Q2 2022 results

25 July 2022



Highlights

USD 3.8 million profit delivered in Q2 2022

Significant EBIT improvement year-on-year despite fuel price more than doubling between years

High load factor and yields main drivers for higher EBIT

Total liquidity at USD 463 million



Passenger revenue increased fivefold

75% of 2019 production levels operated

Strong demand in all markets

The VIA market showing clear signs of recovery following lifting of testing requirements



1,000 employees recruited during the quarter

All training and onboarding cost expensed in the quarter

Various innovated steps taken by our employees to mitigate operational challenges at international airports



Accumulated profit expected in the second half of 2022

Strong bookings in all our markets in Q3

Capacity to reach 83% of 2019 in Q3 and 90% in Q4

RASK continues to develop favorably compared to Q2 2022

Operating expenses negatively impacted by high fuel prices

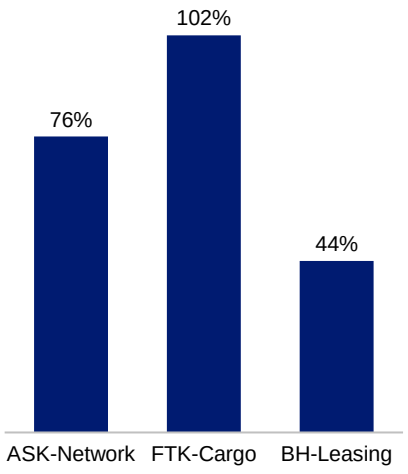
Early bookings for Q4 showing signs of strength

Pent-up demand materializing in Q2

Passenger and cargo operations closing in on pre-pandemic levels

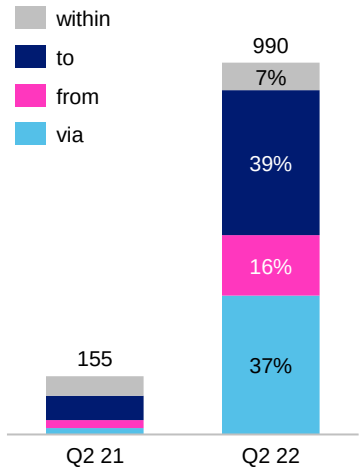
Main KPI‘s

As % of 2019



Passenger mix

Thousands



Freight ton kilometers

FTK ´000



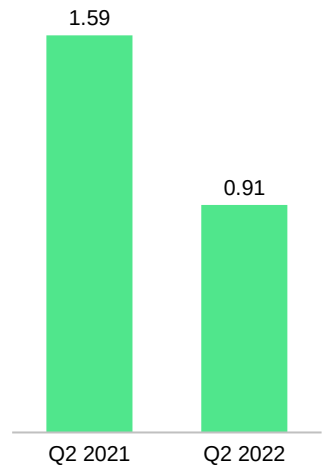
Sold block hours

Leasing operation



CO2 emissions

Per OTK*



OTK* = Operating ton kilometer

Financials

Ívar Sigurður Kristinsson, CFO

Net profit USD 3.8 million

Significant turnaround in EBIT despite fuel prices more than doubling between years

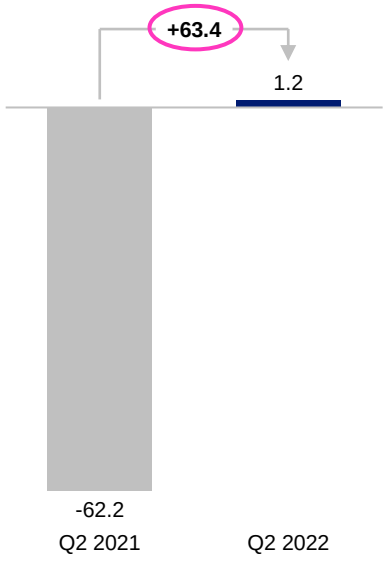
Profit loss statement

USD million

USD million	Q2 2022	Q2 2021	Change
Transport revenue	298.1	56.7	241.4
Aircraft and aircrew lease	13.8	7.8	6.0
Other operating revenue	17.1	13.1	4.0
Operating income	**328.9**	**77.5**	**251.4**
Salaries and other personel expenses	83.9	52.5	31.4
Aviation expenses	156.9	39.0	117.8
Other operating expenses	60.6	22.9	37.7
Operating expenses	**301.3**	**114.5**	**186.9**
Depreciation and amortization	26.4	25.3	1.1
EBIT	**1.2**	**-62.2**	**63.4**
EBIT ratio	**0.4%**	**-80.3%**	**-**
EBT	**2.1**	**-67.9**	**70.1**
Net profit/loss	**3.8**	**-54.9**	**58.7**

EBIT

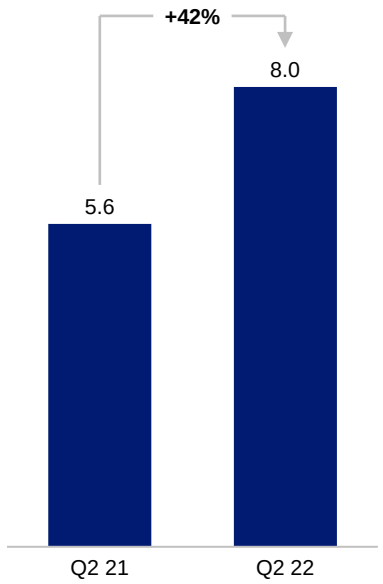
USD million



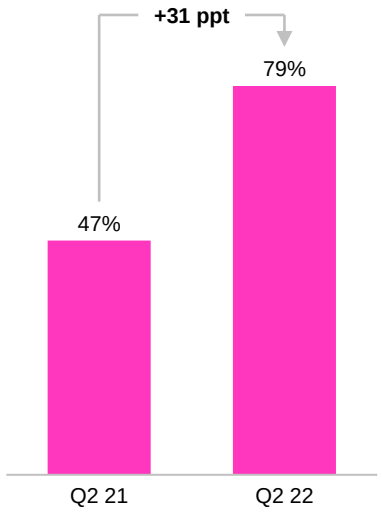
- Strong focus on network planning, revenue- and operations management resulting in turnaround from last year
- Higher load factor and yields
- Lower unit costs due to improved utilization of the company's infrastructure
- Passenger revenue nine folded
- Significant increase in capacity along with training and maintenance activities ahead of the peak season impacted operating expenses
- Steep rise in fuel price (124%) between years negatively affecting results
- Cargo and leasing with important contribution and both businesses profitable

Disciplined network planning and successful revenue management delivering significant RASK increase

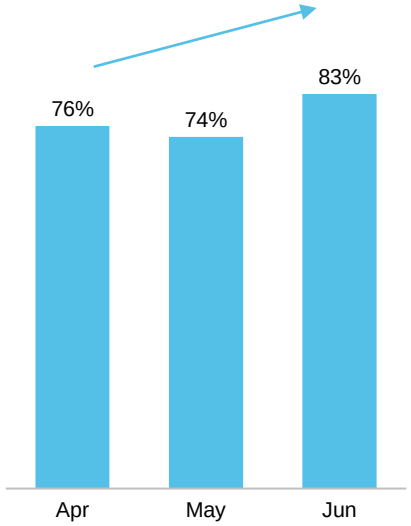
RASK*
US cent



Load factor
% Q2 2021 vs Q2 2022



Load factor Q2 2022
% per month



Main changes in RASK

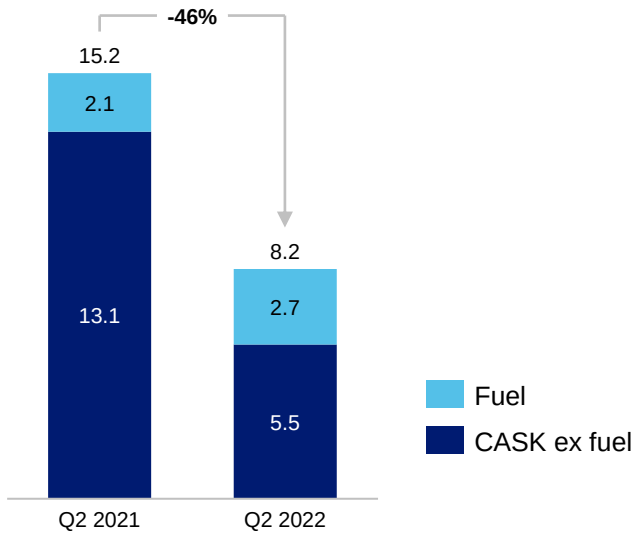
- Pent-up demand materializing
- Efficient network planning resulting in higher RASK
- Successful revenue management delivering higher yields on significantly larger production
- Higher load factor and revenue in Saga Premium

* RASK = Revenue per available seat kilometer

More production and improved utilization of infrastructure driving lower CASK despite 124% increase in fuel price

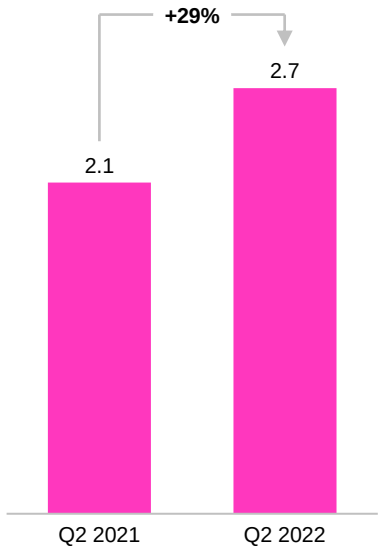
CASK*

US cent



Fuel CASK

US cent



Main changes in CASK

- Production more than doubled compared to Q1 2022 and the increase between years was fivefold
- CASK excluding fuel 58% lower than in Q2 last year
- The B737 MAX fleet had positive effect on fuel expenses and saved USD 21 million in fuel cost compared to the B757's that it has replaced
- Training and maintenance activities in preparation for peak season included in cost

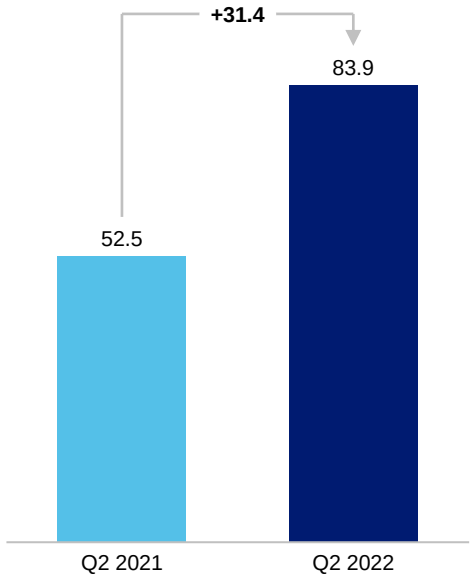
* CASK = Cost per available seat kilometer

Salaries and salary related cost USD 83.9 million

Around 1,000 employees recruited during the quarter

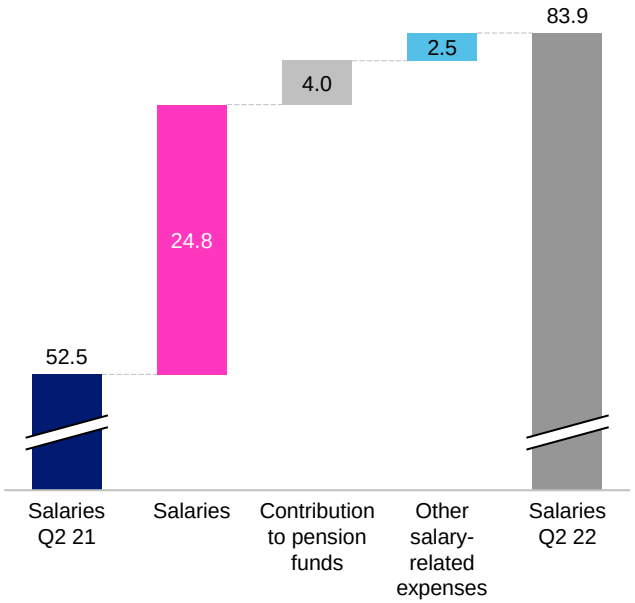
Salaries and related

USD million

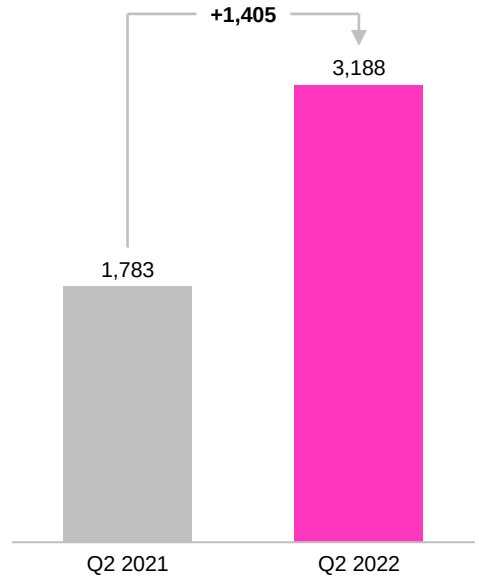


Salary development

USD million



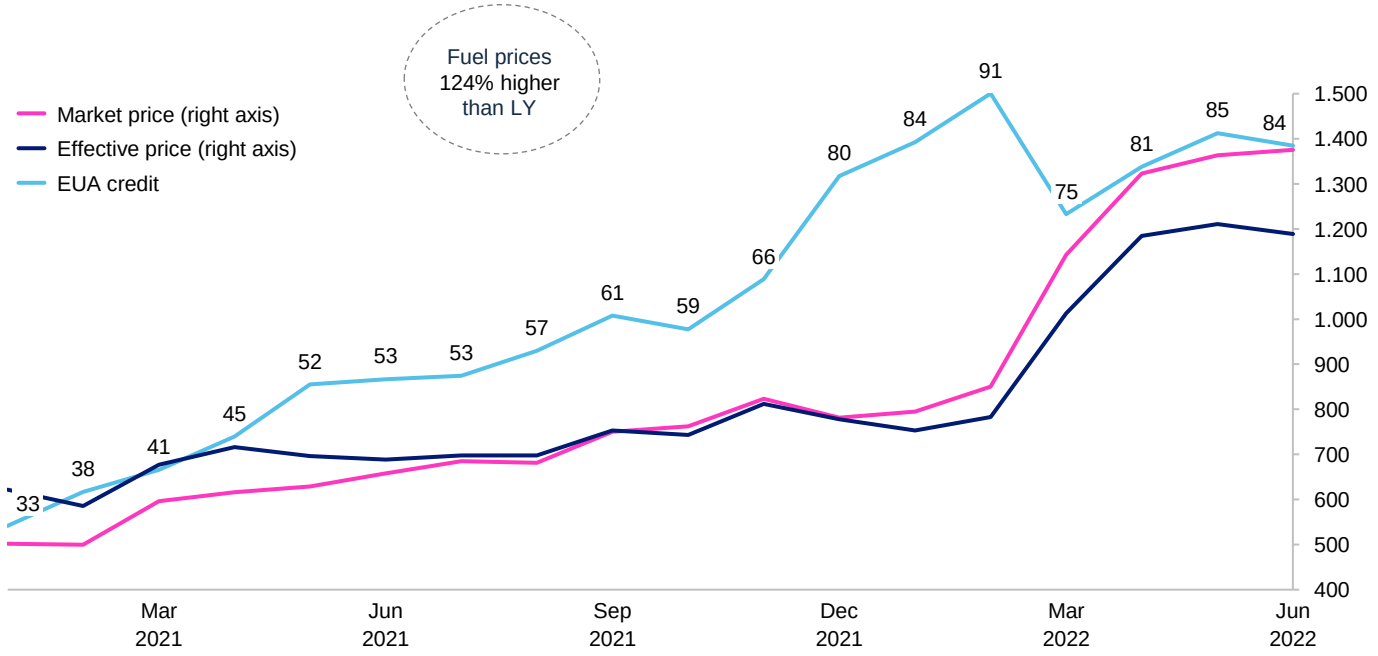
Average number of employees



Higher fuel price and more production main drivers for USD 87 million increase in fuel expenses year-on-year

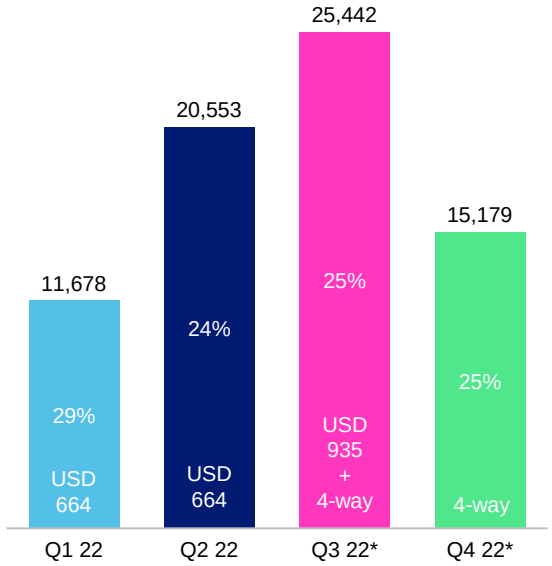
Average Fuel and EUA credit prices

Floating and effective: USD / mt; EUA: EUR / Credit



Hedge contracts and ratios

Overview ton (hedge %, Strike Price USD per mt)



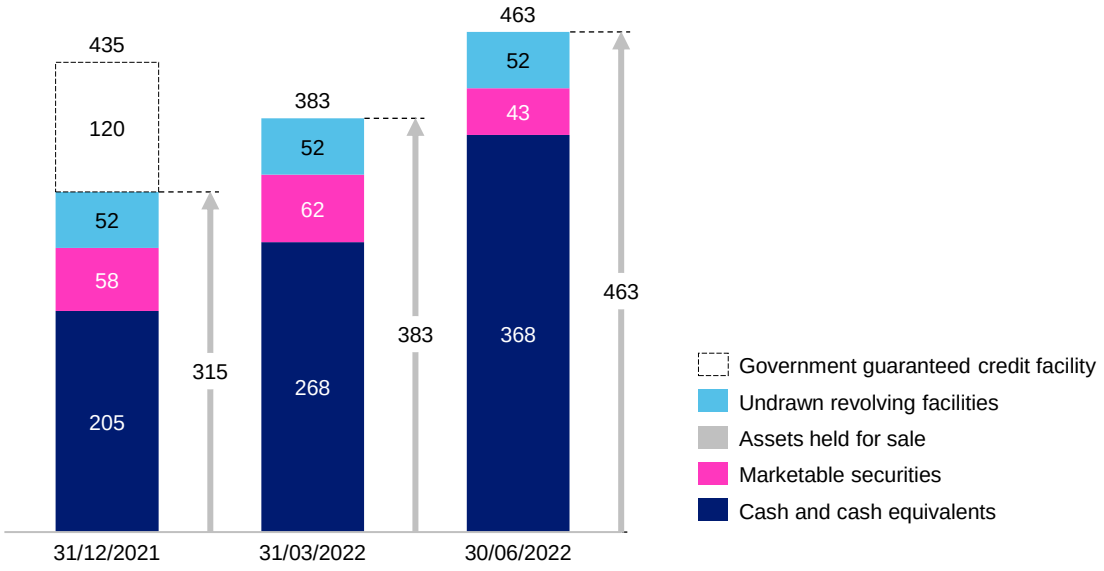
*The 4 way structure provides upside protection from USD 1,300 and downside risk from USD 1,077 per hedged ton.

Total liquidity USD 463 million at the end of Q2 2022

Cash and marketable securities increased by USD 80 million during the quarter

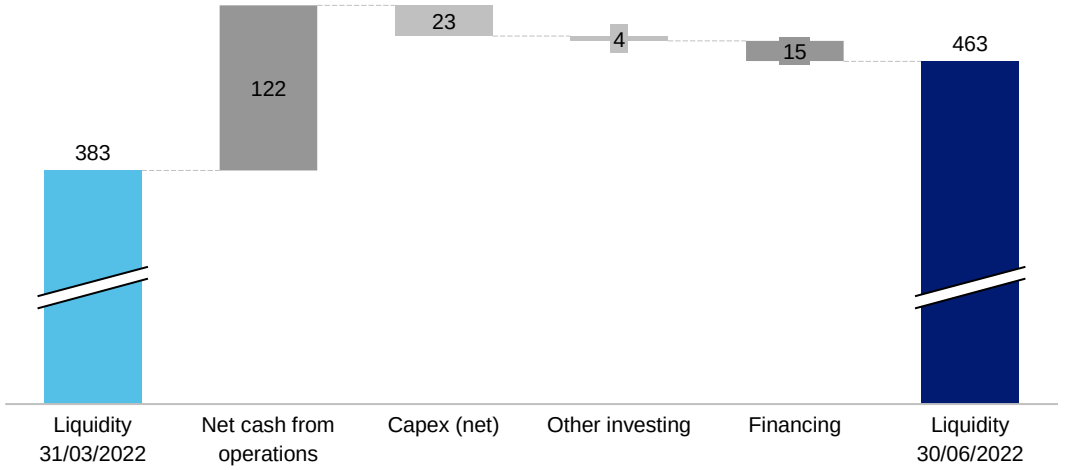
Total liquidity

Breakdown in USD million



Liquidity development

Q2 2022 in USD million

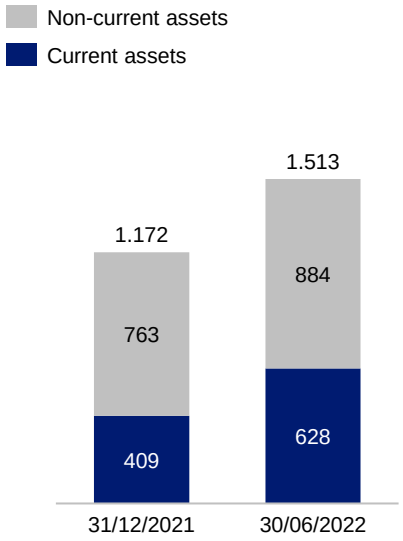


Total assets amounting to USD 1.5 billion

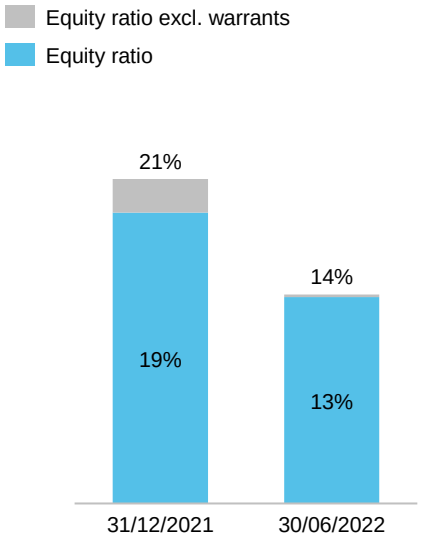
Equity ratio 14%

Assets

USD million

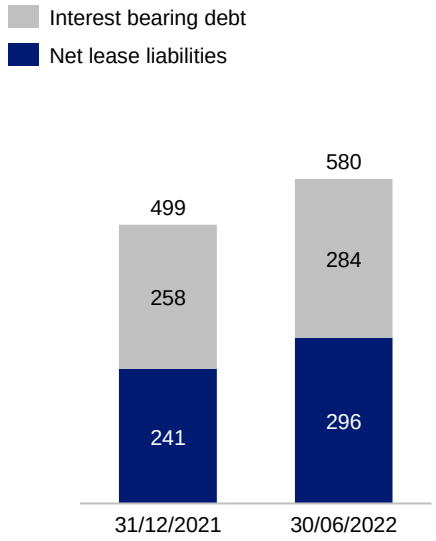


Equity ratio



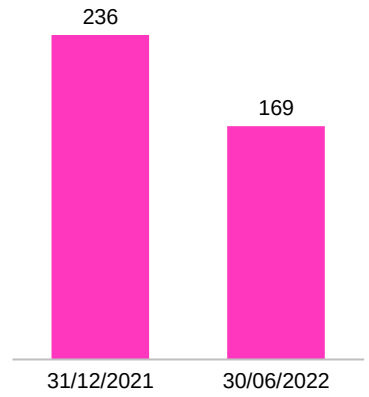
Financial liabilities

USD million



Net financial liabilities

USD million



Financial liabilities : interest bearing debt + net lease liabilities; **Net financial liabilities** = financial liabilities – cash and marketable securities

Business update and outlook

Bogi Nils Bogason, CEO

Icelandair in a good position to respond to challenging conditions at international airports

- Challenging conditions at international airports due to employee shortage at airport operators causing considerable flight disruptions and affecting on-time performance
- These disruptions expected to continue for the remainder of the summer season
- Extensive flight schedule and frequency of flights enables Icelandair to get its passengers quicky and efficiently to their destination
- Innovative actions from employees and their hard work has minimized the impact

Six additional B737 MAX8 aircraft to enter the fleet before end of 2023

Supporting further growth and sustainability targets

Letter of intent signed for four B737 MAX8

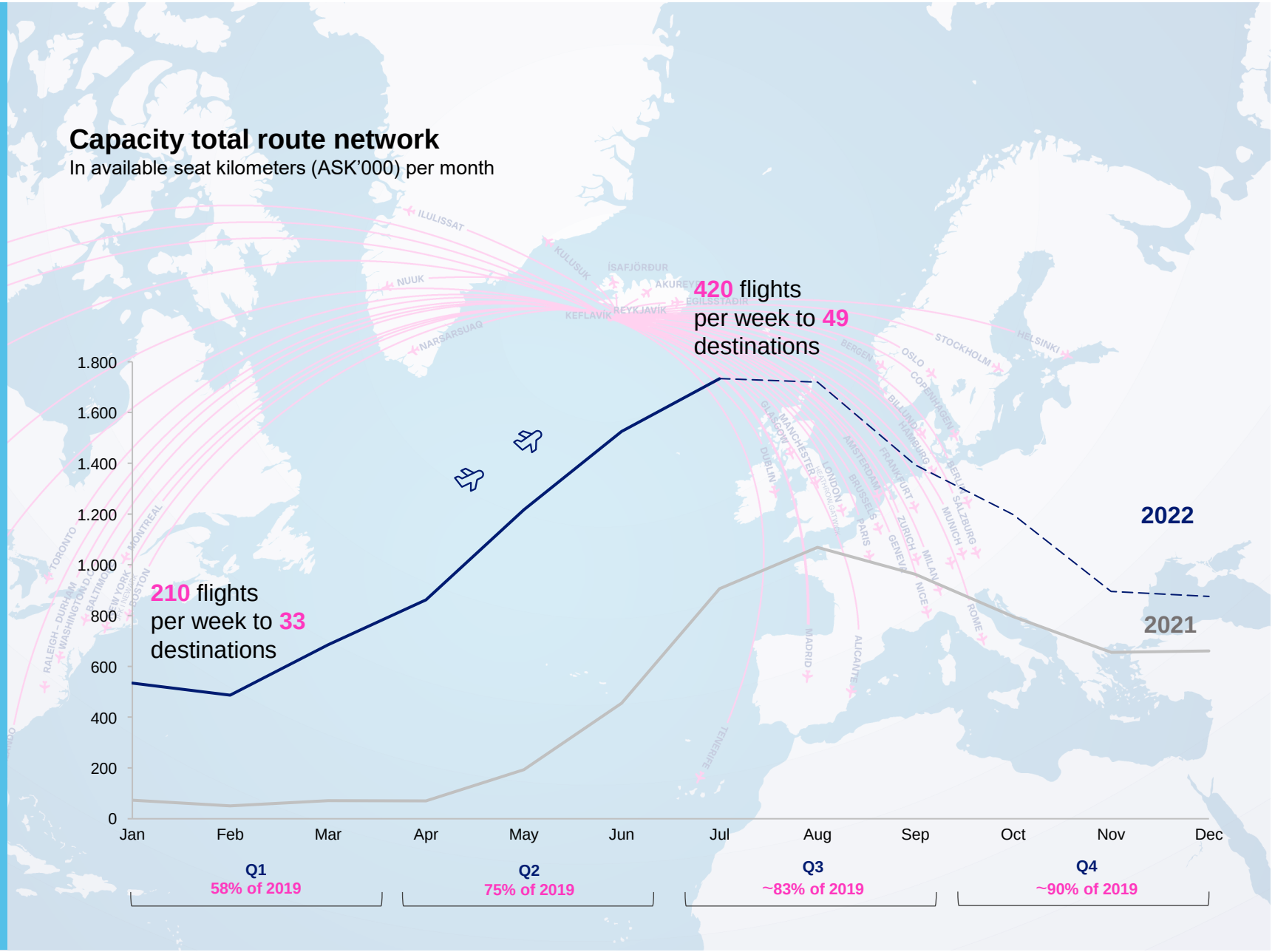
- Scheduled for delivery in fall 2022
- Sale and purchase agreement in progress
- Icelandair is seeking up to 80% debt financing

Lease agreement signed for two B737 MAX8

- Scheduled for delivery in fall 2023

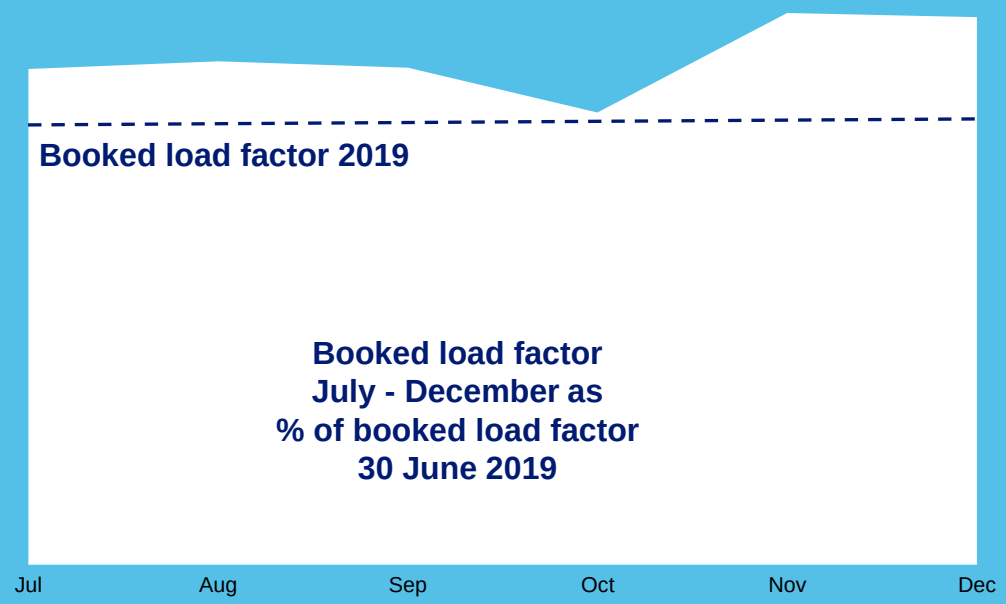


The ramp-up continues with more destinations, higher frequency and diverse departure times throughout each day



Forward bookings strong for the remainder of the year

- Load factor continues to improve in July compared to previous months
- Bookings for Q3 strong
- Clear signs of pent-up demand in all markets
- Healthy Transatlantic market since Covid-test requirements on the US border were lifted
- Booking in Q4 showing signs of strength – geopolitical and economic uncertainty could however impact demand



Good outlook in Cargo and Leasing

Cargo operation

- Cargo operation expected to be profitable for the full year 2022, despite high fuel prices having negative effect on the profitability in the short term
- Capacity will be increased in Q4 with the addition of two B767-300 freighters

Leasing operation

- The near-term outlook for Leasing is good, especially regarding VIP charter projects.
- Leasing operation expected to be profitable in 2022



Accumulated profit expected in second half of the year

- Capacity in the route network expected to reach 83% and 90% in Q3 and Q4 respectively
- Ongoing geopolitical and economic uncertainty into the winter. New Covid waves could also impact demand.
- Q3 performance expected to be significantly stronger compared to 2021
- Accumulated net profit expected for the second half of the year based on current assumptions

Q&A

Disclaimer

- This material has been prepared by Icelandair Group hf. Unless stated otherwise all information is sourced by Icelandair Group hf.
- The circulation of the information contained within this document may be restricted in some jurisdictions. It is the responsibility of the individual to comply with any such jurisdictional restrictions.
- Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Icelandair Group. Past performance should not be viewed as a guide to future performance. Where amounts involve a foreign currency, they may be subject to fluctuations in value due to movements in exchange rates.
- Icelandair Group cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Icelandair Group believes to be reliable. Neither Icelandair Group nor any of its directors or employees can however warrant that all information is correct. Furthermore, information and opinions may change without notice. Icelandair Group is under no obligation to make amendments or changes to this presentation if errors are found or opinions or information change. Icelandair Group accepts no responsibility for the accuracy of its sources or information provided herein and therefore can neither Icelandair Group nor any of its directors or employees be held responsible in any way for the contents of this document.
- This document must not be construed as investment advice or an offer to invest.
- Icelandair Group is the owner of all works of authorship including, but not limited to, all design, test, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Icelandair Group´s material, works or trademarks is forbidden without written consent except where otherwise expressly stated.
- Furthermore, it is prohibited to publish, copy, reproduce or distribute further the material made or gathered by Icelandair Group without the company‘s explicit written consent.