

Q4 and 12M 2023 results

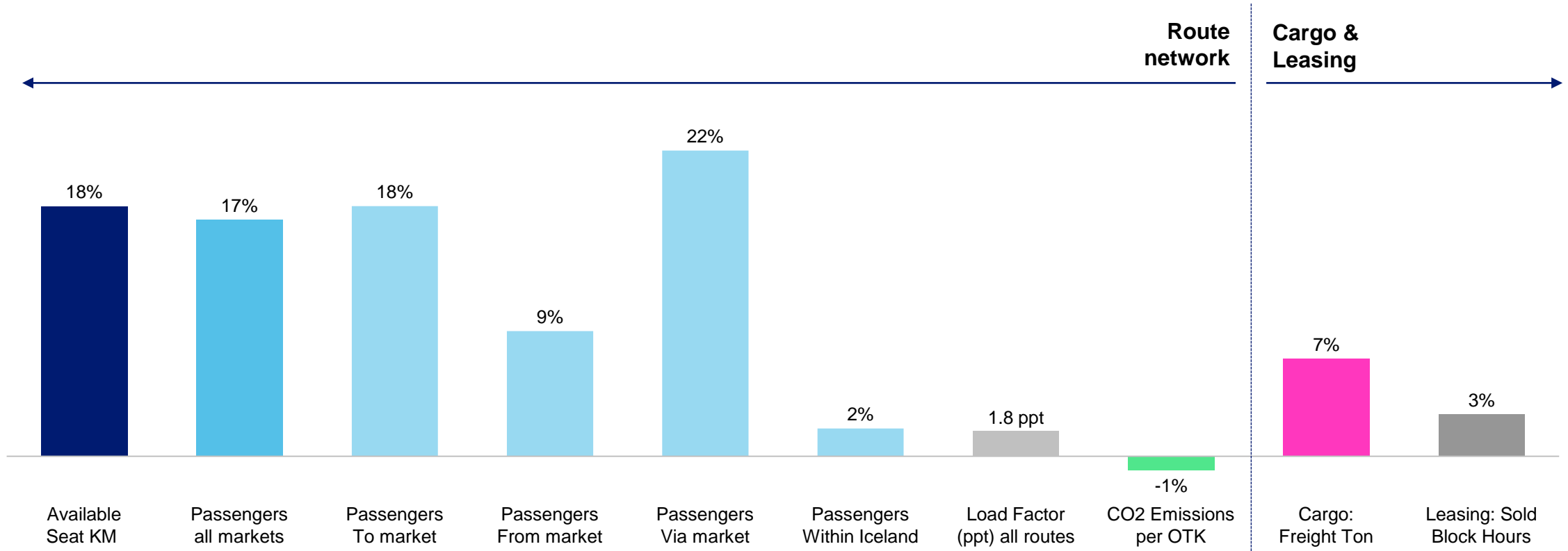
2 February 2024



2023 –post Covid ramp-up finalized

Traffic figures – 2023 vs 2022

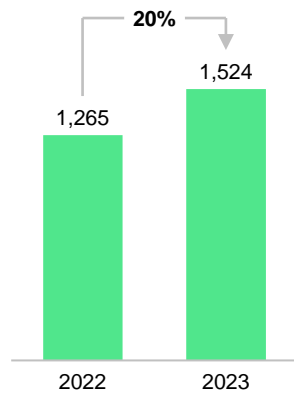
In percentages



Profit of USD 11 million in 2023

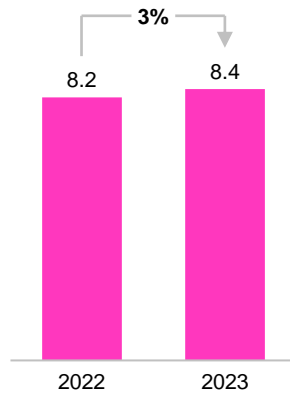
Strong revenue generation

Total revenue USD million



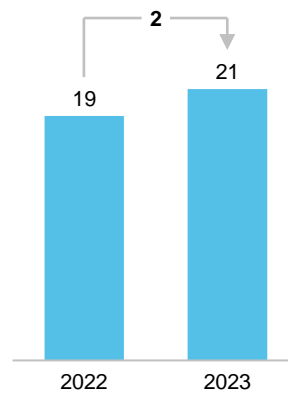
Record unit revenues

RASK¹ US cents



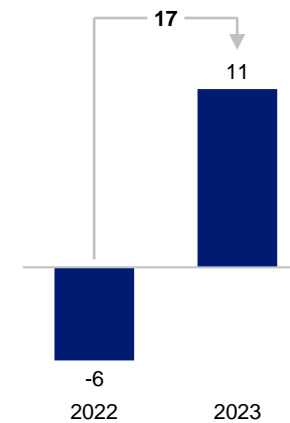
EBIT improvement

EBIT USD million



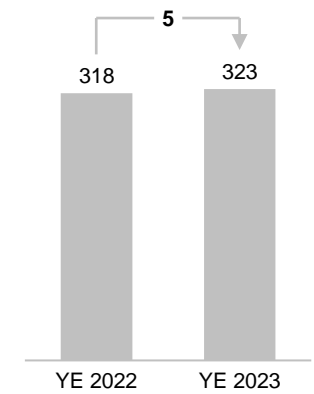
Profit of USD 11 million

Profit/loss USD million



Strong liquidity position

Liquid funds² USD million



¹ RASK = Revenue per available seat kilometer in route network, ² Liquid funds = Cash, marketable securities and undrawn credit facilities

Financials

Ívar S. Kristinsson, CFO

Seismic activity coverage together with air traffic controllers' strikes had considerable negative effect on the Q4 results

Wage increases and inflationary pressures impacting cost development

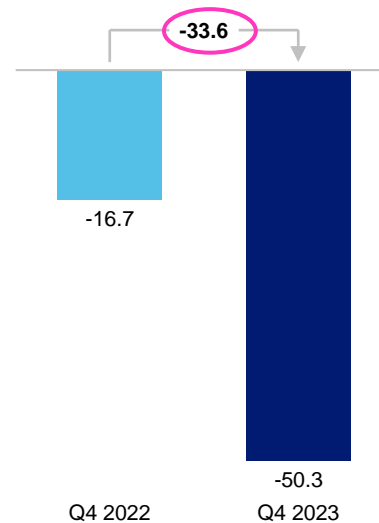
Profit loss statement

USD million

USD million	Q4 2023	Q4 2022	Change
Passenger revenue	258.6	235.3	23.3
Cargo revenue	21.6	21.7	-0.1
Leasing revenue	19.1	17.6	1.5
Other operating revenue	16.5	16.1	0.4
Operating income	315.8	290.8	25.0
Salaries and salary related	104.8	83.8	21.0
Aircraft fuel	87.8	86.4	1.4
Other aviation expenses	59.6	42.6	17.0
Other operating expenses	78.8	62.5	16.2
Operating expenses	330.9	275.4	55.5
Depreciation and amortization	-35.2	-32.1	-3.0
EBIT	-50.3	-16.7	-33.5
EBIT ratio	-15.9%	-5.8%	-10.1 ppt
EBT	-48.7	-13.3	-35.4
Net loss	-38.2	-17.8	-20.4

EBIT

USD million



- Revenue generation negatively affected by global media coverage of the seismic activity in Southwest Iceland
- Strikes by air traffic controllers caused both increased cost and loss of revenue in December
- Salaries increasing y-o-y due to increased production, contractual increases, pilot training and strengthening of the ISK
- Improved results in Cargo following diverse improvement measures, nonetheless the results are worse than in Q4 last year
- Strong performance of the Leasing operation yielded positive results

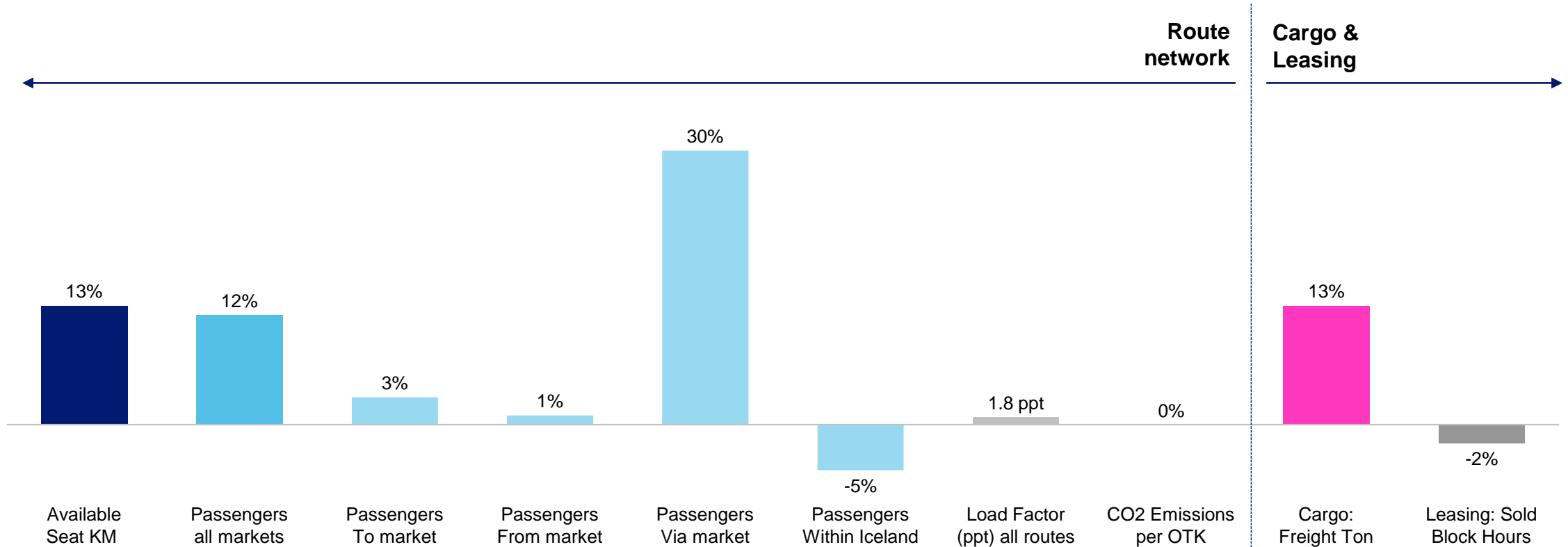


The market To Iceland grew only 3% in Q4 vs 20% in the first 9 months

Global media coverage of the seismic activity and air controller strike negatively impacted demand to Iceland

Traffic figures – Q4 2023 vs Q4 2022

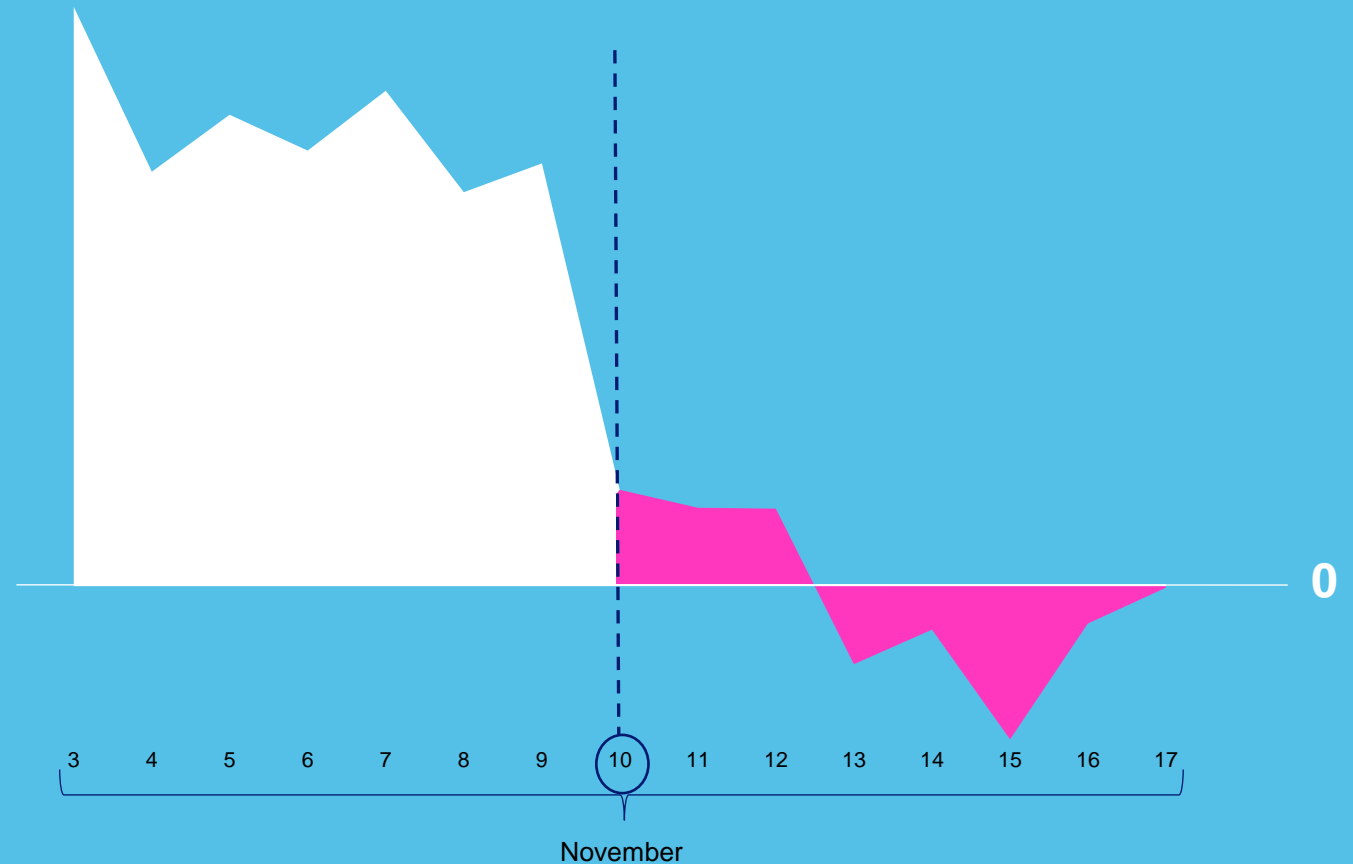
In percentages



The seismic activity had a significant impact on bookings on the market to Iceland

Following the news that the town of Grindavík was evacuated due to anticipated volcanic eruption bookings dropped significantly

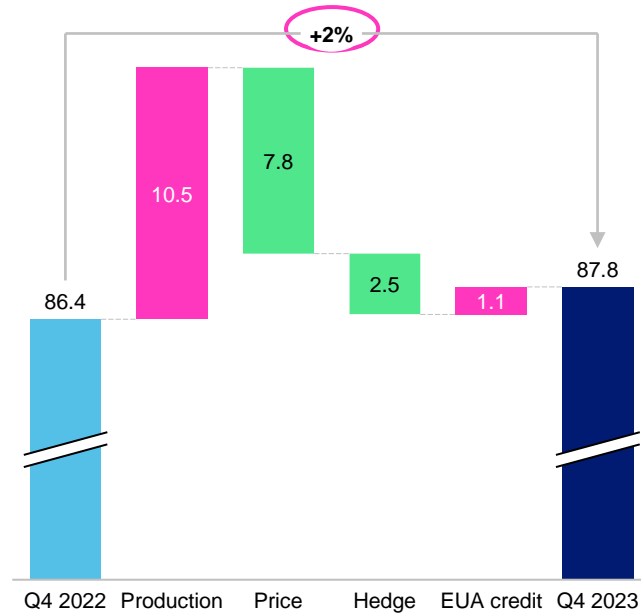
Market TO Iceland
Number of bookings per day in November 2023



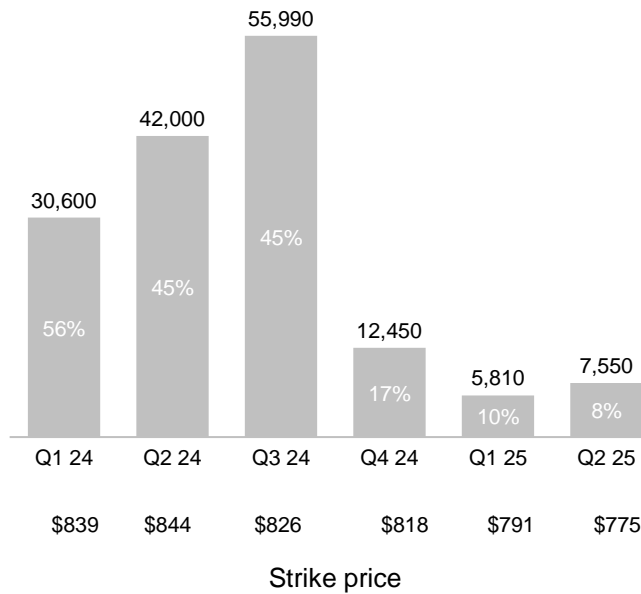
Lower fuel prices and hedges offset increased fuel cost associated with more production

Effective fuel price 12% lower than in Q4 2022

Fuel cost main changes
USD million Q4 2022 vs Q4 2023



Overview Hedge contracts and ratio
(Hedge %, Strike Price \$/mt)

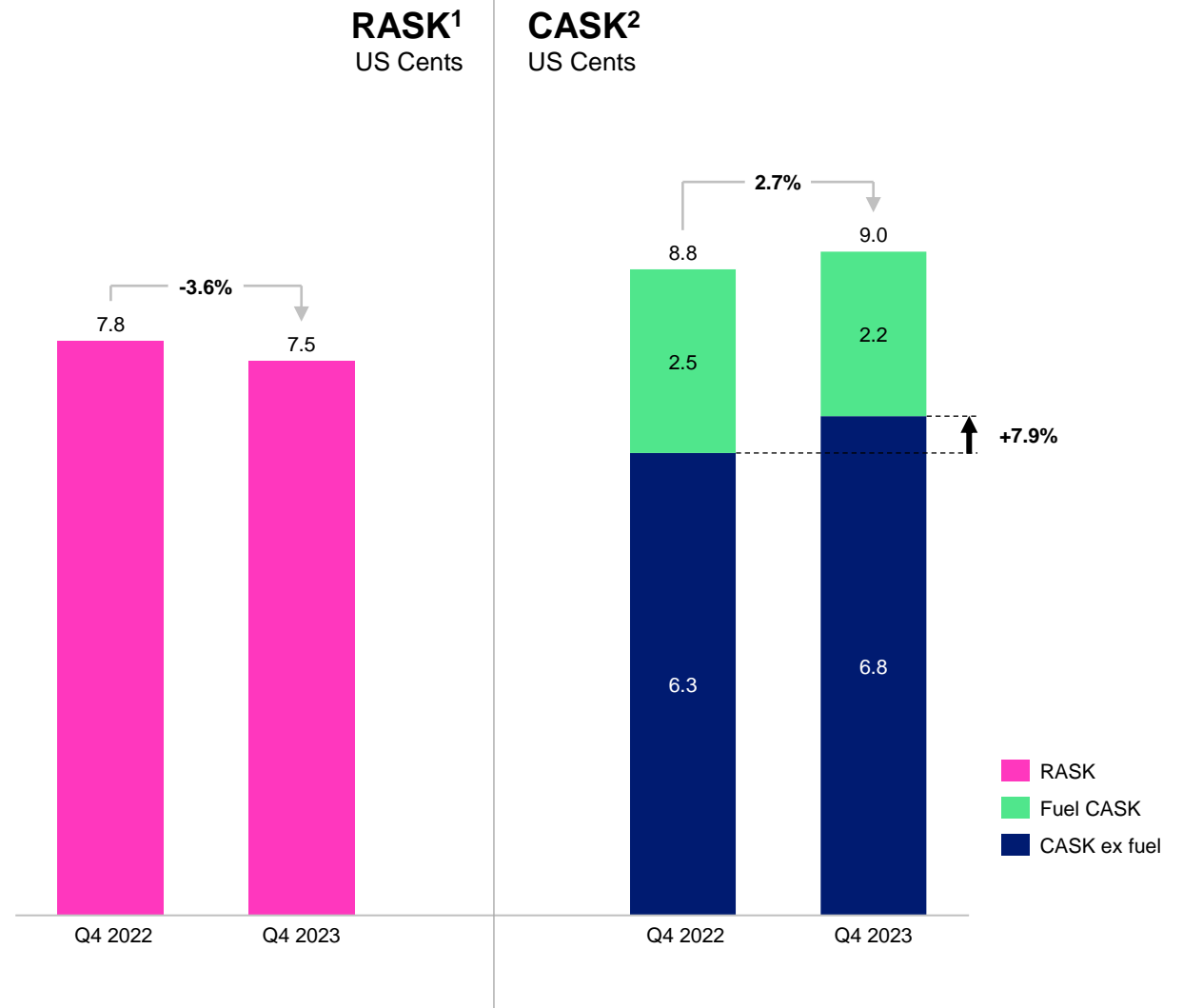


Fuel price
USD per m/t



Unit revenue impacted by global news coverage of the seismic activity in Southwest Iceland

Unit cost excluding fuel up by 9% driven by wage increases and inflationary pressures



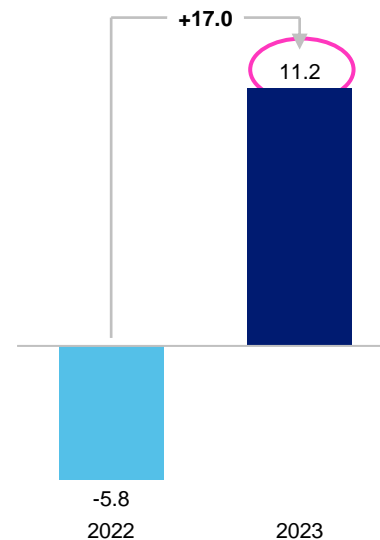
Full year profit of USD 11 million, a turnaround from a loss of USD 6 million last year



Icelandair consolidated 2023

USD million	12M 2023	12M 2022	Change
Passenger revenue	1,289.9	1,047.6	242.4
Cargo revenue	88.3	90.9	-2.6
Leasing revenue	71.3	58.5	12.8
Other operating revenue	74.1	68.2	5.9
Operating income	1,523.6	1,265.1	258.5
Salaries and salary related	391.6	308.6	83.0
Aircraft fuel	371.3	374.5	-3.2
Other aviation expenses	264.5	196.1	68.4
Other operating expenses	339.7	248.2	91.5
Operating expenses	1,367.1	1,127.4	239.7
Depreciation	135.5	118.9	16.6
EBIT	21.0	18.9	2.1
EBIT ratio	1.4%	1.5%	-0.1 ppt
EBT	7.8	0.2	7.6
Profit / Loss	11.2	-5.8	17.0

Profit USD million

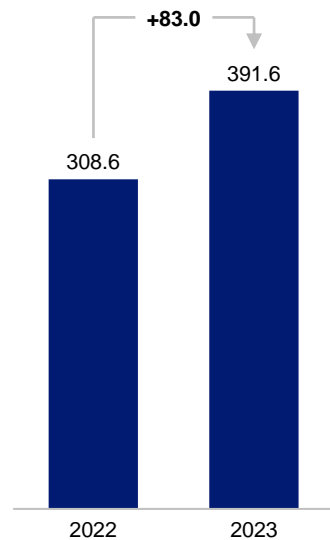


- Record revenue generation with strong demand in all markets especially North America to Iceland
- Record unit revenue in the route network
- Inflationary pressures and wage increases impact cost development
- Cargo operation suffered considerable loss in 2023; various actions taken in the second half of the year led to improved results in Q4
- Leasing operation showed strong results

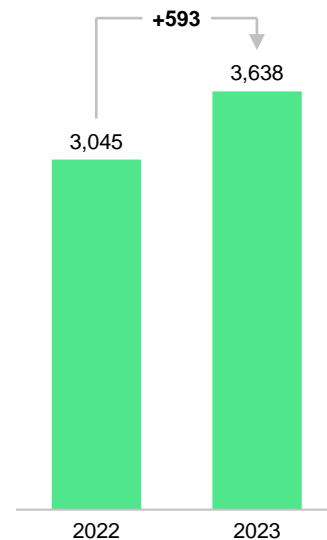


Higher salary cost year-on-year driven by rising production, contractual wage increases, and an appreciation of the ISK

Salary and related cost
USD million



Average no. of FTEs¹



Several factors impacting salary cost development Y-o-Y

- Salary cost Y-o-Y increasing on more production
- High contractual salary increases in Iceland
- The first salary increase for flight and cabin crew since 2020, effective from 1 June for pilots and 1 September for cabin crew impacting the development
- Investment in production ramp-up for summer 2024 impacting salary cost; pilot training started in October
- Negative impact of USD/ISK FX development

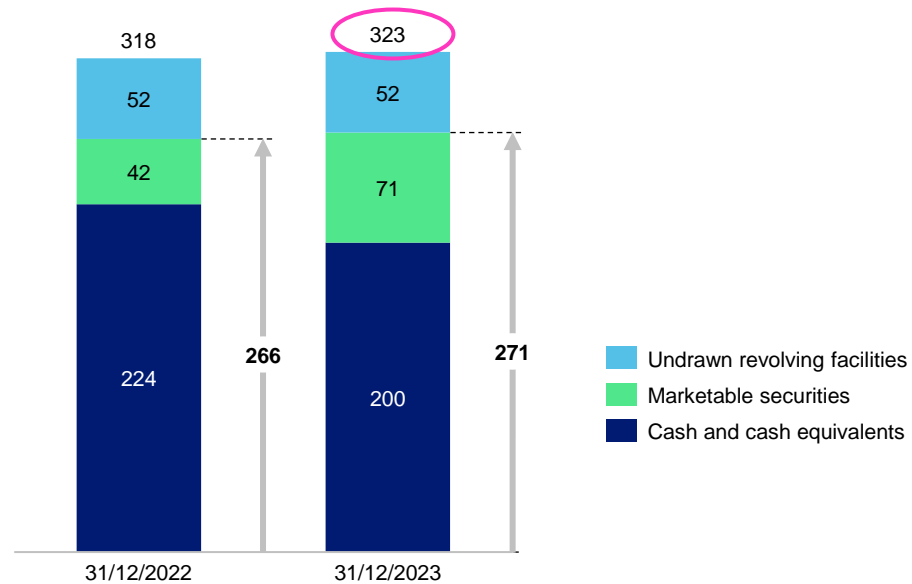


Total liquidity USD 323 million at year-end 2023

Cash and marketable securities decreased by USD 101 million during the fourth quarter

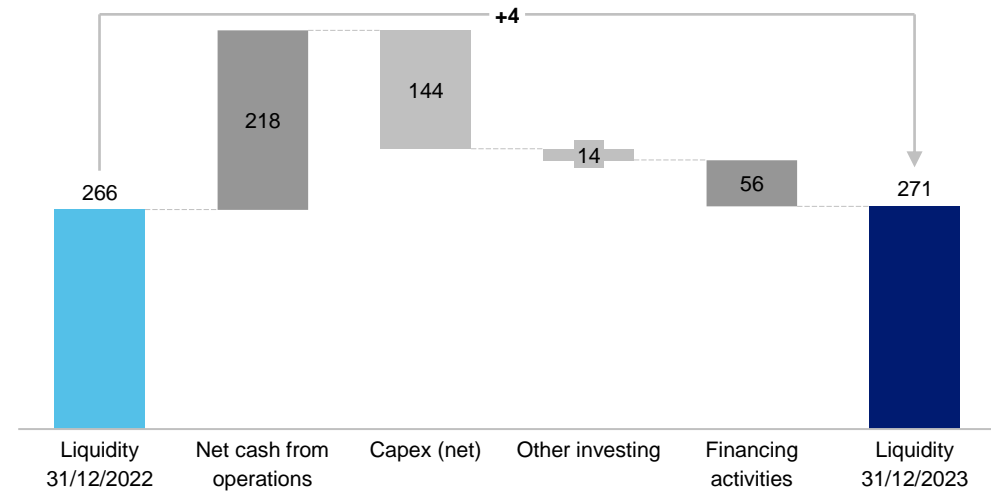
Total liquidity

Breakdown in USD million



Liquidity development

2023 in USD million



Shareholder's equity USD 288 million and equity ratio 19%

Assets

USD million	31 Dec 2023	31 Dec 2022	Change
Operating assets	555.1	505.6	49.5
Right-of-use assets	348.5	319.0	29.5
Intangible assets and goodwill	55.4	55.2	0.2
Other non-current assets	111.2	85.2	26.0
Total non-current assets	1,070.2	964.9	105.3
Other current assets	23.8	22.5	1.4
Trade and other receivables	161.9	155.3	6.6
Derivatives used for hedging	0.8	2.0	-1.2
Marketable securities	71.0	42.2	28.8
Cash and cash equivalents	199.5	224.3	-24.7
Total current assets	457.1	446.2	10.8
Total assets	1,527.3	1,411.2	116.1

Equity and liabilities

USD million	31 Dec 2023	31 Dec 2022	Change
Shareholders' equity	287.9	273.4	14.6
Loans and borrowings non-current	207.4	207.3	0.1
Lease liabilities	332.2	296.7	35.5
Derivatives for hedging	33.9	33.9	0.0
Other non-current liabilities	54.0	33.9	20.0
Total non-current liabilities	593.5	537.9	55.6
Loans and borrowings current	44.9	48.5	-3.5
Lease liabilities	54.1	45.5	8.6
Derivatives used for hedging	6.6	0.8	5.8
Trade and other payables	222.4	201.8	20.6
Deferred income	317.8	303.4	14.4
Total current liabilities	645.8	599.9	45.9
Total liabilities	1,239.3	1,137.8	101.5
Total equity and liabilities	1,527.3	1,411.2	116.1



Key takeaways and outlook

Bogi Nils Bogason, CEO

2023 was another eventful year that represents a big step in the right direction for Icelandair



The ramp-up is complete – Icelandair is back to its pre-pandemic size



Net profit following many challenging years



Record unit revenue generation

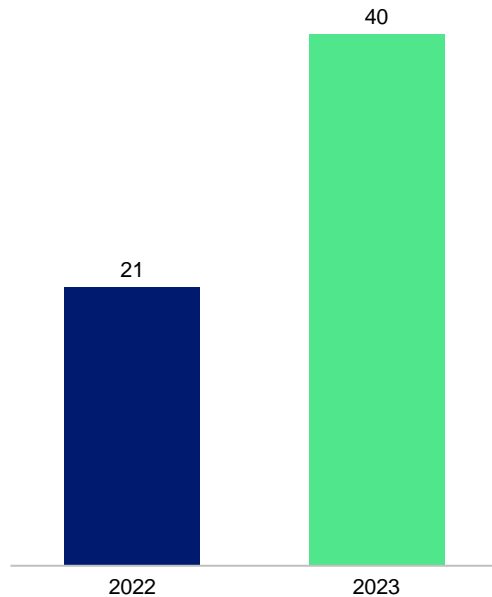


Profitability below objectives but not fully reflecting the strength of the underlying operation



Icelandair's performance is driven by our highly engaged team that works day and night to keep our customers happy

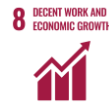
Icelandair Employee NPS 2022-2023



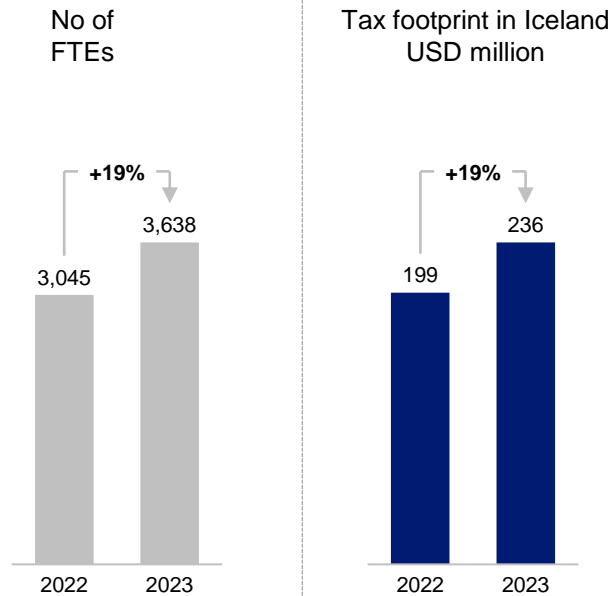
Icelandair won the Icelandic Customer Satisfaction Award¹ for airlines for 2023



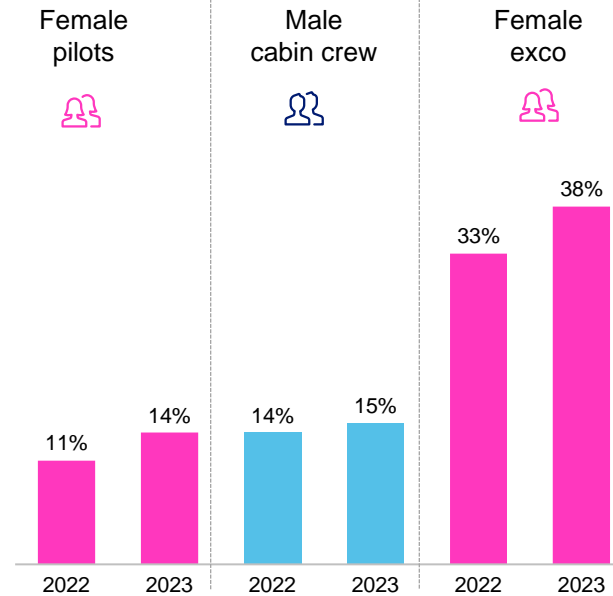
Icelandair continues to drive positive impact in the economy and wider society



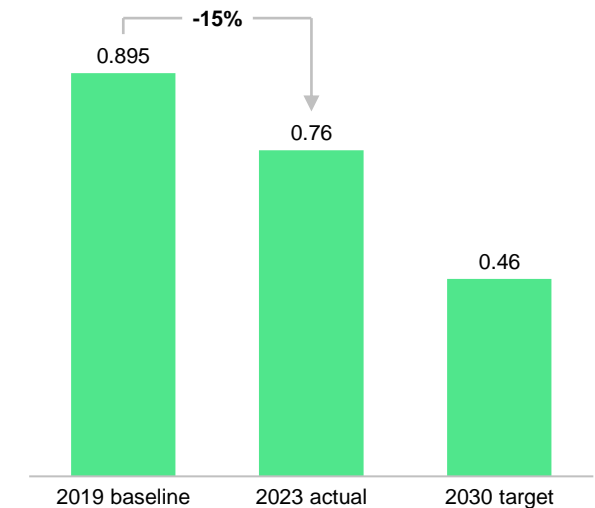
Positively contributing to work and economic growth



Gender equality improvement pilots, cabin crew, management



Icelandair on track towards 2030 target of CO2/OTK²



Moderate growth of ~11% in the route network planned for 2024

57 destinations

N-America, Europe, Greenland and Domestic

3x daily

to seven destinations

2x daily

to 15 destinations

New destinations with daily flights

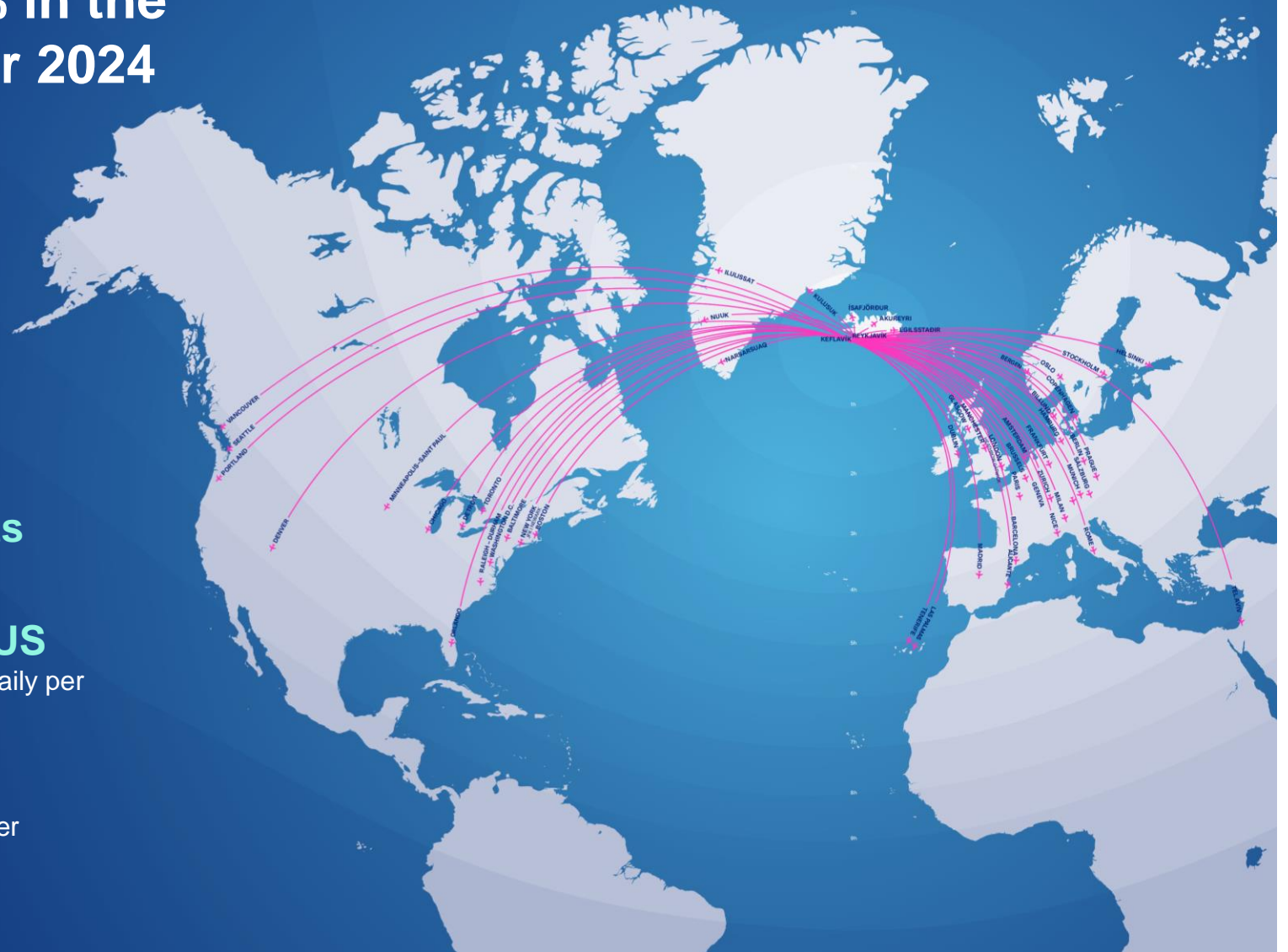
Rome, Raleigh, Milan and Bergen

Increased morning flights to the US

5x per week to JFK and 4x per week to Denver and daily per week to Boston and Seattle

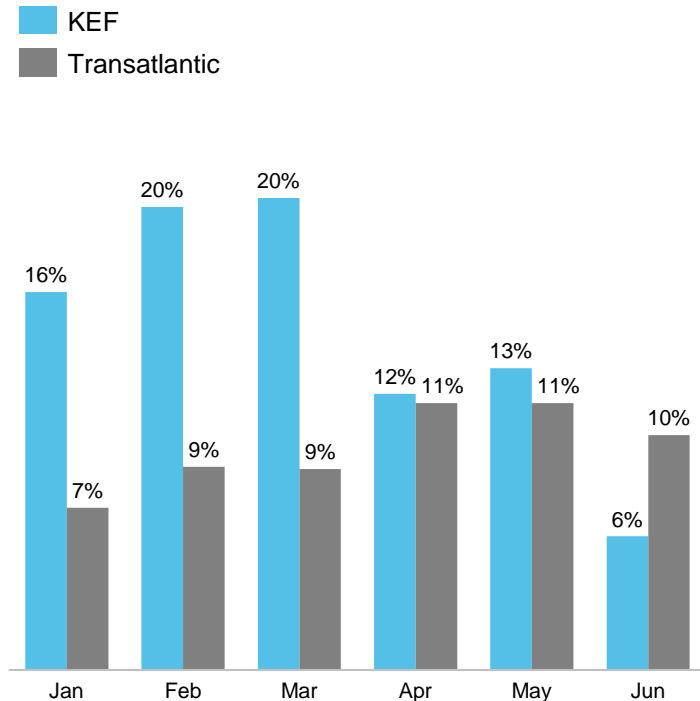
Three connecting banks

More frequency, better products, and increased partner connectivity

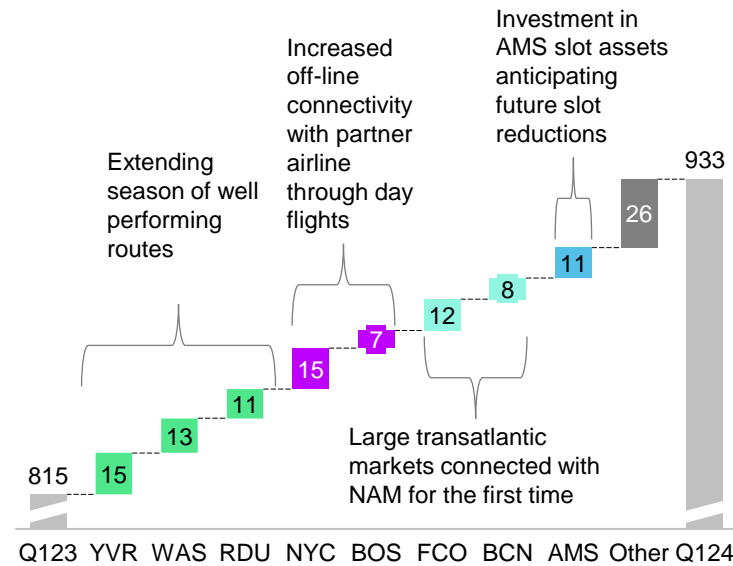


Capacity growth in KEF far outpaces growth on the transatlantic in Q1 – a lot of capacity being added to mature destinations

Growth in seat capacity
2024F vs. 2023



Icelandair seats added by destination
Q1 2024 vs. Q1 2023 in thousands



Icelandair is focused on growing capacity in a sustainable way...

Seats added by other airlines by destination
Q1 2024 vs. Q1 2023 in thousands



...while competitors are mostly adding capacity to mature, well served markets



Icelandair has invested USD 860 million in fleet renewal in the international passenger network since 2018

Older aircraft phased out for more fuel efficient and environmentally friendly aircraft

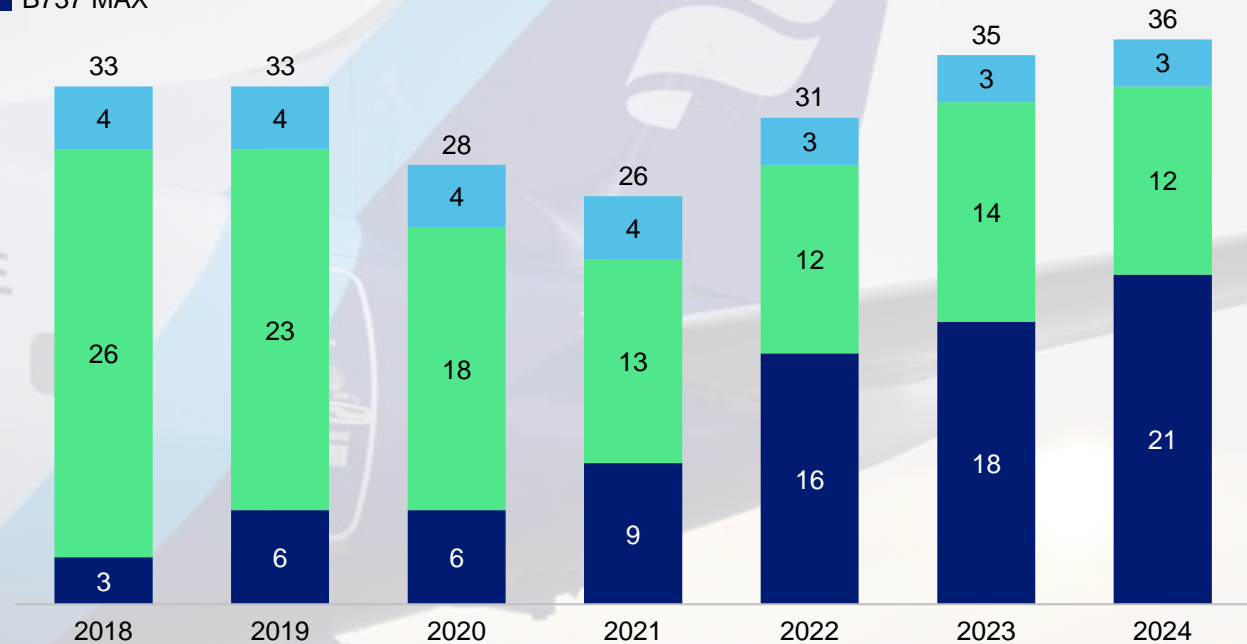
Fleet composition 2018-2024



Av. age of fleet
20 years

Av. age of fleet
13 years

- B767
- B757
- B737 MAX



A turnaround is anticipated in freight operations and the leasing business will continue to do well



Positive EBIT expected for Cargo operation in 2024

- One B767 freighter leased out of Icelandair Cargo operations for the full duration of the year
- Further improvements driven by an optimized flight schedule and adjusted network
- Increased focus on core products, driving higher unit revenues



Continued good performance anticipated in leasing business

- In 2024, Loftleiðir's operation will grow moderately through extension of lease partnerships and new customer acquisition
- Largest leasing customer has extended lease of current aircraft and will be adding a fifth aircraft in spring 2024
- Third aircraft to be added to the VIP fleet in spring 2024 to support acquisition of two additional customers



The last two years have been focused on the ramp-up and strengthening our commercial engine, in 2024, we are prioritizing cost optimization

Top priority for 2024 is cost optimization

- Efficiency and cost optimization top objective for entire organization in 2024.
- Strong pipeline of initiatives aimed at increasing operational efficiency.
- Icelandair growing 11% between years on same overhead reflecting the scalability of the operation.

Plans to mitigate negative effects of high seasonality

- Due to the demand profile in Icelandair's markets, the Company's operations have always been quite seasonal.
- In the post-COVID environment, leisure travel has grown relative to business travel which has increased market seasonality even more.
- In 2024, Icelandair is looking at ways to optimize its seasonality profile and increase resource utilization in the low-season.

Clear plan for a turnaround of the Cargo operation

- Various actions being taken to return Icelandair Cargo to profitability.
- These include adjusting capacity to market demand, returning a Boeing 757 freighter to lessor, and dry leasing one Boeing 767 freighter.

Continued investments in route network and commercial infrastructure

- Investments in leading hub position in KEF.
- Continued development of the route network and sales infrastructure behind Icelandair's differentiated revenue streams.



Looking ahead to 2024 a higher profitability is expected



Booking outlook promising with capacity growing by 11% between years

- The TO market is recovering after international media coverage of seismic activity in Southwest of Iceland
- The transatlantic market is showing considerable strength with higher proportion of bookings than last year
- The FROM market is also showing signs of strength
- Revenue generation for the summer generally looks stronger than last year



Turnaround anticipated in freight operations and leasing business doing well

- The aim is to complete a turnaround in the freight operation after a difficult 2023
- Continued good performance is expected from Loftleiðir



Operating environment continues to be somewhat uncertain

- Seismic activity in the Southwest of Iceland
- Continued cost pressure, and uncertainty due to collective bargaining agreements in Iceland
- A lot of capacity in KEF airport resulting in unsustainably low fares in some markets



Improvement in profitability expected in 2024

- Better performance expected in the route network, especially in the latter half of year
- Due to uncertainty an exact guidance is not provided, however the Company expects to generate improved EBIT and net profit numbers in 2024 compared to 2023

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



Icelandair continues to renew its fleet in line with the fleet strategy developed in conjunction with the landmark Airbus agreement in 2023

- In total, commitments for 20 Airbus aircraft have been made
- Icelandair has now negotiated long-term lease agreements for 4 A321LR aircraft to be delivered before summer 2025, and 3 A321LRs delivered before summer 2026.
- Firm order with Airbus for 13 A321XLRs from 2029 in addition to 12 options.
- The A321 aircraft enables the retirement of the B757 aircraft from the network fleet by 2027.



Icelandair is confident in its trajectory – on the way to reaching the long-term target of returning >8% EBIT through the cycle

The rebuild following the pandemic has gone according to plan – now, we are in a stronger position to succeed than ever before

Icelandair investment case



Leading carrier in Iceland
– our hub and home

Unique route network with great growth opportunities

Operational excellence and cost optimization

Strong commercial infrastructure and **diverse revenue streams**

Experienced team of employees through decades of operation

Guided by sustainability

Creating long term value

Q&A

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