STRONG CARGO PERFORMANCE AND FOCUS ON DISCIPLINED NETWORK MANAGEMENT AND COST CONTROL

- Operations still heavily impacted by COVID-19 with Icelandair's capacity down by 92% in Q1 2021
- Total revenue USD 57.3 million decreasing by 73%
- Strong cargo revenues, up by 64%, and freight volumes exceeded pre-COVID levels
- Charter and leasing services through Loftleidir-Icelandic generated important revenue streams for the Group
- EBIT negative of USD 46.2 million compared to negative EBIT of USD 208.5 million last year
- Net loss USD 30.1 million compared to USD 240.2 million in Q1 2020
- Equity ratio adjusted for temporary effects of warrants; 23% compared to 25% at the beginning of the year
- Total liquidity USD 281.9 million, thereof cash and marketable securities USD 109.9 million
- Full integration of Air Iceland Connect with Icelandair completed successfully in March resulting in estimated annual cost synergies of about USD 3 million along with further revenue potential from Icelandair's brand, distribution and network effects
- Bookings in the international route network for Q2 2021 are still weak, impacted by COVID-19 and travel restrictions in key markets
- Moderate ramp-up expected to start in Q2, further capacity increases expected from Q3 2021 and given the current booking status the outlook for Q4 2021 is good
- Following its marketing campaigns, Icelandair is experiencing strong interest for travel to Iceland from the US, subsequently opening up opportunities for the VIA market as soon as Europe opens
- Good outlook for the cargo operation
- Due to continued uncertainty the Company will not provide a financial guidance

BOGI NILS BOGASON, PRESIDENT & CEO

„Our focus on disciplined network management and tight cost control coupled with strong performance of our cargo operation has resulted in acceptable financial results given the heavy impact of the COVID-19 pandemic. Our domestic operation is showing signs of recovery and we believe that its integration into our international operations, completed in the quarter, will result in a stronger and more streamlined airline as well as improved services to our customers.

Despite the prolonged negative impact of the pandemic over the past weeks, we are optimistic that we will be able to start a moderate ramp-up from minimum operations in the second quarter with further capacity increases expected in the third quarter. The progress of vaccinations, especially in certain markets, such as the US, and potential lifting of travel restrictions for vaccinated travelers in Europe are positive steppingstones towards the recovery of air travel.

We see great opportunities for Iceland as a tourist destination when markets open again and the recent and ongoing volcanic eruption close to Keflavik International Airport has further added to Iceland's visibility internationally. With robust infrastructure and our agile and flexible approach to route network management, we are prepared for a quick and efficient ramp-up as soon as the situation improves. In addition, our Boeing 737 MAX aircraft that we have now re-introduced into our fleet will further strengthen our route network and provide us with opportunities when it comes to efficiency, environmental performance and new markets.

Furthermore, the outlook for our cargo operation continues to be favorable. With recent investments in our cargo fleet we aim to increase the cargo capacity in our markets and at the same time strengthen Iceland as a cargo hub between continents in a similar way that our passenger hub provides attractive connections between Europe and North America.

We are in a strong position to manage the continued uncertainty and prepared to seize the opportunities ahead thanks to our outstanding employees, their great work and dedication."

WEBCAST 30 APRIL 2021

An investor presentation will be webcast in relation to the publication of the results at 8:30 a.m. on Friday, 30 April 2021, at http://icelandairgroup.is. Bogi Nils Bogason, President & CEO of Icelandair Group, and Eva Soley Gudbjornsdottir, Group CFO, will present the Company's results and answer questions. The presentation and Q&A will take place in Icelandic. The presentation will be available after the meeting on the Icelandair Group website: http://icelandairgroup.is and under Company News on: http://www.nasdaqomxnordic.com/news/companynews

KEY INDICATORS

		Q1 2021	Q1 2020	Change
Operating results				
Total revenue	USDk	57,328	208,981	-151,653
Total operating cost excl. depreciation	USDk	75,380	257,585	-182,205
EBIT	USDk	-46,210	-208,476	162,266
EBT	USDk	-40,162	-264,357	224,195
Net loss	USDk	-30,100	-240,225	210,125
Balance sheet and cash flow[1]				
Total assets	USDk	971,639	1,034,238	-62,599
Total equity	USDk	209,103	232,809	-23,706
Interest bearing debt	USDk	257,231	263,588	-6,357
Net interest bearing debt	USDk	147,322	104,218	43,104
Net lease liabilities	USDk	123,770	133,894	-10,124
Net interest bearing debt and lease liab.	USDk	271,092	238,112	32,980
Net cash to operating activities	USDk	-45,294	77,380	-122,674
CAPEX	USDk	8,399	27,979	-19,580
Key Ratios				
EPS	US cent	-0.10	-4.26	4.16
Equity ratio	%	22%	23%	-0.5 ppt
Equity ratio excluding warrants	%	23%	25%	-2.0 ppt
EBIT ratio	%	-80.6%	-100.0%	19.4 ppt
RASK[2]	US cent	7.3	5.8	1.5
CASK[2]	US cent	33.6	10.1	23.5
Traffic figures				
Passengers	no.	66,251	603,739	-89%
Passenger load factor	%	34.7%	71.4%	-36.7 ppt
Available seat-kilometers (ASK)	mill	195,413	2,317,541	-92%
ASK as % of 2019 capacity	%	6.7%	79.4%	-72.7 ppt
Revenue seat-kilometers (RPK)	mill	67,782	1,654,735	-96%
On-Time-Performance	%	86.0%	81.0%	5.0 ppt
Freight tonne-kilometers (FTK)	k	33,694	30,082	12%
Sold charter block hours	no.	3,224	7,058	-54%
Employees				
Average number of employees	no.	1,514	3,240	-53%

[1] Comparison figures for balance sheet are 31.12.2020 [2] RASK: Revenue and CASK: Cost per ASK is Icelandair total including domestic operation from 16 March 2021

FIRST QUARTER OPERATIONS

Icelandair Group continued to focus on minimizing cash burn to safeguard its strong financial and liquidity position, but at the same time taking actions to remain prepared for efficient ramp-up as soon as markets recover. New COVID-19 variants and tightening of travel restrictions in key markets resulted in continued minimum operations in most segments of Icelandair Group. Disciplined network management and tight cost control had a positive impact on operations and cash burn. Cargo operation was strong with freight revenues 64% above last year and over pre-COVID levels, despite the drop of belly hold capacity in the passenger network of Icelandair.

Results improved significantly between years. EBIT was negative of USD 46.2 million, compared to a negative EBIT of USD 208.5 million in Q1 2020. EBT was negative of USD 40.2 million compared to a negative EBT of USD 264.4 million at the same time last year. It should however be noted that a goodwill impairment of USD 116.2 million and a negative trend in the value of fuel hedges amounting to USD 51.0 million had significant negative impact on results in Q1 2020.

SEGMENT OVERVIEW

	Icelandair		Other entities		Total	
USD thousand	Q121	Chg. Q120	Q121	Chg. Q120	Q121	Chg. Q120
Total revenue	45,001	-103,498	12,327	-48,155	57,328	-151,653
EBIT	-44,049	118,149	-2,161	44,117	-46,210	162,266
EBT	-37,925	176,954	-2,237	47,241	-40,162	224,195

Icelandair

The total capacity of Icelandair decreased by 92% year-on-year with a corresponding 89% drop in the number of passengers. The integration of Air Iceland Connect was completed in the quarter and the first domestic flight under the Icelandair brand took place on 16 March. The domestic operation is showing signs of recovery with capacity increasing by 5% between years and the capacity being 73% of 2019 volumes in the quarter. New COVID-19 variants and tightening of travel restrictions in key markets continued to affect the international route network, whereby the capacity decreased by 92% and the number of passengers by 96% between years. In March, the Boeing 737 MAX was reintroduced to service following all necessary updates and training. Based on the operational experience the capabilities of the aircraft in the route network of Icelandair both regarding fuel efficiency and possible range will exceed previous expectations.

The cargo operation was strong in the quarter, with Freight Ton-Kilometers (FTK) increasing between years by 12% and above pre-COVID levels. Due to decreased capacity in the Icelandair route network, most of the freight volume is now transported with cargo aircraft. In the first quarter, 82% of freight volumes were carried on freighter flights compared to 38% in Q1 last year. The increase in FTK between years is driven by more export to the US, mainly salmon products. Transit freight between Europe and N-America has also increased between years. The share of transit freight as percentage of total freight is 5% in Q1 2021 compared to 2% in Q1 2020. In March, Icelandair Group announced that the Company had entered a sale and leaseback agreement of two Boeing 767-300ER aircraft that will be converted into freighters. The aim is to increase the capacity in the Company's markets, as well as strengthen Iceland as a hub for cargo between continents in a similar way as the passenger hub that provides attractive connections between continents.

Other entities

Revenues of Loftleidir-Icelandic decreased by 59% year-on-year due to the negative effect of COVID-19 on the demand. Sold block hours decreased by 54% between years. Despite this dramatic drop in demand, the results in Q1 improved compared to Q1 last year. Loftleidir holds 36% ownership in Cabo Verde airlines. The airline reached an agreement as a first step of its financial restructuring in the quarter. This agreement includes access to a USD 15 million bank facility, restructuring of debt and improved aircraft leasing arrangements.

VITA, Icelandair Group's outbound tour operator faced around 86% drop in revenue but was able to increase contribution before fixed cost between years. Revenue of Iceland Travel, the inbound tour operator, decreased by 98% compared to Q1 last year. A process was initiated in February to sell the company. The decision is in line with the Group's strategy to focus on its core business, aviation and related services. The sales process is currently ongoing and the Company expects to reach an agreement with a potential buyer in Q2 2021.

REVENUE AND EXPENSES

The results of this quarter continued to be significantly affected by the negative impact of COVID-19 on the operations of Icelandair Group as in the previous year. All material deviations between years are directly related to the adverse effects of the pandemic.

Revenue

Total revenue was down by 73% and amounted to USD 57.3 million, as compared to USD 209.0 million in Q1 2020. **Transport revenue** amounted to USD 35.6 million, down by 75%. **Passenger revenue** amounted to USD 11.2 million and decreased by 90%. At the same time, total capacity decreased by 92% and the number of passengers was down by 89%. **Cargo revenue** was strong and increased by 64% compared to Q1 2020 and amounted to USD 21.8 million. Cargo volume increased by 12% between years, mainly driven by more export to the US. Transport cargo between Europe and N-America increased also compared to last year. **Revenue from aircraft and aircrew lease** amounted to USD 11.0 million and decreased by 59%. **Other operating revenue** was USD 10.8 million, as compared to USD 38.3 million. The decrease in **sale in hotels and airports** is primarily due to the divestment of Icelandair Hotels. **Revenue from tourism** was down due to a drastic drop in demand as a result of COVID-19 and related travel restrictions. **Other operating revenue** amounted to USD 3.3 million.

USD thousand	Q1 2021	Q1 2020	Change	% Change
Transport revenue:	**35,556**	**144,006**	**-108,450**	**-75%**
Passengers	*11,195*	*116,532*	*-105,337*	*-90%*
Passenger ancillary revenue	*2,566*	*14,183*	*-11,617*	*-82%*
Cargo	*21,795*	*13,291*	*8,504*	*64%*
Aircraft and aircrew lease	**11,009**	**26,695**	**-15,686**	**-59%**
Other operating revenue:	**10,763**	**38,280**	**-27,517**	**-72%**
Sale in hotels and airports	*259*	*12,176*	*-11,917*	*-98%*
Revenue from tourism	*987*	*14,931*	*-13,944*	*-93%*
Aircraft and cargo handling services	*3,743*	*5,194*	*-1,451*	*-28%*
Sale profit of operating assets	*2,496*	*3*	*2,493*	*-*
Other	*3,278*	*5,979*	*-2,701*	*-45%*
Total	**57,328**	**208,981**	**-151,653**	**-73%**

Expenses

Operating expenses excluding depreciation amounted to USD 75.4 million and decreased by 71%. **Salaries and salary-related** expenses amounted to USD 35.3 million, down by 56%. The average number of full-time employees was 1,514 in Q1 2021 compared to 3,240 in Q1 2020. **Aviation expenses** amounted to USD 21.4 million, down by USD 69.2 million due to less capacity. **Other operating expenses** amounted to USD 18.7 million, down by USD 67.8 million. A further breakdown of aviation cost and other cost is stated in the table below.

USD thousand	Q1 2021	Q1 2020	Change	% Change
Salaries and salary related expenses	**35,290**	**80,525**	**-45,235**	**-56%**
Aviation expenses	**21,395**	**90,581**	**-69,186**	**-76%**
Aircraft fuel	*7,848*	*51,557*	*-43,709*	*-85%*
Aircraft lease	*191*	*424*	*-233*	*-55%*
Aircraft handling, landing and communication	*4,468*	*20,737*	*-16,269*	*-78%*
Aircraft maintenance expenses	*8,888*	*17,863*	*-8,975*	*-50%*
Other operating expenses	**18,695**	**86,479**	**-67,784**	**-78%**
Operating cost of real estate and fixtures	*1,150*	*3,343*	*-2,193*	*-66%*
Communication	*4,070*	*6,665*	*-2,595*	*-39%*
Advertising	*1,892*	*4,398*	*-2,506*	*-57%*
Booking fees and commission expenses	*494*	*20,643*	*-20,149*	*-98%*
Cost of goods sold	*192*	*1,990*	*-1,798*	*-90%*
Customer services	*1,066*	*12,117*	*-11,051*	*-91%*
Travel and other employee expenses	*2,102*	*10,262*	*-8,160*	*-80%*
Tourism expenses	*22*	*5,948*	*-5,926*	*-100%*
Allowance for bad debt	*1,044*	*12,294*	*-11,250*	*-92%*
Other operating expenses	*6,663*	*8,819*	*-2,156*	*-24%*
Total	**75,380**	**257,585**	**-182,205**	**-71%**

Total RASK (revenue per available seat kilometer) in the first quarter 2021 was 7.3 US cent compared to 5.8 US cent in the first quarter 2020. **Total CASK** (cost per available seat kilometer) was 33.6 US cent in the first quarter 2021 compared to 10.1 US cent in the first quarter 2020. It should be noted that the year-on-year comparison of RASK and CASK figures is skewed due to the significant COVID-19 related drop in capacity. The operations of Air Iceland Connect are included in RASK and CASK from 16 March 2021.

Net finance income

Net finance income amounted to USD 7.5 million in Q1 2021 compared to net finance expenses of USD 56.6 million in Q1 2020. Due to share price decrease in the quarter, positive change in the fair value of warrants amounted to USD 9.6 million. A further breakdown of net finance income is stated in the table below.

USD thousand	Q1 2021	Q1 2020	Change	% Change
Finance income	323	859	-536	-62%
Finance costs	-2,768	-3,524	756	-21%
Interest on Pre-Delivery Payments	0	-12,542	12,542	-
IFRS16	-1,336	-3,334	1,998	-60%
Changes in fair value of warrants	9,599	0	9,599	-
Changes in fair value of derivatives	0	-51,007	51,007	-
Foreign exchange profit/loss	1,695	12,969	-11,274	-87%
Total	**7,513**	**-56,579**	**64,092**	**-**

FINANCIAL POSITION

Total assets amounted to USD 971.6 million, decreasing from USD 1,034.2 million at year-end 2020. Thereof, operating assets amounted to USD 472.4 million compared to USD 498.4 million at year-end 2020. The reduction in operating assets includes sale of engine and one B757-200 aircraft amounting to USD 11.8 million in the quarter. Cash and marketable securities including assets held for sale totaled USD 109.9 million, decreasing by USD 49.5 million from the beginning of the year.

Total equity amounted to USD 209.1 million at the end of Q1 2021. Equity ratio at the end of March was 22% compared to 23% at the beginning of the year. When excluding the temporary balance sheet effects of warrants, the equity ratio was 23%.

Interest-bearing debt amounted to USD 257.2 million, down by USD 6.4 million from the beginning of the year. **Net interest-bearing debt, excluding net lease liabilities**, amounted to USD 147.3 million, and **net lease liabilities** amounted to USD 123.8 million.

USD thousands	31.03.2021	31.12.2020	Change
Loans and borrowings	*257,065*	*263,588*	*-6,523*
Loans and borrowings held for sale	*166*	*0*	*166*
Interest-bearing debt	**257,231**	**263,588**	**-6,357**
Cash and marketable securities	*109,458*	*159,370*	*-49,912*
Cash held for sale	*451*	*0*	*451*
Net interest-bearing debt	**147,322**	**104,218**	**43,104**
Net lease liabilities	*122,981*	*133,894*	*-10,913*
Lease liabilities held for sale	*789*	*0*	*789*
Net lease liabilities	**123,770**	**133,894**	**-10,124**
Net interest-bearing debt and liabilities	**271,092**	**238,112**	**32,980**

Liquidity position

Cash and marketable securities, including assets held for sale, amounted to USD 109.9 million at 31 March and decreased by USD 49.5 million in the quarter. Net cash to operations amounted to USD 45.3 million in the quarter. Thereof, negative changes in working capital amounted to USD 18.1 million and changes in net working capital, including refunds, amounted to USD 23.3 million. Refunds to customers have significantly decreased in the first quarter, compared to the fourth quarter of 2020. This is in line with expectations as the Company successfully completed the processing of the heavy COVID-related refund volumes by late year 2020. Cash outflow in relation to refunds totaled approx. USD 2 million in Q1 2021 and are included in changes in net working capital.

Cash used in investing activities totaled USD 11.0 million, whereof capex amounted to USD 8.4 million. Total cash used in financing activities in Q1 2021 amounted to USD 7.9 million. In January, the Company rendered a compulsory prepayment of USD 6.7 million on a loan related to the sale of its head offices.

At the end of the quarter, the Group had undrawn committed credit lines in the amount of USD 52.0 million. In addition, the Group has access to a USD 120 million back-stop credit facility from two domestic banks which is 90% guaranteed by the Icelandic Government.

USD thousand	Q1 2021	Q1 2020	Change	Q4 2020
Cash and cash equivalents	53,466	213,619	-160,153	117,657
Cash and cash equivalents in assets held for sale	451	4,920	-4,469	0
Marketable securities	55,992	0	55,992	41,713
Undrawn revolving facilities	52,000	62,500	-10,500	52,000
Government guaranteed credit facility	120,000	0	120,000	120,000
Total liquidity position	**281,909**	**281,039**	**870**	**331,370**
Net cash to/from operating activities	-45,294	77,380	-122,674	-78,485
Capex	8,399	27,979	-19,580	7,845

PROSPECTS

Acceleration of vaccinations and lifting of travel restrictions key for recovery
The progress of vaccinations in some of **Icelandair's international** markets and the fact that Icelandic authorities have announced the opening of the Icelandic borders to fully vaccinated travelers both within and outside Schengen have had a positive impact on Icelandair's booking inflow. These travelers are subject to one negative PCR test upon arrival in Iceland and will only have to quarantine for a few hours until receiving the test results. The Icelandic government has also announced that domestic gathering restrictions will be lifted gradually in Iceland as vaccinations progress. The current assumption is that 75% of the Icelandic population will have received at least the first vaccination dose before by the end of June 2021 and subsequently all domestic COVID restrictions will be lifted.

During the last four weeks, the bookings in the international route network have more than doubled compared to the previous four weeks. Following its marketing campaigns, Icelandair is experiencing strong interest from travelers from the United States to travel to Iceland and bookings from various gateways in the US have increased in the last few weeks. Bookings from Icelandair's European markets are currently slower but expected to increase when the status of the pandemic improves and vaccinations progress. With the strongly increasing demand from the US, the company is well positioned for a quick and efficient ramp-up. Additionally, with the expected opening of Europe to vaccinated US travelers, the VIA market is promising. Icelandair expects to start a moderate ramp-up in the second quarter with Tenerife as a new destination from the beginning of May and also resuming flights to New York, Seattle, Chicago, Denver, Washington and Munich in May. In June, Icelandair expects to resume flights to various additional destinations. Further increase in production is expected in the third quarter 2021 and the outlook for bookings in Q4 2021 is good.

The booking status of **Icelandair's domestic** flights is generally dependent on the development of the domestic COVID-19 restrictions that are in place at any given time. Given that the status of the pandemic will continue to improve in Iceland, the outlook for Icelandair's domestic flights is favorable and expected to have reached 2019 capacity levels by June 2021. The integration of Air Iceland Connect and Icelandair was successfully completed in Q1 2021 resulting in estimated annual cost synergies of about USD 3 million using the year 2019 as a basis. In addition, increased revenues are also expected in the coming years from fully leveraging the strength of Icelandair's brand and international distribution setup along with a tighter integration of the international, regional and domestic networks to drive increased traffic.

Infrastructure in place when markets re-open
The focus of Icelandair Group has been on preserving cash but at the same time be well prepared to ramp-up efficiently as soon as demand improves. Icelandair closely monitors the situation in its key markets and has the operational flexibility to rapidly increase the frequency and destinations in the route network to match demand.

The Icelandair fleet available for the international route network this summer will comprise a total of 28 aircraft. Four Boeing 767 aircraft which will be used on destinations with high cargo demand and 15 Boeing 757 aircraft on other destinations. Three new MAX aircraft are expected to be delivered in the spring of 2021 in addition to the six Boeing 737 MAX aircraft already in Icelandair's fleet. New calculations based on operational experience underscore the great capabilities of the aircraft in the route network of Icelandair, both regarding fuel efficiency and payload-range capabilities, creating new opportunities in Icelandair's network.

Favorable outlook for Icelandair Cargo

The outlook for Icelandair Cargo is favorable and the freight volumes have regained pre-COVID levels. Most of the freight will continue to be transported with freighters until the capacity in the Icelandair route network has somewhat recovered. The Company has entered an agreement regarding the sale and leaseback of two Boeing 767-300ER aircraft that will be converted into freighters. These aircraft carry around 50% more freight than the company's current two B757-200 freighters and fit well into the fleet and network of Icelandair Group. The aim is to increase the capacity in the company's markets, as well as strengthen Iceland as a hub for cargo between continents in a similar way as Icelandair's passenger hub that provides attractive connections between continents. The aircraft will be introduced into the fleet in September 2022.

Increased interest for charter flights

Loftleidir Icelandic is experiencing increased interest from its markets and expects improved demand for charter flights in the second half of the year. Its operations will, however, continue to be affected by the pandemic and it will take some time until pre-COVID levels will be reached. **VITA**, Icelandair Group's outbound tour operator is expecting rather weak demand in Q2 2021 but is optimistic for the second half of the year, especially from September and onwards for city breaks, holidays in the sun and special tours. A sales process was initiated in February for **Iceland Travel**, the inbound tour operator of Icelandair Group. The decision is in line with the Group's strategy to focus on its core business, aviation and related services. The sales process is currently ongoing and is expected to be concluded in Q2 2021.

Post-COVID outlook

Market research across Icelandair's key markets indicates that Iceland will continue to be an attractive tourist destination post-COVID. The country's small population, spaciousness and untouched nature are seen as positive attributes in wake of the pandemic. In addition, the recent and ongoing volcanic eruption close to Keflavik International Airport, which poses no immediate threat to populated areas or air travel, has increased Iceland's visibility internationally and will, without a doubt add to Iceland's attraction as a tourist destination. Furthermore, changes in the global competitive landscape are likely to rationalize capacity across the North Atlantic, creating opportunities for Icelandair's business model, both to and from Iceland and by connecting Europe and North America.

EVENTS AFTER REPORTING PERIOD

Sale of one Boeing 757-200 to be finalized in Q2 2021

Early in Q4 2020, the Company entered into an agreement to sell three of its Boeing 757-200 aircraft. Two have been delivered against payments, one in December 2020 and one in March 2021 and the last one will be delivered in Q2 2021. The sale enhances the Company's longer-term cost base and operations through decreased operational cost.

Finalizing the sale of the remaining 25% share in Icelandair Hotels

The Company reached an agreement in February with its co-owner Berjaya Property Ireland Limited on the sale of its remaining 25% equity share in Icelandair Hotels. The shares are expected to be delivered in Q2 2021 following fulfillment of all conditions precedent. Following the transaction, Icelandair Hotels will work on rebranding its hotels and eventually cease usage of the Icelandair trademark.

INFORMATION

Investors: Íris Hulda Þórisdóttir, Director of Investor Relations. E-mail: iris@icelandairgroup.is
Media: Ásdís Pétursdóttir, Director of Communications. E-mail: asdis@icelandair.is

FINANCIAL CALENDAR

- **Q2 2021 results – 22 July, 2021**
- **Q3 2021 results – 21 October, 2021**
- **Q4 2021 results – 3 February, 2022**