strong with 9% improvement

CASK decreasing by 2% driven by lower fuel cost

Salaries and inflation impacting non-fuel CASK



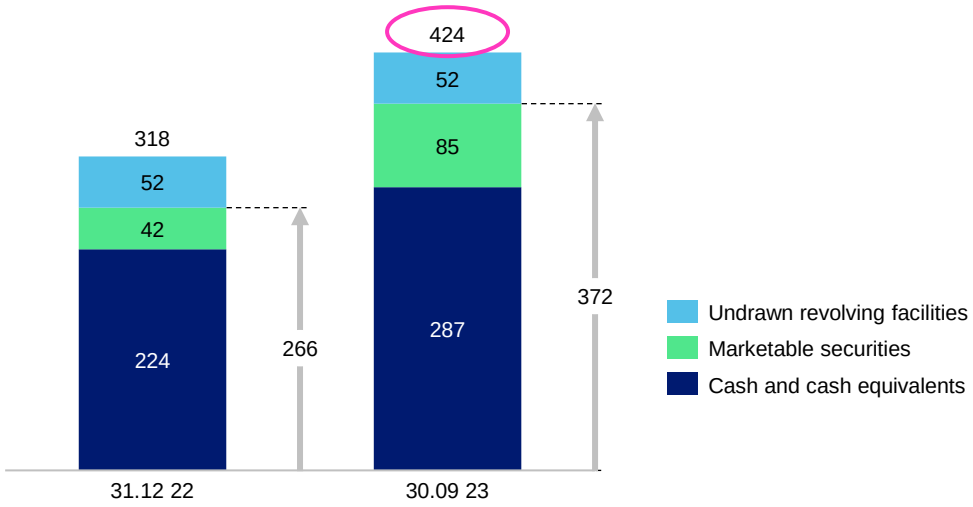
[1]RASK: Revenue per Available Seat Kilometer, Pax related RASK: Passenger and ancillary revenue per ASK, Other RASK: Belly and other revenue per ASK, [2]CASK: Cost per Available Seat Kilometer, Fuel CASK: Fuel cost per ASK

Strong liquidity of USD 424 million

Total liquidity USD 106 million higher than at the beginning of the year

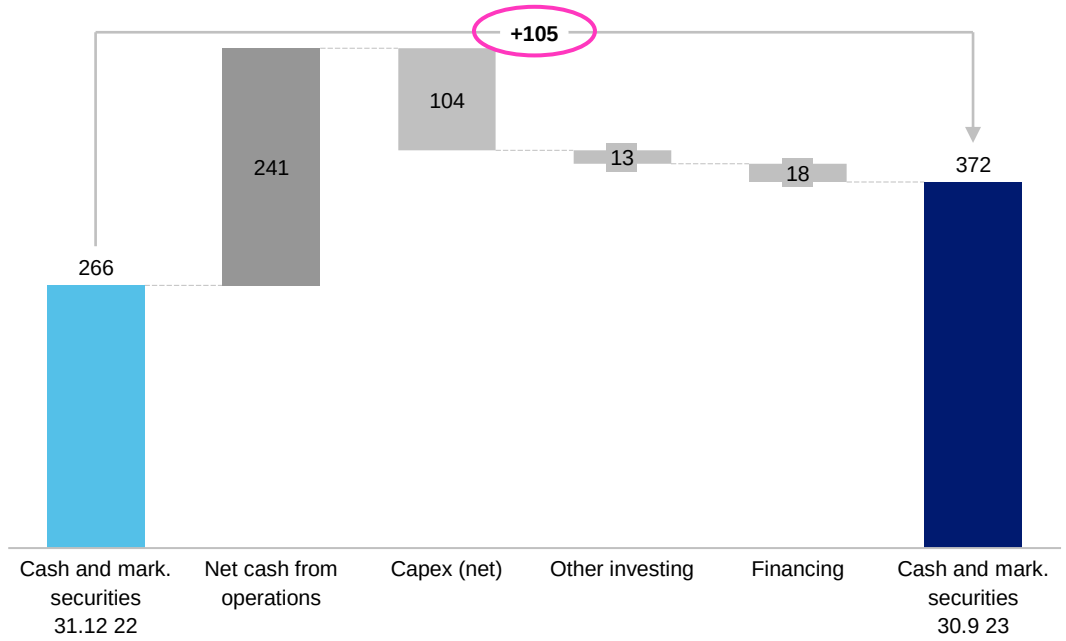
Total liquidity

Breakdown in USD million



Cash and marketable securities

Chg. in 2023 in USD million



Shareholder’s equity USD 337 million and equity ratio 21%

Assets

USD million	30 Sept 2023	30 Sept 2022	Change
Operating assets	539.2	465.3	73.9
Right-of-use assets	363.6	329.3	34.3
Intangible assets and goodwill	55.3	55.3	0.0
Other non-current assets	85.9	88.5	-2.6
Total non-current assets	**1,044.0**	**938.4**	**105.6**
Other current assets	23.1	22.7	0.4
Trade and other receivables	162.6	151.0	11.6
Derivatives used for hedging	10.6	2.0	8.6
Marketable securities	84.6	30.5	54.1
Cash and cash equivalents	287.1	290.1	-3.0
Total current assets	**568.0**	**496.3**	**71.7**
Total assets	**1,612.0**	**1,434.7**	**177.3**

Equity and liabilities

USD million	30 Sept 2023	30 Sept 2022	Change
Shareholders' equity	**336.6**	**286.9**	**49.6**
Loans and borrowings non-current	228.2	214.9	13.2
Lease liabilities	335.0	305.5	29.5
Other non-current liabilities	53.1	39.1	13.9
Total non-current liabilites	**616.3**	**559.6**	**56.7**
Loans and borrowings current	53.4	52.8	0.6
Lease liabilities	52.6	45.6	7.0
Derivatives used for hedging	0.0	3.3	-3.3
Trade and other payables	228.2	181.2	47.0
Deferred income	324.9	305.3	19.6
Total current liabilites	**659.2**	**588.2**	**71.0**
Total liabilities	**1,275.5**	**1,147.8**	**127.7**
Total equity and liabilities	**1,612.0**	**1,434.7**	**177.3**
Equity ratio	**21%**	**20%**	**1.0 ppt**

Outlook

Bogi Nils Bogason, President & CEO

2023 Outlook

- Outlook in the route network is good, with the current booking status stronger than at the same time last year
- Continued strong performance of the Leasing operation
- Cargo operation will return losses in 2023, but various actions taken to restore profitability
- The guidance below is subject to change in case of unforeseen events and economic development

2023 guidance

	EBIT margin	Full year	~3.3% - 4.3%
	Total revenue USD	Full year	~1.5bn
	EBIT USD	Full year	~50-65m
	Net capex USD	Full year	~150 -160m
	Capacity chg. in ASK	Full year	~20%
	Av. fuel m/t USD	Q4	964
	Av. Emission charges per unit EUR	Q4	85
	Av. USD/ISK	Q4	138



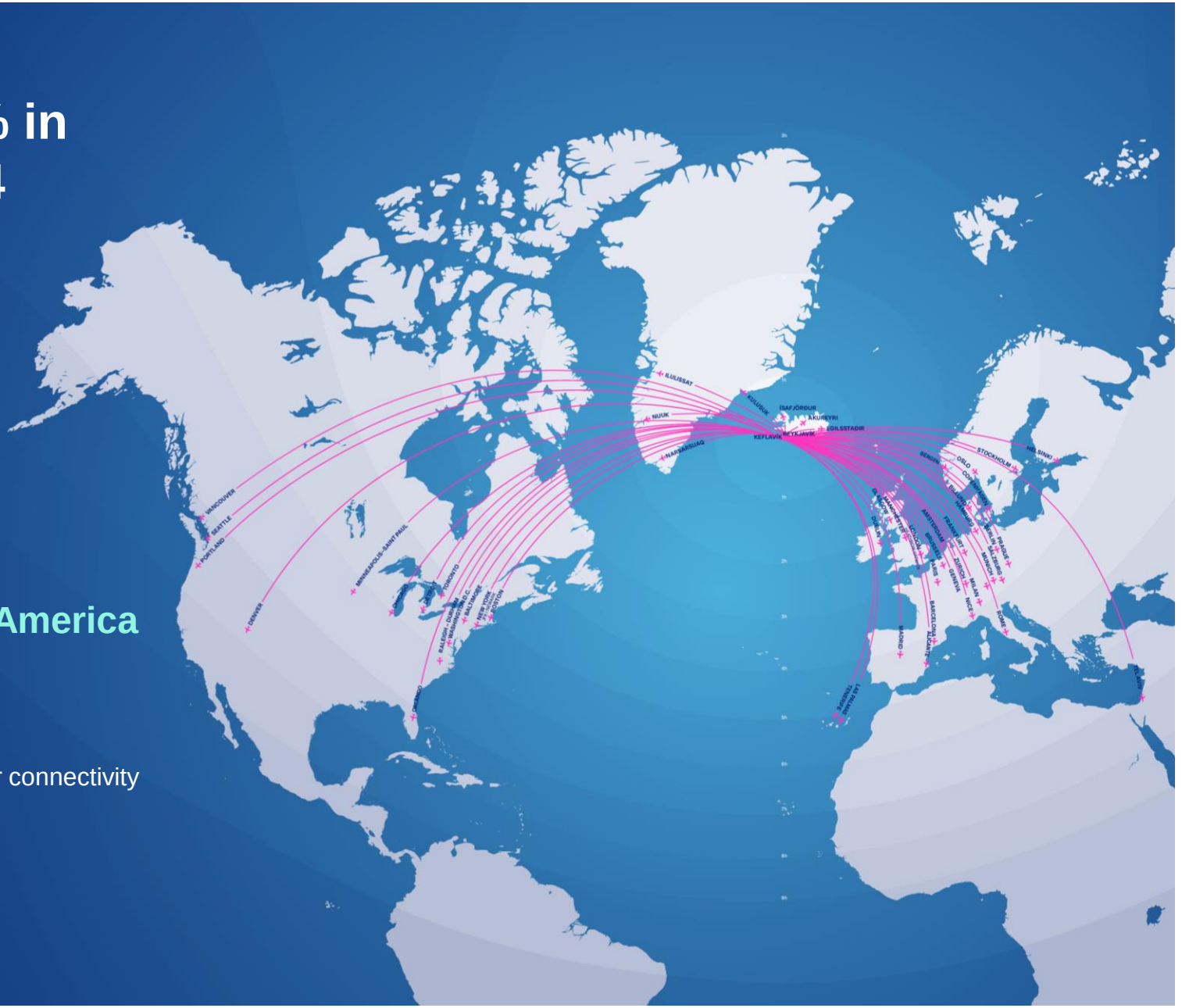
Moderate growth of ~10% in the route network in 2024

50+ destinations
N-America, and Europe

New destinations under review
Will be announced soon

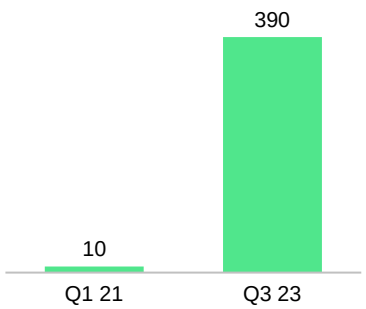
Majority of the growth into North America
Very strong demand in that market

Three connecting banks
More frequency, better products and increased partner connectivity

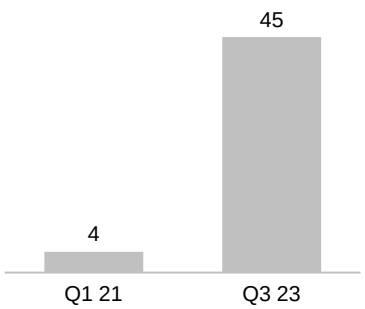


From hiatus to record capacity in just over two years

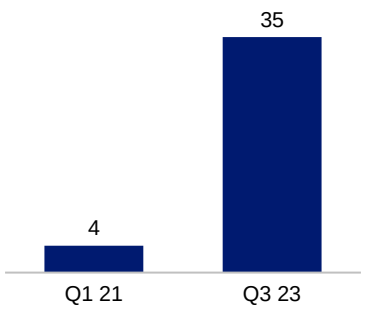
Trips per week



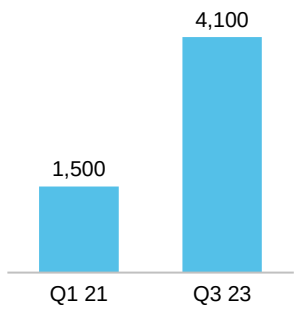
Destinations



Aircraft in operation

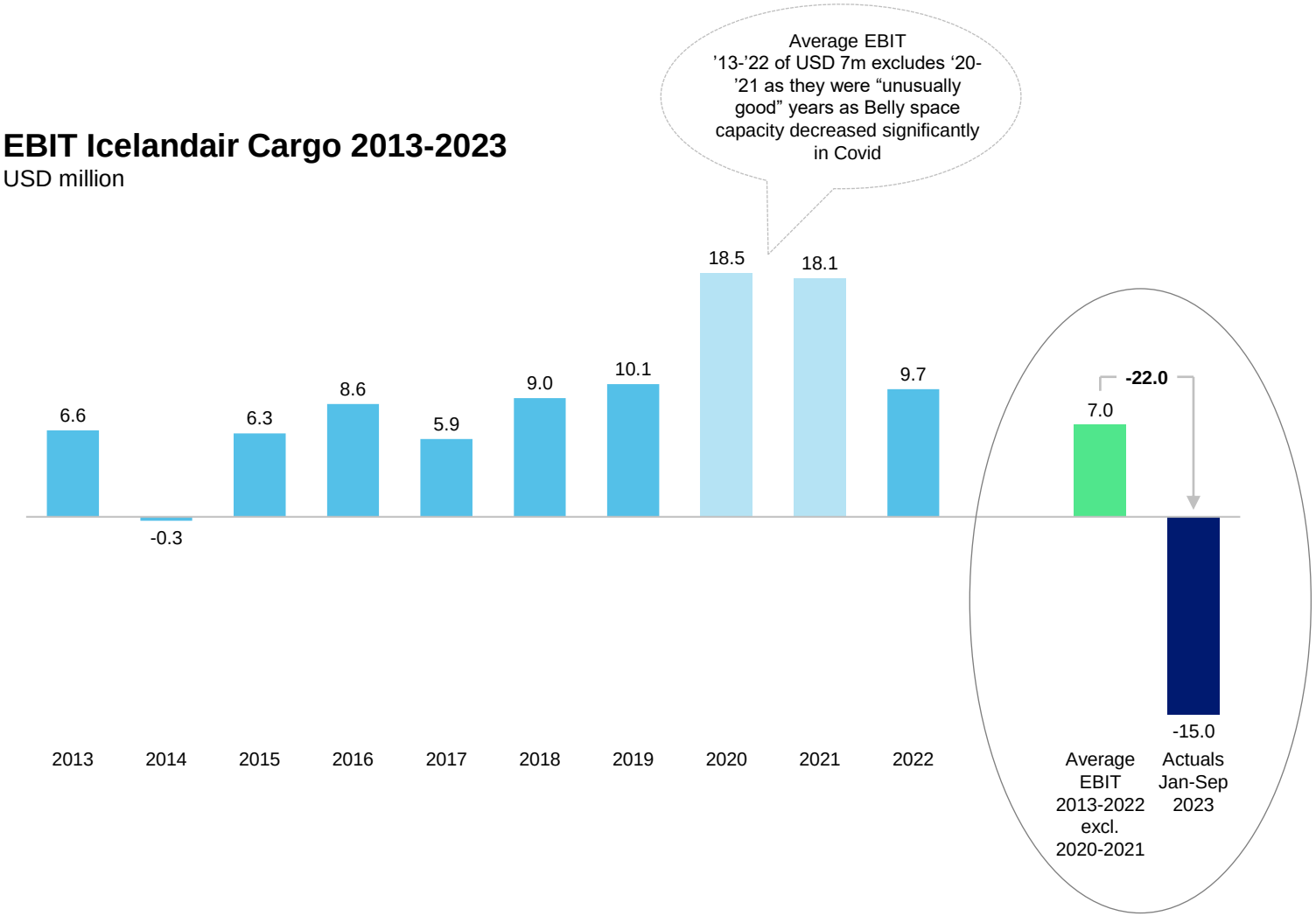


Full-time employees



Focus on restoring profitability in the cargo operation

EBIT Icelandair Cargo 2013-2023
USD million



- The cargo operation has been very challenging in 2023 due to difficult market conditions at the same time Icelandair had invested in more capacity
- Various actions taken to return to profitability:
  - Capacity adjusted to demand
  - B757 cargo aircraft returned to lessor
  - Seeking AM / ACMI projects for one B767 cargo aircraft

Strong performance of Loftleidir, the Leasing operation, and profitable organic growth expected in 2024

- The leasing operation has been successful in 2023, and profit is expected to increase year-on-year.
- Contracts have recently been signed with the largest leasing customer for four aircraft, extending the lease of three aircraft and one new. Furthermore, a Letter of Intent has been signed for the fifth.
- VIP projects expected to increase considerably in 2024, when the third aircraft will be added to the specialized fleet for such projects.
- Outlook good and both profitability and scope of the business are expected to grow.

The passenger route network and leasing operation generating strong results and outlook strong for next year

By returning cargo to normal operations the company will be on track to reach its goal of long-term EBIT margin of 8%



[1]Normalized Cargo EBIT = Average EBIT% for the period 2013-2022 excluding the 2020-2021 Covid years


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of Iceland to the
world

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