

Icelandair

Annual and Sustainability Report 2025



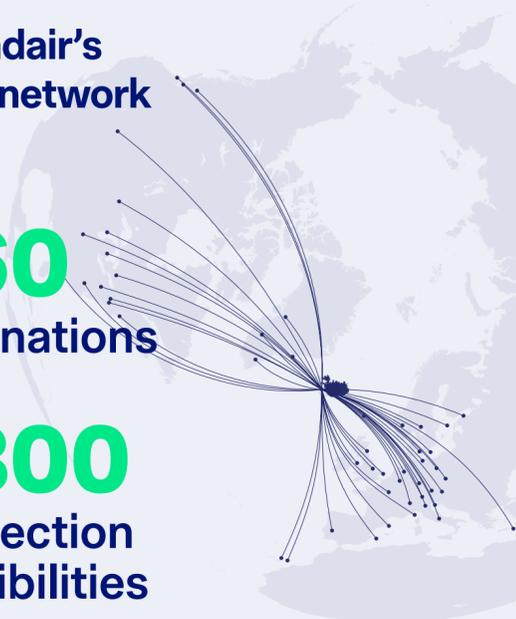
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This is Icelandair

With Iceland as our hub and home, the heart of our business model is the international route network and the unique location of Iceland which serves as a connecting hub between Europe and North America. We serve four markets – To, From, Via, and Within Iceland – and also run both cargo and aircraft leasing services that complement and further strengthen our core network operations.

<p>Businesses Route network Cargo & Leasing operations</p> <hr/> 	<p>Long-term target</p> <p>8% EBIT</p>	<p>Net loss 2025</p> <p>\$9.5m</p> <p>2024: - 20.2m</p>	<p>52 aircraft</p> 	<p>Av. full-time employees</p> <p>3,520</p> <p>2024: 3,575</p> 
<p>Diverse shareholder base</p> <hr/> <p>~13,200 shareholders</p> <p>Bain Capital largest shareholder with 17.2% shareholdings</p>	<p>Assets YE 2025</p> <p>\$1.86bn</p> <p>YE24: 1.66bn</p>	<p>Total liquidity YE 2025</p> <p>\$458m</p> <p>YE24: 347m</p>	<p>Icelandair's route network</p> <p>+60 destinations</p> <p>+800 connection possibilities</p> 	<p>Transforming for the future</p> <p>>560 Ideas scheduled for implementation</p> <p>233 Initiatives successfully implemented</p> <p>+USD 100m Annual impact when fully implemented</p>
<p>Vision</p> <hr/> <p>to bring the spirit of Iceland to the world</p>				

Icelandair

Letter to our shareholders

- Chairman and CEO's address
- Shareholder information



Transforming for the future

In 2025, we generated record revenue, transported more than five million passengers for the first time in our history, and at the same time achieved a record load factor. We also delivered outstanding on-time performance, placing us among the most punctual airlines in Europe, which contributes to good customer experience. We significantly strengthened our position as the leading hub carrier at Keflavík airport and continued to drive operational efficiencies and improved productivity under our transformation program. Furthermore, the profitability in our cargo and leasing businesses improved year on year.

On the right track despite volatile external environment

We made considerable progress during 2025, driving operational improvements and strengthening the underlying business, despite significant challenges in our external environment. Geopolitical developments led to a depreciation of the US dollar, which negatively impacted our profit margins, affected the demand to Iceland from North America, our biggest market, and had a negative impact on revenue generation in the transatlantic market. In addition, the unsustainable contractual wage development in Iceland has significantly outpaced that in our neighboring countries, which remains challenging for export companies with revenues largely in foreign currencies. On top of that, environmental compliance costs more than doubled between years.

Addressing challenges head-on

We are addressing these challenges head-on and will continue to make the necessary changes to improve our financial performance. Since we started our transformation program, more than 500 initiatives have been

identified, with 233 already implemented, including 198 in 2025, across both cost and revenue areas. The program delivered an actual impact of around USD 70 million in 2025. When fully realized, these actions are expected to generate more than USD 100 million in annual impact. The key objective of the transformation program is to improve the competitiveness of the Company now and for the future.

Important to ensure the competitiveness of Iceland

At the same time, the Icelandic government must ensure the competitiveness of Iceland with a predictable operating environment, and by defending Iceland's interests within the EU regulatory environment. Icelandair plays a vital role for Icelandic economy and society. Strong air connectivity is a key infrastructure that supports economic growth, tourism, exports, and foreign investment, especially for an island nation where other transportation options are limited. Our international connectivity thereby contributes to the quality of life in Iceland while delivering value to our customers, shareholders, employees, and society as a whole.



Guðmundur Hafsteinsson, Chairman and Bogi Nils Bogason, President and CEO.

Continued focus on sustainability

Monitoring and communicating the positive economic and social impacts of aviation in Iceland are part of our sustainability efforts where we focus on environmental, social, and governance factors. Climate action remains a key sustainability focus and our extensive fleet renewal program and focus on fuel efficiency have resulted

in 22% reduction of our carbon emissions per operational ton-kilometer (OTK) from 2019 to 2025. Our tax footprint in Iceland in 2025 was USD 322 million, increasing by 17% between years, and as one of the largest employers in Iceland, we employed an average of 3,520 full-time employees.

Expanding our route network from a stronger leading hub carrier position

In 2025, we operated to over 60 gateways, including seven new destinations – Nashville, Miami, Edinburgh, Malaga, Gothenburg, Höfn in Iceland, and Istanbul. We transported 8% more passengers than last year, over 5 million of the total of 8 million who traveled through Keflavík airport during the year. Operating from our strengthened leading hub carrier position at Keflavík airport, our capacity growth was focused on the shoulder seasons and winter to smooth seasonality in our business and optimize infrastructure utilization. With the via market proving less profitable, we focused on the higher-yielding markets to and from Iceland, while maintaining strong connectivity in the route network.

Strategic partnership development

In 2025, we added Air India to our group of partners and further expanded cooperation with Southwest Airlines, Turkish Airlines, and Alaska Airlines. We also continued strengthening our recent agreements with Emirates, TAP Air Portugal, Air Greenland, and ITA Airways, providing customers with increased connectivity around the world.

Improved profitability of Cargo and Leasing

In 2025, we continued serving our markets for air freight in Central Europe and North America. With strong emphasis on our home market, we continued supporting important export industries like the Icelandic seafood industry and transported 22,000 tons of fresh fish during the year. Operational cost efficiency remained a key priority and we improved the profitability of our cargo business between years. For our leasing business, Loftleidir Icelandic, 2025 was a year of growth, with sold block hours increasing by 30% year on year. Loftleidir delivered strong financial performance, with a record

EBIT. In this segment, we had operating exposure in all continents, serving in total 126 destinations, with a fleet of 11 aircraft, eight of which are engaged in long-term contracts.

Transition to new aircraft supports growth and fleet utilization

In 2025, we operated 52 aircraft, thereof 37 in the international route passenger route network. In recent years, we have strategically invested in new fleet to support competitive sustainable growth. Our fleet renewal is well underway, with older Boeing 757s gradually being phased out and replaced by the more fuel-efficient Boeing 737 MAX and Airbus A321LR. Furthermore, all Boeing 767 widebody operations in the route network will end by 2026. The addition of Airbus enhances network flexibility, supports off-season growth, and contributes to the Company's sustainability efforts.

Promising outlook in 2026

In 2026, we are planning to grow our capacity by around 2%, mostly outside the summer peak season, reducing seasonality and improving profitability by better utilizing the Company's resources year-round. Venice, Faro, Gdansk and Tromsø have been introduced as new destinations. Coming into 2026, the booking outlook is generally positive. The market from Iceland remains very strong, with a high willingness to travel. Bookings on the European side of the network have strengthened year over year, while demand on the North American side is softer. We are monitoring the current geopolitical developments in the Middle East, which have caused fluctuations in fuel prices. We are in part hedged against fuel price changes, with Icelandair's fuel hedging at around 40% of the expected fuel consumption for the remainder of 2026. The outlook for the cargo operation remains



positive, with profitability expected to remain strong. The leasing business is also expected to maintain its robust performance with high demand for VIP projects, a niche market in which the leasing division has built a strong reputation.

Exciting longer-term opportunities

We continue to see attractive long-term opportunities by leveraging our unique hub position in Iceland to further develop our route network. Furthermore, the introduction of the extra-long-range A321XLR aircraft from 2029 will create new possibilities to expand our network further both to the West and East using efficient narrowbody aircraft.

Strong position to turn profit in 2026

It is truly time that shareholders reap the rewards after having stood by the Company for many years. We have an exciting year ahead, with continued growth of our route network and compelling new destinations. With our clear operational focus and further transformation initiatives already in the pipeline, we are in a strong position to turn a profit this year and build a stronger Icelandair for the future. Finally, we want to thank our employees for their resilience and exceptional work during the year. We would also like to thank our partners and most importantly our customers for continually choosing Icelandair.

*Guðmundur Hafsteinsson
Bogi Nils Bogason*

Shareholder information

Icelandair shares have been listed on Nasdaq Iceland under the symbol ICEAIR since December 2006. The Company's market capitalization was ISK 36.4 billion at year-end 2025. The share price declined 39% in 2025, closing at ISK 0.89.

Share capital

Icelandair's share capital amounts to ISK 41,120,247 according to its Articles of Association. Each share carries one vote at shareholders' meetings and is freely transferable unless otherwise stipulated by law. All shareholders have equal rights to dividend payments as declared from time to time. The Company held no treasury shares at year-end 2025.

Share performance

Icelandair's share price was ISK 0.89 at year-end 2025, down 39% from ISK 1.46 at year-end 2024. The highest closing price per share in 2025 was ISK 1.46, the lowest was ISK 0.74, and the average closing price was ISK 1.07.

Share liquidity

Icelandair has a market-making agreement with Arion Banki hf. The agreement is for an unspecified duration and may be terminated with 14 days. The agreement aims to improve liquidity and support transparent price formation on Nasdaq Iceland. In 2025, Icelandair shares were traded 11,292 times (2024: 12,251) with a total market value of ISK 26.9 billion (2024: ISK 42.1 billion). Average daily trading volume was 98.5 million shares. Market capitalization at year-end 2025 was ISK 36.4 billion.

Dividend policy

Icelandair aims to pay 20–40% of annual net profit in dividends, with final payments determined by the Company's financial position, operating capital requirements, and market conditions. As the company had an accumulated deficit at year-end, the Board of Directors accordingly proposes no dividend payment to shareholders for 2025.

Investor relations

Icelandair's objective is to ensure timely, accurate information to all stakeholders simultaneously and consistently. The Company continually strives to improve the quality, transparency, and consistency of its disclosures. News and background information for analysts and investors is available on the investor [website](#).

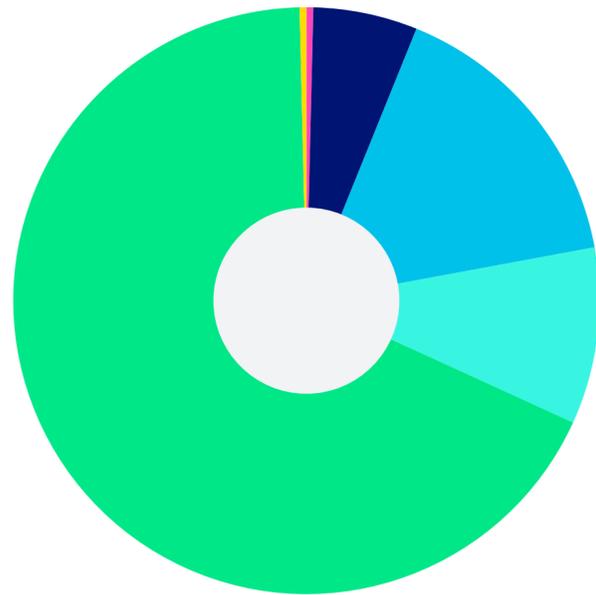
Key share information and ratios

Icelandair reported a loss for the year attributable to equity holders of the parent company of USD 9.5 million in 2025, equal to -0.02 US cents per share. Total equity at year-end was USD 286.4 million. The P/E ratio was -40.0, and the P/B ratio was 0.89.

All amounts in ISK	2025	2024	2023	2022	2021
Market capitalisation (million)	36,432	58,500	54,896	66,286	65,444
Share price at year-end	0.89	1.46	1.34	1.61	1.82
Highest closing price	1.46	1.52	2.29	2.29	1.87
Lowest closing price	0.74	0.84	1.23	1.39	1.30
No. of issued shares (million)	41,120	41,120	41,120	41,120	35,958
No. of outstanding shares (million)	41,120	41,120	41,120	41,120	35,958
Average no. of outstanding shares (million)	41,120	41,120	41,120	41,120	31,606

Shareholders

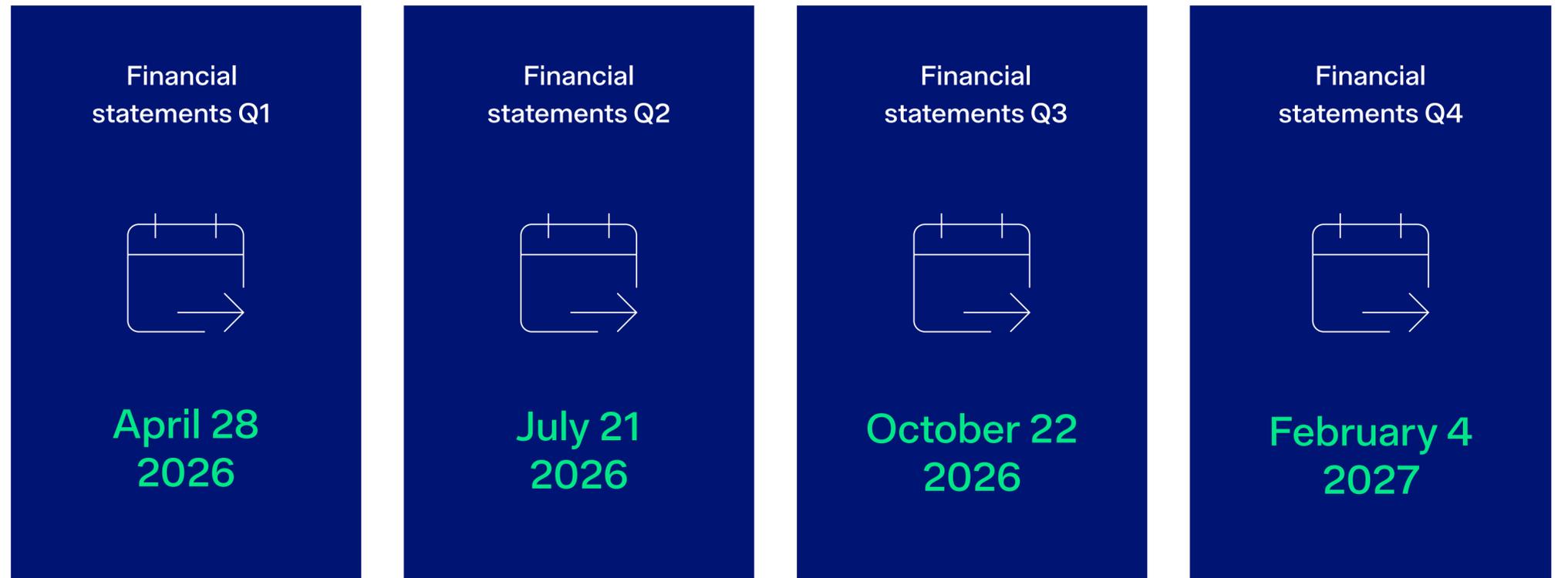
At year-end 2025, Icelandair had 13,213 shareholders, a decrease of 755 from the prior year. The 10 largest shareholders held 43% of the shares.



- 1 - 100,000
- 100,001 - 1,000,000
- 1,000,001 - 10,000,000
- 10,000,001 - 50,000,000
- 50,000,001+
- Unknown holding size



Financial calendar 2026



Icelandair

The Company



- Our business model
- Our strategy
- Transformation on track

Our business model

Our strong and flexible business model underpins Icelandair's growth and performance. By leveraging Iceland's unique location, expanding connectivity, and enhancing operational efficiency, we support sustainable growth and long-term value creation.

The unique location of our hub

Iceland's unique location is the foundation of our business model and our key competitive advantage, serving as a connecting hub between Europe and North America. Our passenger route network is the heart of our business, providing extensive connectivity across four markets: to, from, via, and within Iceland, and enabling partnerships with other airlines. In addition, we operate both cargo and leasing services that complement and further strengthen the core network operations.

Connectivity and economic impact

For an island nation like Iceland, efficient flight connections are essential, positively impacting prosperity and quality of life. Strong connectivity underpins tourism development and other export industries, forming a cornerstone of the economy. Beyond leading tourism development, we support key sectors such as the Icelandic seafood industry through our cargo services, opening valuable markets across the Atlantic. With new long-range, fuel-efficient aircraft, we can continue expanding our network, accessing new markets, and strengthening Iceland's competitiveness as both a tourist destination and a global air travel hub.



A solid foundation to drive long-term value

Leveraging our strategic location between Europe and North America, we have built robust commercial and operational infrastructure over decades. This foundation creates lasting value for customers, shareholders, stakeholders, and society at large.

Our strategy

Our corporate strategy guides the entire Company, defining our vision, strategic priorities, and core values. It builds on the strengths that have shaped our Company for decades, anchored in Iceland’s strategic location and our role as a vital connecting hub.

Bringing the spirit of Iceland to the world

Our vision is to bring the spirit of Iceland to the world. And our mission is to offer smooth and enjoyable journeys to, from, via, and within Iceland, our hub and home. Our core values – passion, simplicity, and responsibility – shape our company culture. These values are the driving forces behind everything we do, fostering enthusiasm, clarity, and accountability.

Three guiding principles

To achieve operational excellence, we follow three guiding principles that inform decision-making and resource allocation, ensuring alignment with our vision and mission as we grow and evolve.

Icelandair’s ambition is clear – to ensure a financially strong and competitive airline that can continue to invest in new aircraft and grow the network, deliver an excellent customer experience, and at the same time offer secure, attractive jobs, benefitting shareholders, customers, and employees alike.

Annual objectives and key results

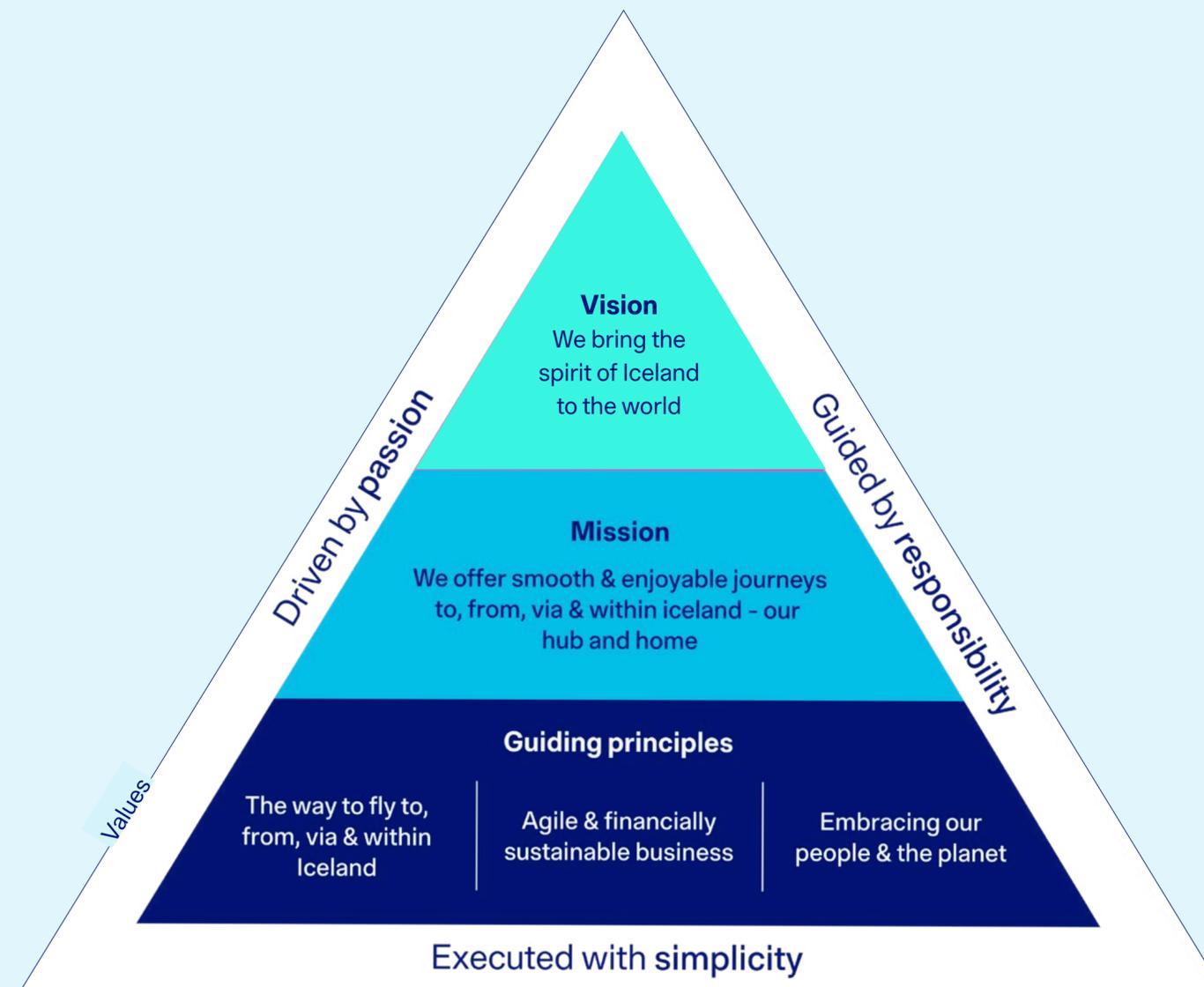
Each year, we define formal corporate objectives that set out priorities for the year to provide employees with further guidance on the Company’s strategic direction. In 2025, we worked towards three corporate objectives and made good progress towards each one:

- Be the leading hub carrier in KEF
- Reinforce workplace excellence and embrace opportunities
- Transform our ways of working to achieve sustainable profitability

Objectives and key results for 2026

For 2026, we have simplified our objectives to sharpen focus and strengthen alignment across the organization. Currently, our most important objective is our ONE transformation journey, which is focused on unlocking both revenue growth and cost efficiencies. This is highlighted in the decision of a single corporate objective for 2026:

- Build a competitive cost base to secure our long-term resilience and strengthen our essential role in Iceland’s economy and global connectivity.



Transformation on track

ONE is our company-wide transformation journey focused on building a more agile, efficient, and resilient Icelandair. By unlocking both revenue growth and cost efficiencies, ONE supports long-term value creation while maintaining safety as our highest priority.

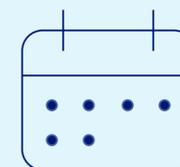
ONE transformation program

Our transformation program, ONE, is progressing well. Since its launch, more than 500 initiatives have been identified and 233 implemented – including 198 in 2025 – across both cost and revenue areas. The program delivered USD 70 million in impact in 2025, and is expected to generate, when fully realized, more than USD 100 million in annual impact.

Initiatives on the revenue side include comprehensive revenue optimization designed to drive growth through more agile and responsive pricing and revenue-management processes. We are also continuously refining our product and service offerings by unbundling selected services to increase customer choice.

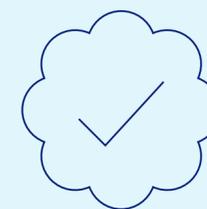
We have already lowered operating costs by implementing several efficiency initiatives. These include increased automation, organizational restructuring, improved productivity, and a coordinated fuel-saving program. At the same time, we have reduced costs with the unbundling of the product offering.

In addition to driving financial impact, our transformation program has strengthened collaboration, transparency, and innovation across the Company, while maintaining safety as the highest priority.



>560

Ideas identified



233

Initiatives successfully implemented at year-end 2025



+100m

Annual impact when fully implemented

Icelandair

Corporate governance and risk management

- Corporate governance
- Board of Directors
- Organizational structure
- Executive Committee
- Risk



Corporate governance

Strong corporate governance is essential to support the interests of shareholders, employees, subsidiaries, and other stakeholders. It ensures effective oversight of operations and upholds high ethical standards across the Company.

Governance framework

Icelandair's corporate governance is based on the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers (6th edition, 21 July 2021). Additional governance documents include, the [Company's Articles of Association](#), the Rules for Issuers of securities listed on Nasdaq Iceland, and Icelandair's board-approved policies and procedures.

Access to governance documents

The Articles of Association and the Corporate Governance Statement are available on Icelandair Group's website. The Guidelines on Corporate Governance can be accessed at www.leidbeiningar.is, and the Rules for Issuers are available on Nasdaq Iceland's website. The Corporate Governance Statement is also included in the non-financial section of the consolidated financial statements for 2025.

Governance excellence: recognition in 2025

In 2025, Icelandair received recognition for Excellence in Corporate Governance from the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers. The acknowledgement certifies that the Company's Board of Directors working practices are well organized and that its duties are implemented to a high standard. The recognition is based on an assessment of Icelandair's governance practices against the Guidelines on Corporate Governance, coordinated by Stjórnvísí (Excellence Iceland).

Code of ethics

The Board of Directors approved the Code of Ethics on 25 May 2009, with amendments on 5 January 2011 and 18 November 2016. The Code is available to all employees via the Company intranet (Viva Engage) and on the [Icelandair Group website](#).



Board of Directors

The board consists of five experienced professionals with diverse expertise. Together with the CEO, the board oversees the Company's management and strategic direction.

Responsibilities and authority

The board is mandated by the Articles of Association to appoint the CEO and determine the CEO's terms of employment. Together with the CEO, the board is responsible for managing the Company. The board must ensure adequate supervision of accounts and safeguarding of assets, and adopt working procedures in compliance with the Companies Act. Only the board may assign powers of procurement, and the Company is bound by the signatures of a majority of board members.

CEO authority and board oversight

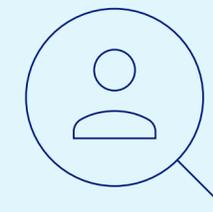
The CEO is responsible for day-to-day operations and must follow the board's policies and instructions. Unusual or uncommon measures require specific board authorization unless waiting would seriously disadvantage the Company. In such cases, the CEO must consult the chairman if possible and immediately notify the board of the action taken.

Annual performance assessment

The Rules on Working Procedures are available to the board and management on the board intranet (Admincontrol) and the Icelandair Group website. In accordance with Article 14, the board must annually self-evaluate its work, size, composition, and practices, as well as the performance of the chairman, the CEO, and other managers responsible for day-to-day operations. The evaluation aims to improve working methods and increase efficiency by identifying strengths, weaknesses, and areas for improvement.

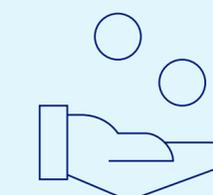
Four sub-committees

The board operates four committees to ensure strong governance. The Nomination Committee advises on board composition, the Remuneration Committee oversees executive pay, and the Health and Safety Committee focuses on safety policies and risk management. The Audit Committee monitors financial reporting, internal controls, and compliance to ensure transparency and accountability.



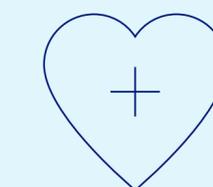
Nomination Committee

Operates under Rules of Procedure approved by the board. It assesses the board's composition based on education, professional background, gender, knowledge, experience, and skills. The committee has an advisory role in selecting board members and submits its proposal in time for the board election.



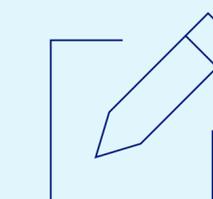
Remuneration Committee

The board elects the members of the Remuneration Committee. The committee oversees the Executive Committee and senior management remuneration, and ensures pay structures support long-term shareholder interests.



Health and Safety Committee

This committee oversees the development and implementation of Icelandair's Health & Safety policies and initiatives, and provides a forum for in-depth discussion of safety, health, and risk mitigation. The committee operates in accordance with the Rules on Working Procedures.



Audit Committee

The committee oversees risk management and internal controls and reviews the Group's consolidated and company financial statements, non-financial disclosures, and annual report. It assesses the independence and eligibility of the external auditor and auditing firm and makes recommendations to the board regarding auditor appointment.

Board composition and activity in 2025

The Company's Board of Directors consists of five members elected at the Annual General Meeting for a term of one year, and they exercise supreme authority in the Company's affairs between shareholders' meetings. The Board of Directors met 12 times during the year, with near-full attendance by all members.

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Health and Safety Committee
No. of meetings in 2025	12	4	3	5	5
Guðmundur Hafsteinsson	x (Chairman)		x (Chairman)		
Nina Jonsson	x		x		
Svafa Grönfeldt	x	x			x
John F. Thomas	x	x			x (Chairman)
Matthew Evans	x		x		
Auður Þórisdóttir		x (Chairman)			
Árni Gunnarsson				x (Chairman)	
Alda Sigurðardóttir				x	
Georg Lúðvíksson				x	



Board of Directors

The Board of Directors consists of five professionals with diverse expertise. Together with the CEO they oversee the Company's management.



Guðmundur Hafsteinsson
Chairman

Guðmundur joined the board of Icelandair Group on 8 March 2018. Born in 1975, he is an Icelandic and U.S. citizen. He is independent of the Company, its management, and major shareholders, and holds 8,555,555 shares.



Nina Jonsson
Vice Chairman

Nina joined the board of Icelandair Group on 6 March 2020. Born in 1967, she is an Icelandic and U.S. citizen. She is independent of the Company, its management, and major shareholders, and holds no shares.



Svafa Grönfeldt
Board member

Svafa joined the board of Icelandair Group on 8 March 2019. Born in 1965, she is an Icelandic and U.S. citizen. Svafa is independent of the Company, its management, and major shareholders, and holds 12,500,000 shares.



John F. Thomas
Board member

John joined the board of Icelandair Group on 6 March 2020. Born in 1959, he is an Australian and U.S. citizen. John is independent of the Company, its management, and major shareholders, and holds 3,394,500 shares.

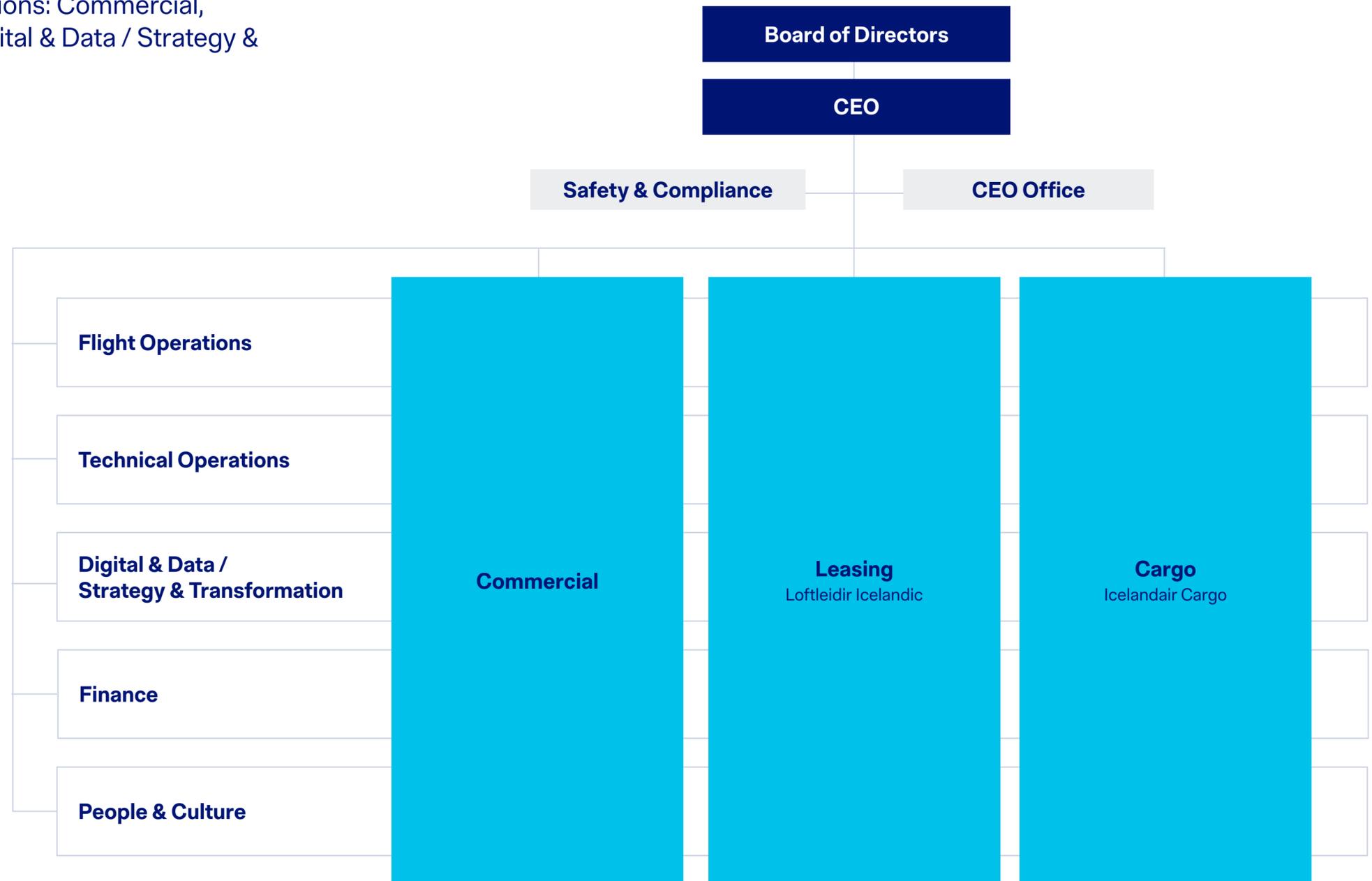


Matthew Evans
Board member

Matthew joined the board of Icelandair Group on 23 July 2021. Born in 1986, he is a U.S. citizen. Matthew is independent of the Company and its management, but he represents the Company's largest shareholder and is therefore not independent of major shareholders. He holds no shares in the Company.

Organizational structure

The Company's operations are organized into eight key divisions: Commercial, Leasing, Cargo, Flight Operations, Technical Operations, Digital & Data / Strategy & Transformation, Finance, and People & Culture.



Cross-functional committees

As a part of the organizational structure, cross-functional committees oversee and support the execution of the Company's strategy. These committees are:

The Service Committee:

Its key role is to establish a common ground for high-level decision-making on key matters that impact service standards and the Icelandair brand.

The Schedule Committee:

Its key role is to review and approve all matters related to the network and live flight schedule to ensure that an approved schedule is available for the next 18-24 months.

The Investment Committee:

Its key role is to review and approve larger investments, monitor overall CAPEX (capital expenditures) plans, maintain an overall CAPEX forecast, and review and develop Icelandair's framework.

The Fleet Committee:

Its key role is to define the strategic fleet plan and oversee implementation of the fleet Policy.

Executive Committee

Our Executive Committee consists of nine members who provide strategic leadership and oversee the Company's operations.

In 2025, we implemented changes to Icelandair's organizational structure, including the discontinuation of the Chief Operating Officer (COO) position. As part of this change, responsibility for two key operational functions previously reporting to the COO now falls directly under the Chief Executive Officer (CEO). The leaders of both functions also joined the Executive Committee. Leifur Guðmundsson was promoted to Senior Vice President, Technical Operations, and Arnar Már Magnússon joined the Company as Senior Vice President, Flight Operations.

[Further information](#) about the Executive Committee can be found on the Company's website.



Risk governance framework

We manage risk proactively to safeguard operational stability and support strategic execution. Our framework ensures that risk-taking remains within defined limits and oversight.

Proactive risk management

Icelandair's risk management governance framework is designed to align risk-taking with the Company's strategy while respecting its risk-bearing capacity, risk appetite, and minimum capital and liquidity requirements. The framework supports operational stability and provides a foundation for proactive risk management.

In addition to the Risk Management Policy, the framework includes three sub-policies: Financial Risk Policy, Liquidity Policy, and Operational Risk Policy. They are supported by guidelines, procedures, and internal controls.

We apply a three-lines-of-defense model to ensure effective risk identification and management, with clear structure and accountability across the organization.

Our three-lines-of-defense model

First line of defense:

Risk owners in the business and support functions manage day-to-day risk assessment and mitigation. They ensure adequate resources and training, and monitor risks through relevant policies, regulations, and procedures.

Second line of defense:

The Treasury and Risk Management Team, together with the Risk Committee, establishes and communicates the overall risk framework and strategy. This includes overseeing risk assessment and reporting of principal and emerging risks to the board.

Third line of defense:

External auditors provide independent oversight through monitoring and audit activities, reporting to the Audit Committee and/or Board of Directors.



Safety and risk management

Safety and risk management are essential to reliable operations and long-term value. Our risk framework ensures clear ownership, strong oversight, and continuous improvement in a dynamic aviation environment.

Risk environment

Icelandair operates in a highly competitive international aviation market that is sensitive to macroeconomic, industry-specific, financial, and operational risks. Many of these risks are outside the Company's control and may vary in significance from year to year. New or currently immaterial risks may also emerge over time. To address this evolving risk landscape, the Risk Management Policy and related measures are reviewed regularly, at least annually, and approved by the Board of Directors.

Clear ownership, strong climate focus

Financial risk is managed centrally across Icelandair Group, while operational risks are managed at the divisional level by directors and line managers. Assigned risk owners are responsible for proactively monitoring risks and integrating them into planning, decision-making, and control processes.

Sustainability and climate risks have become increasingly material for airlines and are a key focus for Icelandair. Climate risk includes both physical risks, such as weather-related disruptions and potential aircraft damage, and transition risks, including evolving emissions regulations, technology requirements, and access to sustainable fuels and infrastructure.



Principal risks

Based on this framework, the following risks (in order of importance) are considered the principal factors that could affect the achievement of the Group's strategy and business objectives:

Macro-economic and competition risk

Demand for air travel is highly sensitive to macro-economic conditions, which also affect fuel prices, interest rates, and foreign exchange rates. High competition makes asset and resource efficiency critical.

Safety and security risk

Safety is central to Icelandair's operations. Safe and secure operations that meet the expectations of customers, employees, and partners are essential to the business.

Regulatory risk

The airline industry is highly regulated. Icelandair must continuously monitor regulatory changes across operating jurisdictions to ensure compliance.

Sustainability and climate risk

Climate change creates financial, regulatory, and reputational risks. These may arise from higher costs associated with the low-carbon transition, extreme weather disruptions and infrastructure damage, and increased consumer awareness of environmental impact, which can further harm the Company's reputation.

Technical risk

Failure or disruption of IT, financial, or management systems can affect daily operations and service delivery.

Labor market risk

Airline and tourism operations are labor-intensive. The Company depends on attracting and retaining skilled employees through an inclusive, knowledge-driven culture.

Reputational risk

Service disruptions or perceived irresponsible conduct of the Company's operations can reduce demand and harm revenue.

Risk definitions

All identified risks fall into four main categories: Financial, Strategic, Operational, and Hazard.

Financial risk

Liquidity risk

The risk that the Company may not be able to meet its financial obligations, settled in cash or other financial assets, on their due date.

Market risk

The risk that fluctuations in market prices, such as fuel, exchange rates, interest rates, or carbon emission allowances, materially impact the Company's profitability.

Counterparty risk

The risk that a counterparty in an investment, credit, or trading transaction fails to meet its contractual obligations.

Strategic risk

Competition risk

The risk of losing customers or market share due to competition.

Legal and political risk

The risk that legal or political changes, or instability in key markets, negatively affect the Company's strategy, assets, or operations.

Sustainability risk

The risk that an environmental, social, or governance event causes a material negative impact on the Company's operations, profitability, or financial position. Sustainability risk includes climate risk.

Reputational risk

The risk that the Company's brand or standing is damaged due to failing to meet stakeholder expectations.



Operational risk

Fraud risk

The risk of unexpected financial, reputational, or material loss due to fraudulent activity by internal or external parties.

Cyber and IT risk

The risk that critical IT or management systems fail or are disrupted, forcing suspension of operations or services.

Compliance risk

The risk that violations of laws, regulations, codes of conduct, or internal standards damage the Company's financial, organizational, or reputational standing.

Process risk

The risk of revenue loss due to ineffective and/or inefficient processes in areas such as maintenance, reliability, recruitment, key management planning, accounting, or controls.

3rd party risk

The risk that third parties, such as vendors, partners, government agencies, or tourism authorities, cause disruption to the Company's operations.

Hazard risk

Safety risk

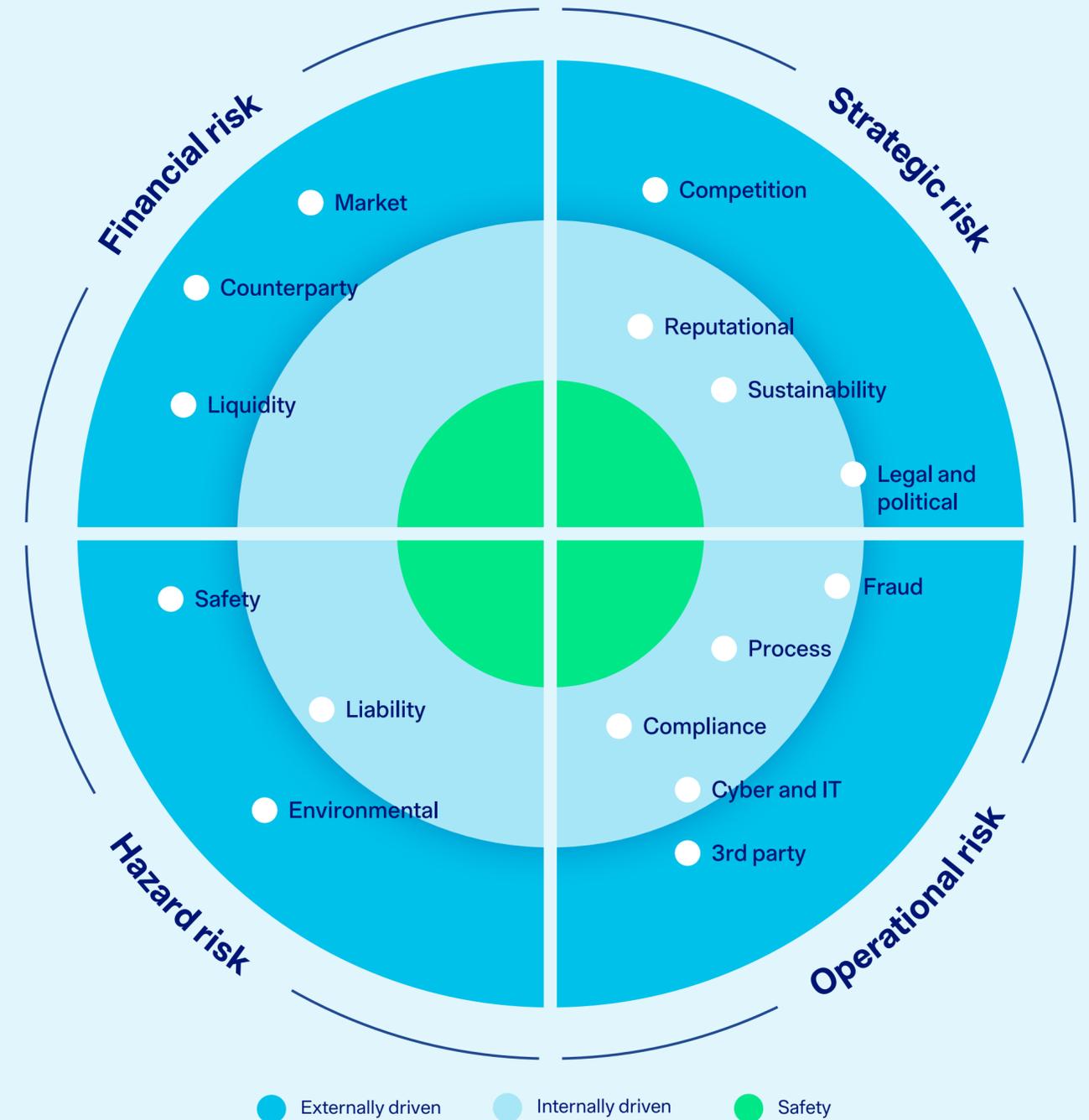
The risk of loss of life, bodily harm, or financial and reputational damage due to flight incidents, malfunctions, or accidents.

Environmental risk

The risk of a material environmental impact related to the current or planned use of operational assets.

Liability risk

The risk that the Company is held liable for an action or inaction, whether or not at fault, resulting in direct or indirect financial loss.



Icelandair

Business review

- Business review highlights
- Route network
- Cargo operation
- Leasing operation
- Fleet



We achieved significant results in 2025 thanks to our committed Icelandair team

83.9% on-time performance

Icelandair among the most punctual airlines in Europe



CO₂ emissions per OTK

-5%



52 Aircraft year-end 2025



Improved efficiency

2% Full-time equivalents

8% Capacity increase



Loftleidir's VIP trips visited

126 destinations



Record passenger revenue

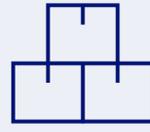


5.1 million Passengers carried for the first time, up 8% vs 2024



19,455 Trips flown in the route network

22,000 Tons of fresh fish transported



Strengthened our position as **Leading hub carrier** in Iceland

Record load factor

83.5%

Record First-choice carrier score in Iceland

52% in Dec 2025



Route network

Iceland’s uniquely central location between Europe and North America is the key to our hub-and-spoke network. In 2025, we offered flights to over 60 destinations with more than 800 connecting possibilities through our hub in Iceland. The number of passengers in 2025 was over 5 million, with 41 aircraft serving the route network.

Connecting continents

Our international route network is built around Iceland’s advantageous geographic position. Located between Europe and North America, Iceland provides an ideal central point for an international hub-and-spoke network.

By operating this extensive network on an efficient narrow-body fleet, we are able to operate a higher number of direct routes and more frequencies than if we were only serving point-to-point destinations. This enables us to offer more direct connections to North America from our hub in Iceland than all the other Nordic hubs combined.

Our domestic network provides essential connectivity across Iceland, from the center of Reykjavík to Akureyri in the North, Egilsstaðir in the East, Ísafjörður in the Westfjords, and the recently added Höfn in Southeast Iceland.

Four different passenger markets served

The Icelandair route network serves four distinct and independent passenger markets: the To market, consisting of passengers visiting Iceland; the From market, comprising passengers originating in Iceland and traveling abroad; the Via market, with passengers traveling across the Atlantic and connecting in Iceland; and the Within Iceland market, serving passengers traveling domestically.

Strategic connectivity

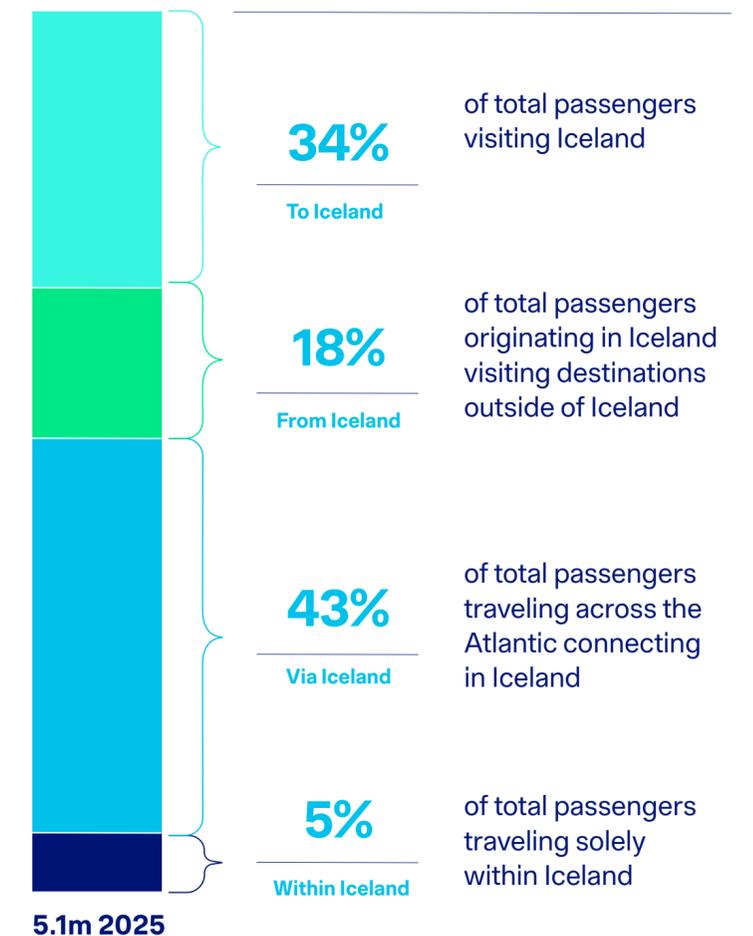
Our 24-hour hub at Keflavík airport (KEF) gives us important operational flexibility. It allows us to both adjust market focus as conditions change and to serve a wide range of transatlantic markets with high aircraft utilization. Our connection bank structure allows us to combine passengers from different markets on our aircraft (To, From, and Via), enabling us to fly to destinations that are not feasible for our point-to-point competitors. Therefore, we can fly more routes at higher profitability and serve a wide range of transatlantic markets on a cost-efficient narrow-body fleet.

Strong leading hub position in Iceland

We maintain a strong position as the leading hub carrier at KEF. Under current market conditions, we have been adjusting the market mix toward the To and From Iceland markets, while continuing to offer strong connectivity across our route network. As a result, we have slightly reduced capacity on North American routes, and placed increased emphasis on Southern Europe and Scandinavia.

Within the route network, our core connection bank links eastbound and westbound flights within a single day. By adding a second and third daily connection bank, we increase infrastructure utilization, offer passengers more departure options, and further strengthen the overall connectivity and our leading hub position in Iceland.

Icelandair carried **5.1m** of **8.1m** passengers who traveled through Keflavík in 2025



Strategic network planning

As an airline, we navigate a fast-changing environment shaped by multiple, shifting variables. To ensure long-term profitability, our network planning is aligned with prevailing market conditions. Currently, a strong Icelandic krona (ISK) and a weak Via market are contributing to modest or flat network growth.

In line with our strategy, we took the following actions in 2025:

- Capacity growth was targeted at the shoulder seasons and winter to smooth seasonality and optimize infrastructure utilization, with an 8% increase in capacity compared to 2024.
- With Via markets proving less profitable, we focused on the higher-yielding To and From markets, with notable passenger growth of 14% and 16% respectively.
- We increased service across key markets to leverage market gaps.
- We added seven new destinations: Nashville, Miami, Istanbul, Gothenburg, Malaga, Edinburgh, and Höfn in Iceland.
- We retired older Boeing 757s and introduced new fuel-efficient long-haul Airbus aircraft to create greater flexibility in our network for 2026.

How we manage our network in varying market conditions:



Financial results affected by external environment

A significant change in the operating environment in 2025 had a negative impact on the financial results of the route network. Geopolitical developments weakened the USD, which directly affected the margins, in addition to putting pressure on airfares in the transatlantic market. Furthermore, Iceland’s unsustainable contractual wage development in recent years has also outpaced that in comparable countries and created challenges for export companies like Icelandair that have most of their revenues in foreign currencies.

Capacity grew by 8% in 2025

Icelandair’s passenger network capacity, measured in available seat kilometers, grew by 8% year over year. The capacity growth was focused on the shoulder seasons and outside the peak hours of the day, spreading departures more evenly and thereby improving resource utilization. The growth was driven by the transition to a more fuel-efficient fleet, including Boeing 737 MAX and Airbus A321LR, which makes increased off-peak flying more viable.

Record number of passengers

In 2025, we achieved a significant milestone, transporting more than 5 million passengers for the first time, an 8% increase over the previous year. Growth was driven primarily by the core markets To and From Iceland, where passenger numbers rose by 14% and 16% respectively, underscoring the effectiveness of our strategic focus on these higher-yielding segments. The load factor was 83.5%, up from 82.7% in 2024, and improved across all months except September, reflecting the ability to offer an attractive product to passengers year-round, including the seasonally slower winter months.

Yield improvement of 1%

Despite persistent fare pressure in the transatlantic market, we achieved a year-over-year yield improvement in 2025 by shifting our commercial focus toward higher-yielding traffic to and from Iceland. This strengthened passenger mix, supported by targeted network optimization, helped offset early-year softness caused by weaker demand on the Via market. Throughout the year, transformation initiatives – including enhanced pricing discipline, upgraded premium products, and stronger ancillary revenue streams – further reinforced yield quality, resulting in a more resilient and higher value yield profile by year-end.



Smooth and enjoyable journeys for our customers

We are dedicated to a journey of continuous improvement for all our customers. Our commitment to delivering smooth, enjoyable, and safe travel experiences remains our priority. We actively monitor and enhance our performance through robust key performance indicators, including Net Promoter Score (NPS), Customer Satisfaction (CSAT) scores, and comprehensive customer feedback. These metrics are essential tools that guide our ongoing efforts to exceed customer expectations, refine our services, and ensure every passenger’s experience reflects our high standards of care and quality.

Operational excellence

Operational reliability remains a cornerstone of our success. In 2025, we maintained our record on-time performance and were the most punctual airline in Europe for five months of the year. Our proactive maintenance programs and robust planning ensured fleet readiness during peak seasons. Furthermore, we continued strengthening our emissions reduction efforts by implementing a series of data-driven operational improvements aimed at lowering fuel burn and increasing efficiency. These efforts, combined with the ONE transformation program, drive cost efficiencies and position us for sustainable growth.

Strategic partnerships

Partnerships remain a key driver of our network expansion. In 2025 we added Air India to the group of partners and further expanded cooperation with Southwest Airlines, Turkish Airlines, and Alaska Airlines. We also continued strengthening our recent agreements with Emirates, TAP Air Portugal, Air Greenland, Atlantic Airways, and ITA Airways, providing customers with increased connectivity around the world. Through these strategic alliances, we strengthened our market presence and created new opportunities for growth.



The route network in 2026

Capacity change from 2025
+2% 

Continued focus on the markets

to and from Iceland



Growth focused on the winter and shoulder seasons

In 2026, we plan to grow our capacity by around 2%, with 6.3 million seats to over 60 destinations and more than 800 connecting options within our route network. Venice, Faro, Gdansk, and Tromsø have been introduced as new destinations. The growth is concentrated outside the summer peak season, reducing seasonality and improving profitability by better utilizing our resources year-round. We have rebalanced our summer schedule to adapt to recent changes in overall market capacity to and from Iceland, with current growth focused on European destinations.

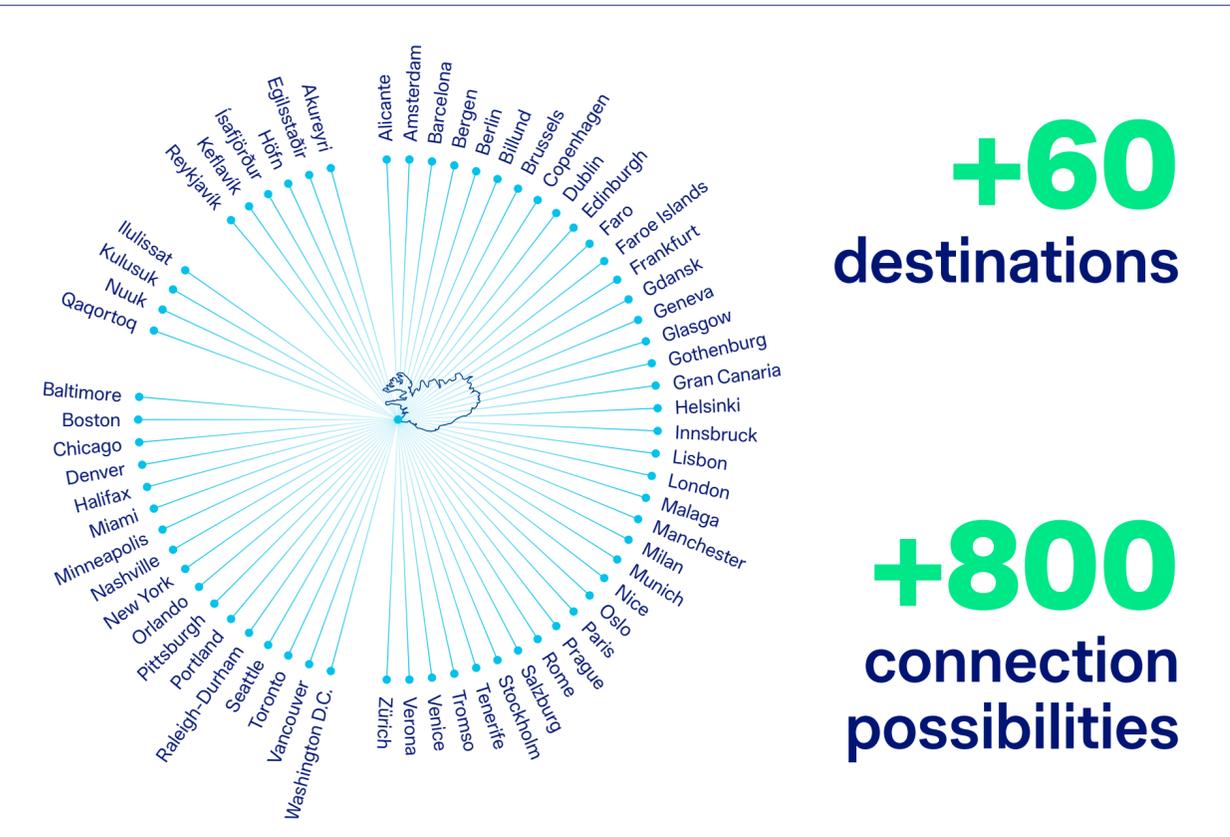
Booking outlook good

Coming into 2026, the booking outlook is generally positive. The market From Iceland remains very strong, with a high willingness to travel. Bookings on the European side of the network have strengthened year over year, while demand on the North American side is softer. The transatlantic market remains relatively weak, with softer demand from Europe to the United States. Our Saga Premium product remains in high demand and is performing strongly.

Capacity increase driven by European destinations



Increased emphasis on Southern Europe and Scandinavia



+60 destinations

+800 connection possibilities

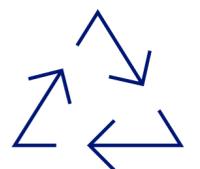
Available seats

6.3m



3

Connecting banks



Four new destinations:



Faro FAO



Gdansk GDN



Venice VCE



Tromsø TRO

Cargo operation

Icelandair Cargo focuses on cargo services to and from Iceland by leveraging Icelandair’s strong passenger route network, combined with scheduled air cargo flights to and from North America and Europe.

Fast and reliable cargo services

Icelandair Cargo is our air freight and logistics division, connecting global markets through the Keflavík hub. Using a B767 300 freighter operating between Liege, New York, and Keflavík, along with extensive belly space in our passenger network, we specialize in perishables, pharmaceuticals, and oversized goods. By leveraging the use of belly space and a specialized freighter, we combine extensive reach and frequency, enabling high utilization and reliable service that strengthens our overall operations.

Well-equipped warehouse in Keflavik

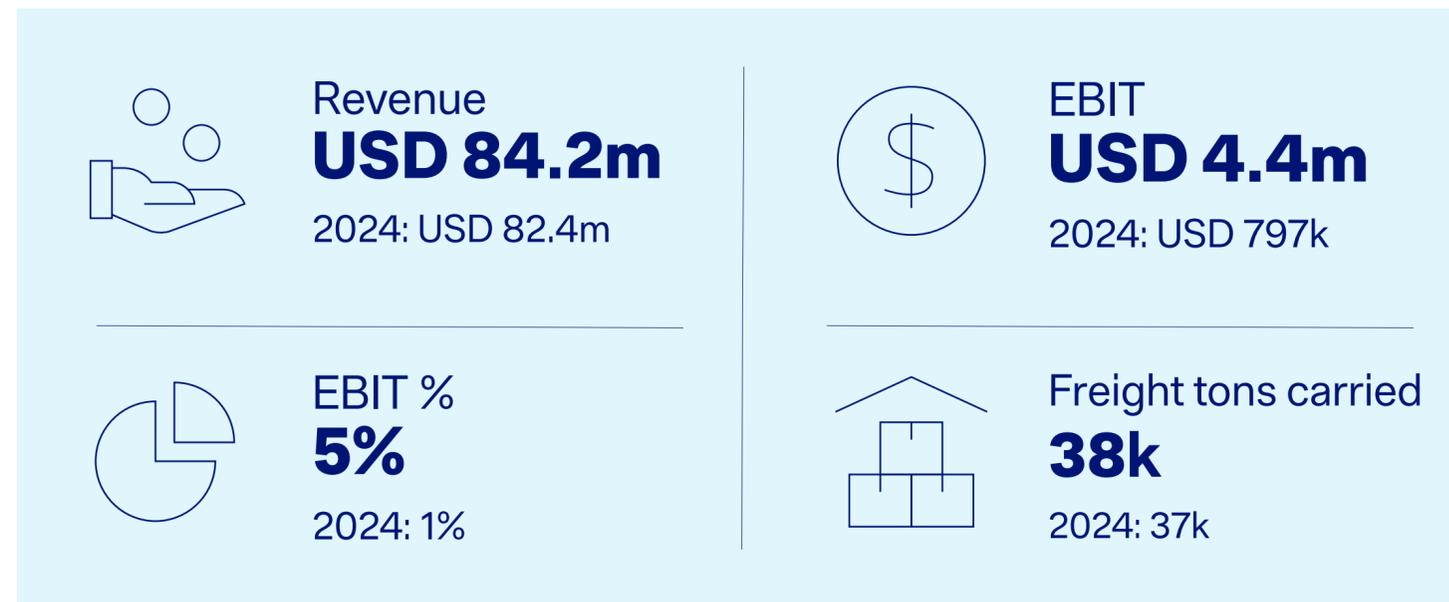
Our well-equipped 10,000 m² warehouse at Keflavík airport offers precise temperature control, ensuring high-quality handling for sensitive cargo. This ensures that we can deliver exceptional service to our customers, irrespective of the nature of their products. Our commitment to maintaining stringent temperature controls underscores our dedication to quality and reliability in freight handling.

Emphasis on our home market

In 2025, we continued serving our markets for air freight in Central Europe and North America. We place strong emphasis on our home market, supporting important export industries like the Icelandic seafood industry with 22,000 tons of fresh fish transported during the year. For import, fruit and vegetables, as well as spare parts, and e-commerce are a large part of our operations. We offer fast, reliable, and often the only viable way for the import and export of perishables.

Positive outlook for 2026

Icelandair Cargo delivered an EBIT of USD 4.4 million in 2025, improving by USD 3.6 million year on year. Revenue amounted to USD 84.2 million, up by 2%, and the EBIT margin was 5%. The outlook for 2026 is positive, with profitability expected to remain strong at a similar level as in 2025. Operational cost efficiency will remain a key priority, supported by a strong market position. We will continue to serve our key markets while exploring new growth opportunities with increased availability and expanded destinations in the network



Leasing operation

Loftleidir Icelandic leverages Icelandair’s fleet and expertise to provide flexible, high-value aircraft leasing, VIP private jet services, and special charter services worldwide, including Antarctic charters, further demonstrating its ability to serve unique markets.

2025: A year of growth

Loftleidir Icelandic continued to grow its operations in 2025, with sold block hours increasing by 30% year on year and revenue rising by 17%. With an average annual growth of approximately 25% per year over the last few years, the revenue base has nearly doubled since 2022, from an annual turnover of USD 57 million to USD 112 million in 2025.

The operations of key customers, such as Air Niugini and Fly Khiva, grew compared with 2024, and other segments, including charter services in Antarctica, also continued to grow substantially.

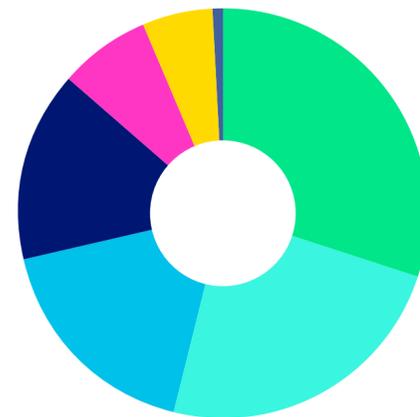
Robust performance expected to continue in 2026

Loftleidir delivered strong financial performance in 2025, with a record EBIT of USD 20.4 million and a robust EBIT margin of 18%. Supported by fleet flexibility and strategic partnerships, the operation is well positioned to strengthen its presence in high-value and specialized aviation markets and to maintain solid performance in 2026. It currently operates a fleet of 11 aircraft, eight of which are engaged in long-term contracts. Demand for VIP projects remains high, a niche market in which the leasing division has built a strong reputation.

A record number of destinations in VIP private jet operations

The VIP private jet customer base expanded with new clients in South America, Asia, and Europe, resulting in a record year for VIP operations. This segment now has operational exposure on all continents.

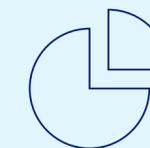
In total, the private jet fleet served 126 destinations in 2025:



- 38 Asia
- 30 Europe
- 22 Africa
- 19 North America
- 9 South America
- 7 Oceania
- 1 Antarctica



Revenue
USD 112.0m
2024: USD 95.6m



EBIT %
18%
2024: 17%



EBIT
USD 20.4m
2024: USD 16.6m



Sold block hours
27,515
2024: 21,236

Flexible and efficient fleet

Icelandair operates a flexible fleet with a range of sizes and capabilities. In recent years, we have strategically invested in fleet renewal to support competitive, sustainable growth over the long term.

Fleet renewal is well advanced

In recent years, we have made strategic investments to modernize our narrow-body aircraft fleet in the international route network. Since 2018, over USD 800 million has been invested in fleet renewal. This transformation is now well advanced, with older B757 and B767 aircraft gradually being phased out and replaced by the more fuel-efficient Boeing 737 MAX and Airbus A321LR. In 2025, around 80% of flights in the international route network were operated using these new-generation aircraft. Five B757 and B767 aircraft will be retired between the summer seasons of 2025 and 2026, and all B767 widebody operations in the route network will end by 2026. We foresee the fleet renewal to be completed in 2027.

Successful entry into service of the Airbus A321LR

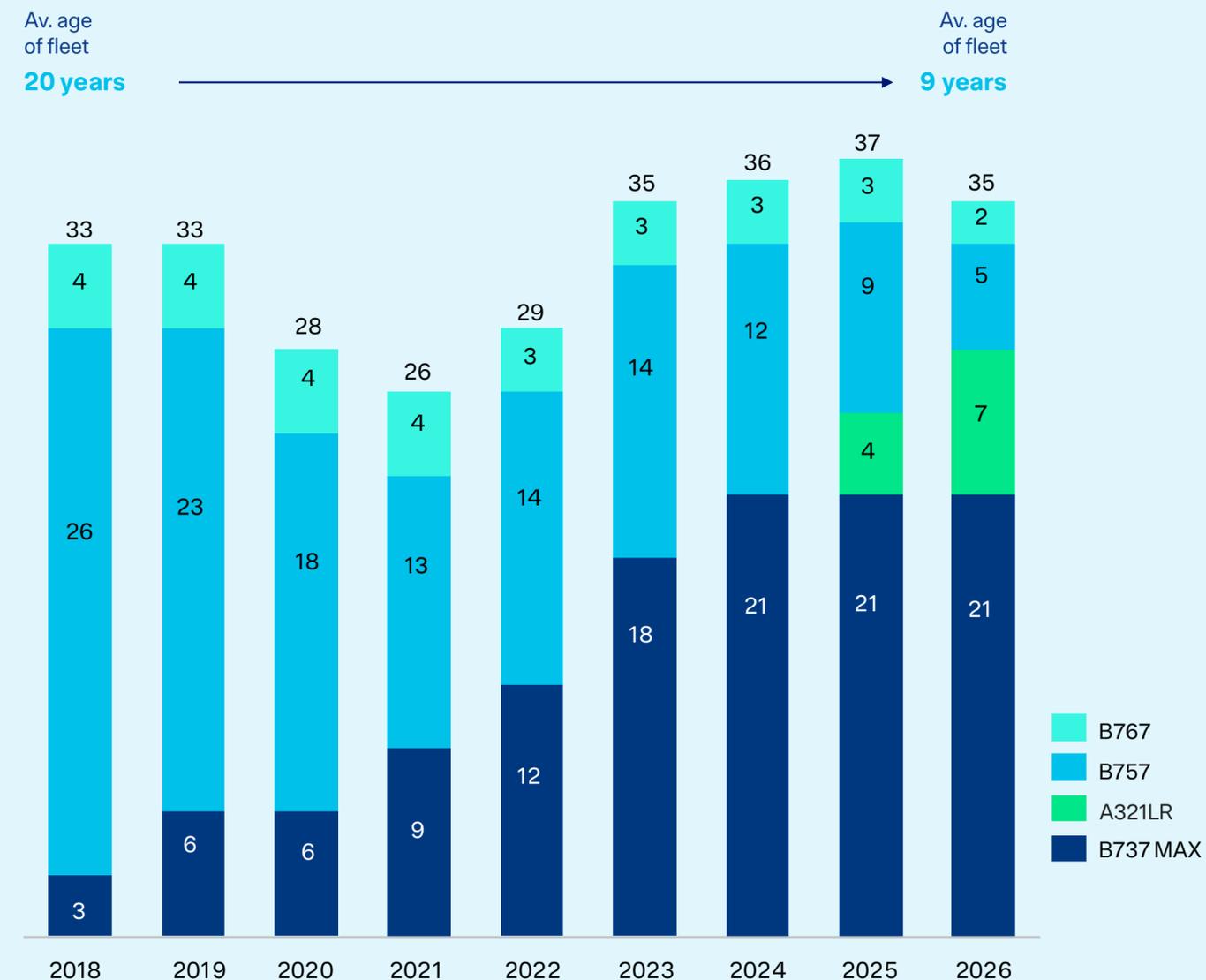
The Airbus A321LR is an excellent replacement for the Boeing 757, which has been the backbone of our fleet for decades. The aircraft is up to 30% more fuel efficient than the B757, driving operational efficiency, supporting our sustainability efforts, and strengthening Icelandair's business model over the long term.

In December 2024, we took delivery of our first A321LR, and in 2025, four were operated in our route network. The entry-into-service process was complex but executed successfully, establishing a strong foundation for continued fleet transformation. A further five A321LR aircraft are scheduled for delivery in 2026, including two in spring 2026.

Airbus A321XLR aircraft will be added to the fleet in 2029

In July 2023, a purchase agreement with Airbus was finalized for 13 A321XLR aircraft, and purchase rights for up to 12 additional aircraft. Deliveries are expected to begin in 2029. The XLR offers extended range and increased flexibility to scale the operation to desired levels in the future. The Airbus addition enhances route network flexibility, supports off-season growth, and contributes to our sustainability goals.

Fleet composition in high season, international route network 2018 – 2026



New Airbus A320 flight simulator installed

In July 2025, we installed a new Airbus A320 family flight simulator at our training facilities in Hafnarfjörður. The simulator represents a significant milestone in supporting the introduction and expansion of the Airbus A321 fleet and marks the first Airbus simulator to be operated in Iceland. The facility, which also houses B757 and B737 MAX simulators, is well utilized year-round by Icelandair and several other operators. Our B767 simulator was transported to another training center in Europe.

41 aircraft serving the route network in summer 2026

During the summer of 2026, 41 aircraft will be utilized in the Icelandair route network. The international routes will be served by five B757 aircraft, two B767 aircraft, 21 B737 MAX aircraft, and seven A321LR aircraft. The domestic and regional flights will be operated with six DHC-8 aircraft. The fleet flexibility enables us to serve efficiently across international, domestic, and regional markets, supporting connectivity across the North Atlantic as well as shorter regional operations.



Icelandair fleet at year-end

Icelandair	31 Dec 2025	31 Dec 2024
B737 MAX	21	21
B757	6	8
B767	3	3
A321 LR	4	1
DHC-8	6	6
Cargo		
B767	1	1
Loftleidir		
B757	5	5
DHC-8	0	1
B737	3	3
B767	3	3
Icelandair total	52	52

Icelandair

Financials

- Financial highlights
- Financial performance
- Financial position

Key financial highlights in 2025

Record revenue



USD 1.7bn
Up 11% year-on-year

EBIT loss

USD 17m

Record revenue, but costs were adversely affected by depreciation of the USD and several other factors

CASK up by **2%**

Negative currency development the largest contributor

Good EBIT results in Cargo and Leasing



USD 25m

Up by USD 7m from last year

Equity ratio

15%

RASK increased by **2%**

Driven by a higher proportion of passengers on the To and From markets



Net cash from operations

USD 305m

Improving by USD 84m from last year



Negative currency effect on cost
USD 44m

Net loss
USD 9.5m
Improving by USD 11m from last year

Key figures table

USD thousands	2025	2024	2023	2022	2021
Operating results					
Total income	1,740,886	1,570,607	1,523,569	1,265,118	584,913
EBIT	-17,239	-14,211	20,987	18,851	-135,939
EBT	-20,360	-24,807	7,789	179	-130,059
Profit/loss for the period	-9,527	-20,169	11,169	-5,819	-104,796
Balance sheet					
Total assets	1,863,734	1,656,719	1,527,676	1,411,173	1,171,559
Total equity	286,422	269,067	288,347	273,386	222,384
Interest bearing debt and lease liabilities	693,861	670,858	638,580	592,109	495,921
Net interest bearing debt and lease liabilities	328,026	382,889	352,371	325,698	232,957
Cash flow					
Net cash from/to operating activities	305,012	221,157	215,121	190,619	50,612
Net cash to/from investing activities	-177,801	-164,797	-183,703	-179,041	4,630
Net cash to/from financing activities	-105,703	-105,390	-56,620	9,071	32,814
Cash and cash equivalents end of period	195,466	150,235	199,514	224,452	204,768

Key ratios

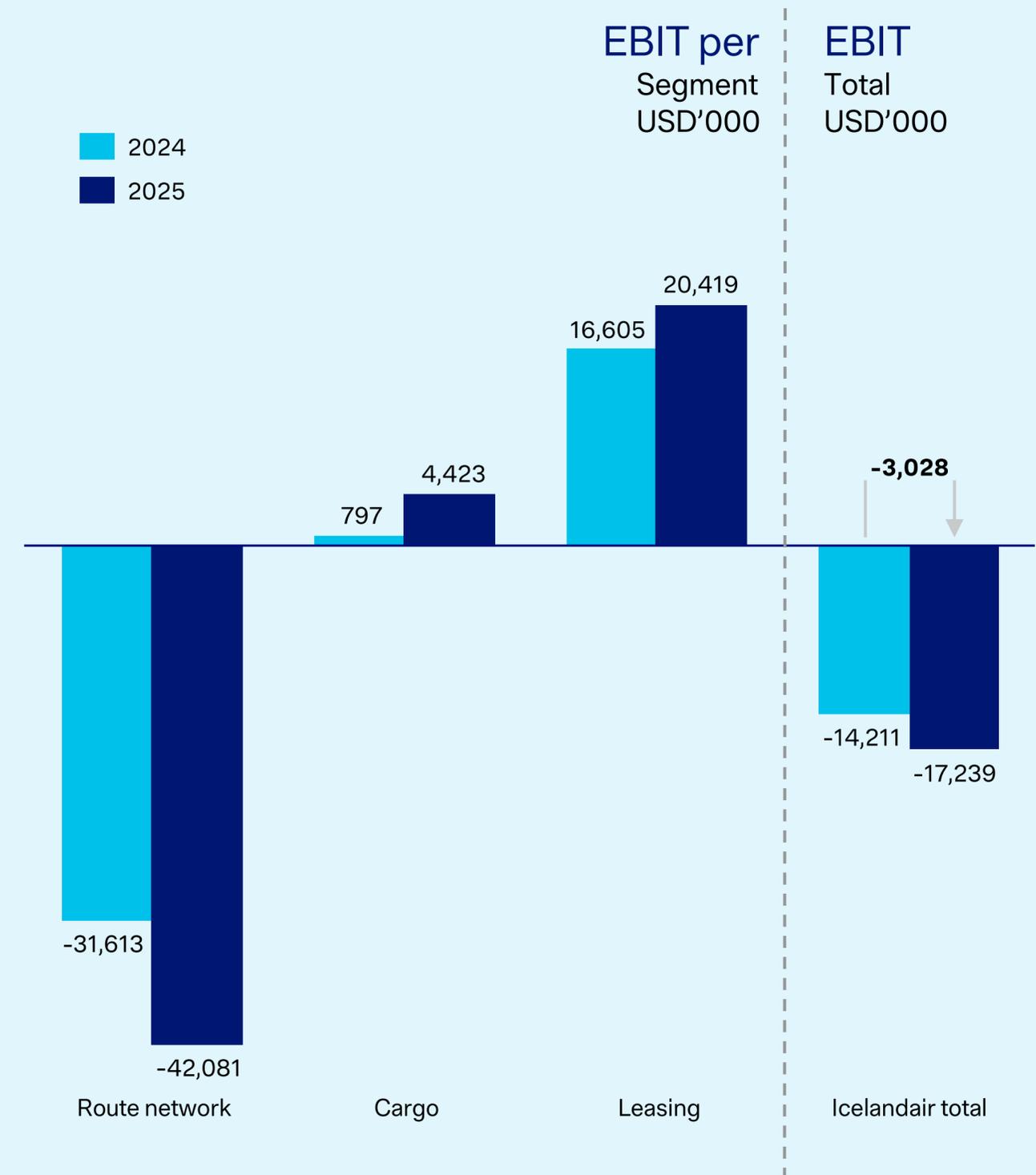
	2025	2024	2023	2022	2021
Earnings per share in US cent	-0.02	-0.05	0.03	-0.02	-0.33
Equity ratio	15%	16%	19%	19%	19%
Capex USD (thousand)	127,801	122,289	144,747	314,508	184,077
EBIT ratio	-1.0%	-0.9%	1.4%	1.5%	-23%
Intrinsic value of share capital	0.92	0.87	0.93	0.88	0.82
P/E ratio	-40.0	-29.2	37.7	-51.9	-4.2
P/B ratio	0.89	1.62	1.40	1.83	2.20
Number of shareholders	13,213	13,968	14,404	15,896	15,287

Financial performance

The year 2025 was strong in many respects, even though the full-year results fell somewhat short of our expectations at the start of the year. We achieved record revenue, strengthened our position as the leading carrier in Iceland, and carried more than 5 million passengers, with a record load factor and on-time performance. At the same time, we improved productivity, carried out initiatives under our ONE transformation program, which are expected to deliver over USD 100 million in annual impact, and delivered stronger year-on-year results in both our cargo and leasing operations.

Net loss decreased by USD 11 million

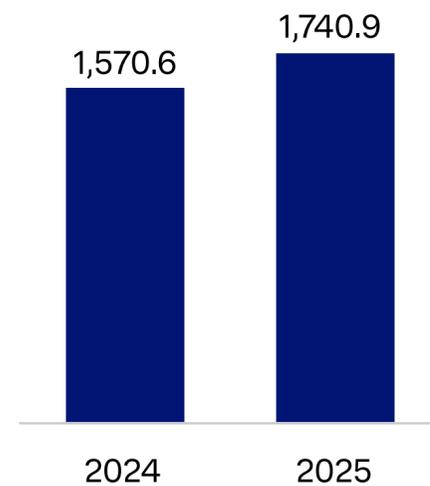
Net loss in 2025 was USD 9.5 million, an improvement of USD 10.6 million compared to 2024. EBIT for the year was negative at USD 17.2 million, down by USD 3.0 million year on year. The financial results were affected by a significantly more challenging operating environment, yet the Company still generated record revenue despite ongoing fare pressure in the transatlantic market. Costs, however, increased due to several external factors, including the depreciation of the USD, substantial salary increases, and a spike in emission-related expenses. The actual effect of the ONE transformation program on the 2025 result is estimated at USD 70 million.



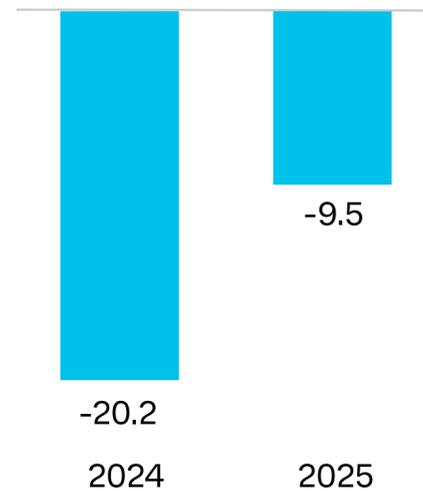
Earnings

Earnings development, USDk	2025	2024	Change
Total revenue	1,740,886	1,570,607	170,279
Total operating cost excl. depreciation	1,584,312	1,430,751	153,561
EBIT	-17,239	-14,211	-3,028
EBT	-20,360	-24,807	4,447
Net profit/loss	-9,527	-20,169	10,642
EBIT ratio (%)	-1.0	-0.9	-0,1

Total revenue, USDm



Net loss, USDm



Significant challenges in the external environment negatively impacted the 2025 results



Weakening of the USD

- Depreciation of the USD pressured margins through higher non-USD costs and changes in demand
- Net negative currency effect on expenses estimated at USD 44 million



To & Via markets

- The depreciation of the USD resulted in weaker demand from the US, our strongest market, to Iceland
- This is compounded by softer demand from Europe to the US, resulting in 6% lower yields in the Via market



Wage increases

- Wages in Iceland have risen at an unsustainable pace in recent years
- This growth far exceeds that of neighboring countries, and is challenging for export-driven companies with most of their revenues in foreign currencies



Emission charges

- Environmental charges have become increasingly burdensome, evidenced by them doubling year on year, reaching USD 43 million in 2025

Revenue

Record income of USD 1.7 billion

Total income amounted to USD 1,740.9 million, up 11% from the previous year. Passenger revenue reached USD 1,453.1 million, up from USD 1,325.1 million in 2024, setting a record for the whole year. Passenger revenue increased across all markets, except the Via market. The growth was led by the markets To and From Iceland, where passenger volume grew by 14% and 16% respectively.

Leasing revenue up 19%

Cargo revenue totaled USD 79.7 million, a 4% increase year on year, driven primarily by more import and export volumes, which grew 16% and 6% respectively. Leasing revenue totaled USD 111.3 million, up by a robust 19%. Other income totaled USD 96.8 million, up by USD 21.7 million compared to 2024, driven by higher revenue from tourism and gains on sales of operating assets.

Unit revenue improved by 2%

Unit revenue (RASK) was 8.1 US cents, up 2% compared to 2024. The average yield was up 1% year over year, and the load factor was a record 83.5%, up 0.9 ppt between years. The positive unit revenue development was driven by our focus on the higher yielding To and From markets, stronger revenue performance in the European network, particularly in Southern Europe, and improved results in both Economy and Saga cabins.

Revenue in 2025

USD thousand	2025	2024	Change	% change
Passenger revenue	1,453,126	1,325,083	128,043	10%
Cargo revenue	79,730	76,736	2,994	4%
Leasing revenue	111,252	93,731	17,521	19%
Other operation revenue	96,778	75,057	21,721	29%
Total	1,740,886	1,570,607	170,279	11%



Expenses

Net negative currency effect on expenses estimated at USD 44 million

Operating expenses, excluding depreciation, totaled USD 1,584.3 million, up 11% year on year. Net negative effect on costs from depreciation of the USD against other currencies, including hedges, is estimated to be around USD 43.7 million. Salaries and salary-related costs increased by USD 49.4 million, to USD 455.4 million. This increase was due to contractual wage increases and the strong real exchange rate of the ISK. Additionally, the increase reflects one-off severance expenses associated with the layoffs carried out in November. At a fixed exchange rate, the salary cost increased by 7%. Full-time equivalent positions (FTEs) averaged 3,520 during the year, down by 2% year on year on 8% increase in production.

Emission charges doubled year on year

Aircraft fuel expenses amounted to USD 360.3 million in 2025 and remained similar year on year. The weighted effective fuel price, including add-ons and hedging, was USD 821 per metric ton, down by 10%. Emission charges totaled USD 43.1 million, up from USD 21.3 million in 2024. The rise was driven primarily by a 10% increase in carbon credit prices, fewer available free allowances than last year, and sustainable aviation fuel (SAF) expenses in the amount of USD 4.4 million, while no such costs were incurred in 2024. At the same time, CO₂ emissions per Operational Ton-Kilometer (OTK) decreased by 5%.

Higher maintenance costs due to increased unscheduled maintenance

Other aviation expenses totaled USD 341.3 million, up 17% year on year. Handling, landing, and navigation costs rose 11% to USD 184.3 million, driven by higher fees

across all categories and a 4% stronger EUR against the USD. Aircraft maintenance expenses amounted to USD 152.1 million, a 24% year-over-year increase, driven by higher levels of unscheduled engine maintenance and increased engine reserve costs associated with the newer leased aircraft.

Other operating expenses amounted to USD 427.3 million, an increase of 15% year on year. This rise was driven primarily by higher customer service costs, including a spike in EU claims, reflecting greater passenger awareness of their rights despite record on-time performance. The expansion of the business also contributed to the increase, with higher production-related employee expenses, distribution costs, non-recurring items related to the ONE transformation program, and the impact of adverse currency developments. Depreciation and amortization totaled USD 173.8 million, up from USD 154.1 million in 2024, mainly due to a higher number of leased aircraft.

Net finance costs decreased from 2024

Net finance cost totaled USD 6.7 million, down by USD 4.5 million from 2024. Interest income amounted to USD 34.8 million, increasing by USD 3.2 million year on year. Interest expenses totaled USD 48.4 million, a USD 7.3 million increase. A foreign exchange gain of USD 6.9 million was recognized, compared to a loss of USD 1.7 million last year.

Unit cost on fixed exchange rates down by 1% year on year

Unit cost (CASK) was 8.3 US cents, up 2% year over year, with depreciation of USD against other currencies being the main reason. Unit costs on fixed exchange rates decreased by 1% year on year.

Expenses in 2025

USD thousand	2025	2024	Change	% change
Salaries and salary-related expenses	455,399	406,030	49,369	12%
Aircraft fuel	360,347	360,200	147	0%
Other aviation expenses	341,304	292,140	49,164	17%
Other operation expenses	427,262	372,381	54,881	15%
Total	1,584,312	1,430,751	153,561	11%
Depreciation and amortisation	-173,813	-154,067	-19,746	13%
Net finance cost	-6,726	-11,269	4,543	-40%



Financial position

Icelandair's financial position at year-end 2025 is strong, with assets amounting to USD 1.9 billion. Net cash flow from operations amounted to USD 305 million, and total liquidity at year-end amounted to USD 458 million, including undrawn credit facilities of USD 92 million. The total equity ratio was 15%.

Balance sheet growth driven by fleet expansion and strong liquidity

Total assets amounted to USD 1.9 billion at year-end 2025, up USD 207.0 million since the beginning of the year, primarily driven by higher liquid funds and three additional leased A321LR aircraft. Operating assets totaled USD 563.5 million, and the right-of-use assets USD 483.1 million.

Total equity amounted to USD 286.4 million compared to USD 269.1 million at the beginning of the year. Total comprehensive profit in 2025 was USD 15.5 million compared to a comprehensive loss of USD 20.2 million in 2024. The equity ratio at year-end was 15%.

Financial liabilities (interest-bearing debt and interest-bearing lease liabilities) amounted to USD 693.9 million and increased by USD 56.2 million from the beginning of the year, primarily due to aircraft investments with the addition of three A321LRs. Net financial liabilities (financial liabilities net of cash) amounted to USD 328.0 million and decreased by USD 54.9 million.

Liquidity position up by USD 111 million in 2025

Cash and marketable securities totaled USD 365.8 million at year-end 2025, USD 111.0 million higher than at year-end 2024. Net cash from operating activities totaled USD 305.0 million, up by USD 83.9 million from the beginning of the year due to positive movements in working capital and positive currency impact.

Cash used in investing activities amounted to USD 177.8 million, of which net capex was USD 112.1 million. The capex included the return and purchase of one B767 aircraft, major engine overhauls, the Airbus simulator, and scheduled aircraft checks.

Net cash used in financing activities was USD 105.7 million. Refinancing during the year amounted to USD 19.4 million, and repayments of interest-bearing loans and operational lease liabilities totaled USD 126.0 million. The Company had undrawn committed credit lines available in the amount of USD 92.0 million, bringing total liquid funds at the end of the year to USD 457.8 million.



Icelandair

Sustainability

- Sustainability highlights
- Sustainability statement
- Environment
- Social
- Governance and business conduct

Key sustainability highlights in 2025

Throughout 2025, we continued integrating environmental, social, and governance priorities across our operations.



Sustainability

Aviation is vital to Iceland's economy, society, and quality of life. As an island nation, we rely on dependable air connectivity to support tourism, trade, international cooperation, and access to essential services. As one of the country's largest private companies, we play a central role in enabling this connectivity and creating economic value nationwide.

An integral part of our strategy

Sustainability is integrated into our corporate strategy and supports our long-term competitiveness. One of the guiding principles – embracing our people and the planet – ensures that decisions reflect our responsibilities towards our employees, the wider community, and the environment.

ESG strategy aligned with our priorities

Our ESG strategy serves as our primary framework for prioritizing and executing sustainability initiatives in line with overall Company strategy. Structured around three pillars, environment, society and governance, it translates business priorities into nine focused sustainability areas.

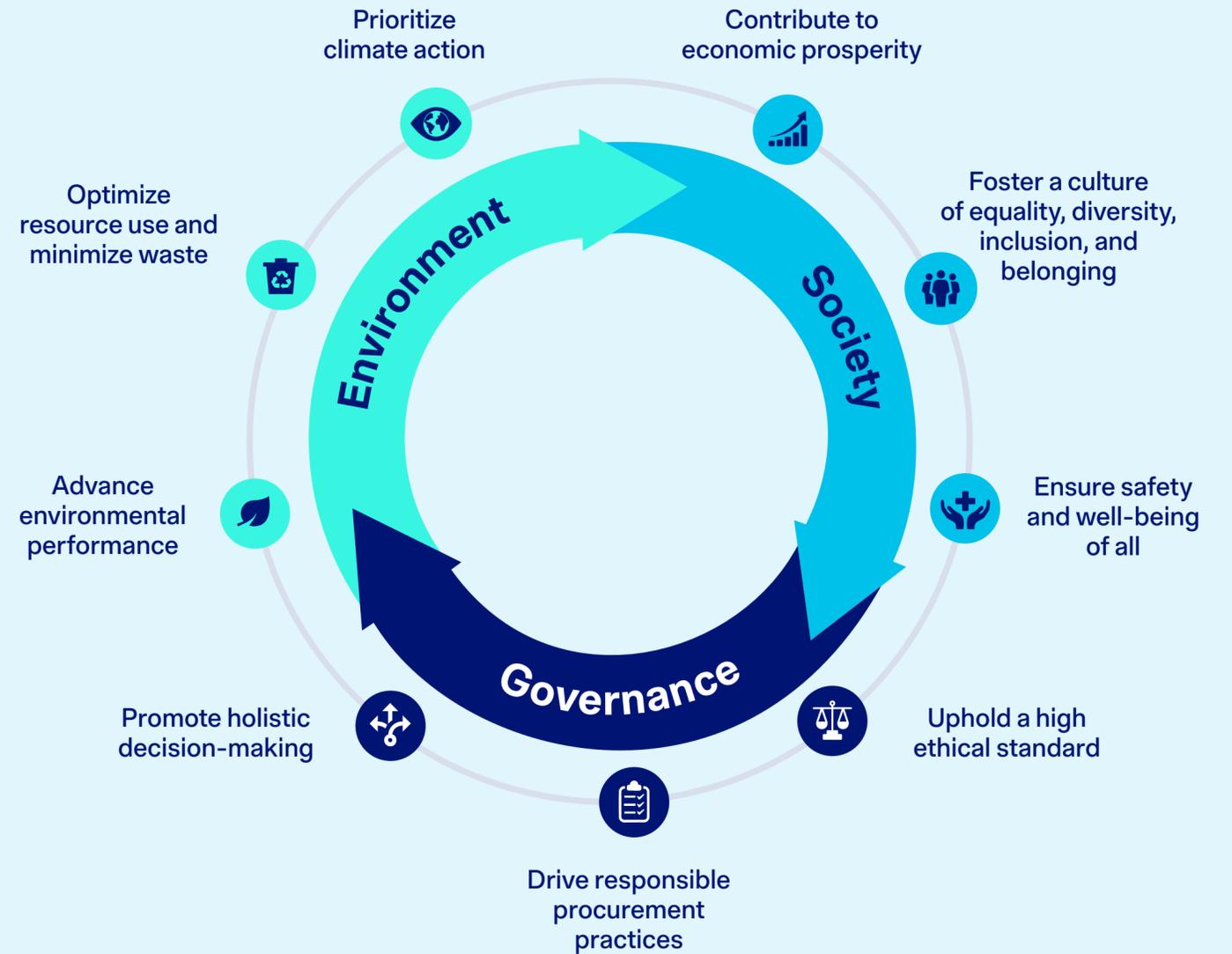
Tracking progress

The nine sustainability focus areas are supported by clearly defined targets and measurable KPIs, enabling us to monitor performance and track progress over time.

Sustainability impacts

Our business model generates both positive and negative sustainability impact across our operations and value chain. Material impacts stem from energy-intensive operations, a large and diverse workforce, and our role in connecting our customers and communities to key domestic, regional, and international destinations.

This sustainability report outlines how we address our most material impacts while creating long-term value.



Environmental highlights

Operating an airline involves inherent environmental challenges, and we are committed to contributing to a more sustainable future for aviation. Our ESG strategy focuses on reducing aircraft emissions, managing aircraft noise and pollution, and minimizing waste across operations.

Improving chemical safety and oversight

During the year, we strengthened our chemical governance by creating a chemical inventory and improved risk assessments, storage, and waste handling practices.



+400

Chemicals identified and managed systematically

Climate action through fleet renewal and operational efficiency

Reducing emissions remains our highest environmental priority. We have reduced our CO₂ emissions per OTK (Operational Ton Kilometer) by 22% compared to 2019.

CO₂ emissions per OTK

-5%

compared to 2024

~80%

trips on new-generation aircraft



Focusing on recycling and waste reduction

We minimize waste and reduce consumption by reusing materials where possible, and prioritize onboard recycling initiatives.



83%

Waste recovery

Social highlights

We are committed to contributing positively to society. As one of Iceland's largest private employers, we focus on economic prosperity, fostering a culture of equality, diversity, inclusion and belonging, and ensuring the safety and well-being of all.

Contributing to the Icelandic economy

We support the economy directly through taxes and fees paid to the government and municipalities.



2025:

\$322m

Tax footprint in Iceland
2024: \$274m

Continued focus on gender representation

Gender equality is a key focus area, with clear goals to increase gender equality across management and flight-related roles.



41%

Women in ExCo and the Director level combined, up from **40%** in 2024

Women in the Executive Committee is **22%**, down from 40% in 2024



17%

Male cabin crew members in 2025, up from **16%** in 2024

The proportion of female pilots was **13%**, down from 14% in 2024

Safe growth with strong customer trust

With growth and cost-efficiency initiatives during the year, customer satisfaction remained good, supported by excellent on-time performance and ongoing focus on service quality.



5.1m

A record **5.1 million passengers** were carried in 2025



90%

of customers responded positively to feeling safe

Governance highlights

Effective governance and ethical conduct are central to our operations. By regularly reviewing strategies, policies, and performance, and fostering a culture of integrity, we ensure compliance, transparency, and accountability across all levels of the company, safeguarding stakeholder trust and supporting long-term success.

Governmental engagement on aviation climate policy

We maintain strong dialogue with the Icelandic government and relevant authorities on regulatory developments affecting aviation.

2025:

\$42m

Environmental compliance cost
2024: \$21m

Building due diligence processes and holistic decision-making

We initiated work on strengthening our due diligence framework. Enhanced sustainability risk assessments, supplier screening, and management training provide a foundation for stronger value chain oversight and more holistic decision-making.



+60

Destinations



+100

Codeshare destinations



+4,400

Number of suppliers

Transparent and accountable business conduct

Our responsible business conduct is grounded in transparency, accountability, and proactive risk management. Clear reporting channels and consistent information through financial reporting and traffic data.



+13,000

Shareholders

Sustainability Statement

Basis for preparation

This section represents the non-financial information (hereafter ‘Sustainability Statement’) of Icelandair for the financial year 2025. The statement includes information on how the Company’s operations and value chain interact with the environment and society – the impacts Icelandair has on people and the planet, and how environmental and social developments can in turn affect the business. The statement also outlines the actions Icelandair is taking to understand, manage, and reduce these impacts over time. The scope of the Sustainability Statement is the same as for the financial accounts and no subsidiaries are exempt from it.

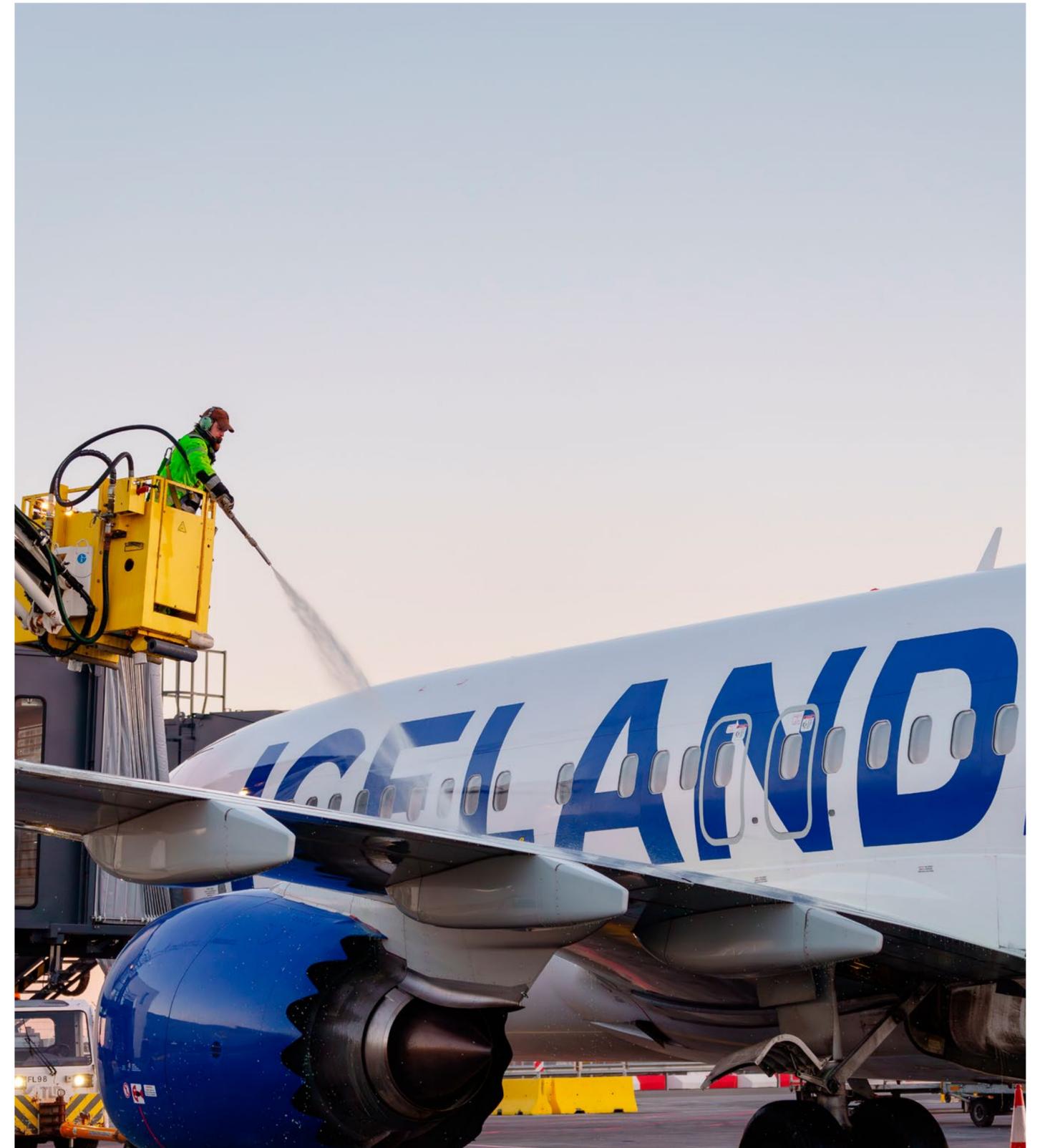
Reporting standards

In preparation for the EU Corporate Sustainability Reporting Directive (CSRD), which is expected to be implemented in Iceland, the Sustainability Statement has been developed with reference to the European Sustainability Reporting Standards (ESRS). During

the transition period, Icelandair continues to report in accordance with the Nasdaq ESG Reporting Guide 2.0. As a result, sustainability data is also presented in line with the Nasdaq ESG Reporting Guide 2.0 (Environment, Social and Governance) at the end of the Sustainability Statement.

Sustainable development goals

Icelandair supports the United Nations’ Sustainable Development Goals (SDGs) and has chosen four goals that represent the Company’s key sustainability focus areas. These are Climate Action, Gender Equality, Responsible Consumption and Production, and Decent Work and Economic Growth. Icelandair is also a signatory of the UN Global Compact, reinforcing its commitment to the Ten Principles on human rights, labor, environment, and anti-corruption, and reports annually on the progress in accordance with the UN Communications on Progress requirements.



Governance of sustainability matters

The role of the management and supervisory bodies

The Company's governance structure is outlined in the Corporate Governance Statement, which includes information on the composition of the Board of Directors.

The ultimate responsibility for sustainability matters lies with the Board of Directors, which oversees Icelandair's impacts, risks, and opportunities in this area. The Board of Directors is informed quarterly on the progress by the Sustainability team. The Audit Committee is responsible for risk management and internal control processes related to sustainability reporting and is informed by the Sustainability team as needed on matters relevant to its responsibilities. Members of the Executive Committee who are accountable for their respective ESG categories are responsible for the implementation of sustainability initiatives within their areas of responsibility. They are expected to ensure that adequate resources are in place, to oversee the setting of sustainability targets and monitor progress. The project owner within the Sustainability team is responsible for keeping the Executive Committee updated on the sustainability priorities and the progress of related initiatives before updating the Board of Directors. The Sustainability team consists of one project owner who is the link to the Executive Committee and a project manager who drives most of the work, coordinates with different functions, and engages with external and internal stakeholders. To ensure effective collaboration across the Company, the Sustainability team works in close collaboration with departments responsible for respective ESG priorities.

ESG Governance



Responsibilities

Board of Directors

Oversees the sustainability strategy and related policies.

Audit Committee

Responsible for risk management and internal control processes in relation to the financial and sustainability reporting.

Executive Committee

Decides on strategic direction and is responsible for putting into action and overseeing sustainability initiatives within their respective business divisions.

Sustainability team

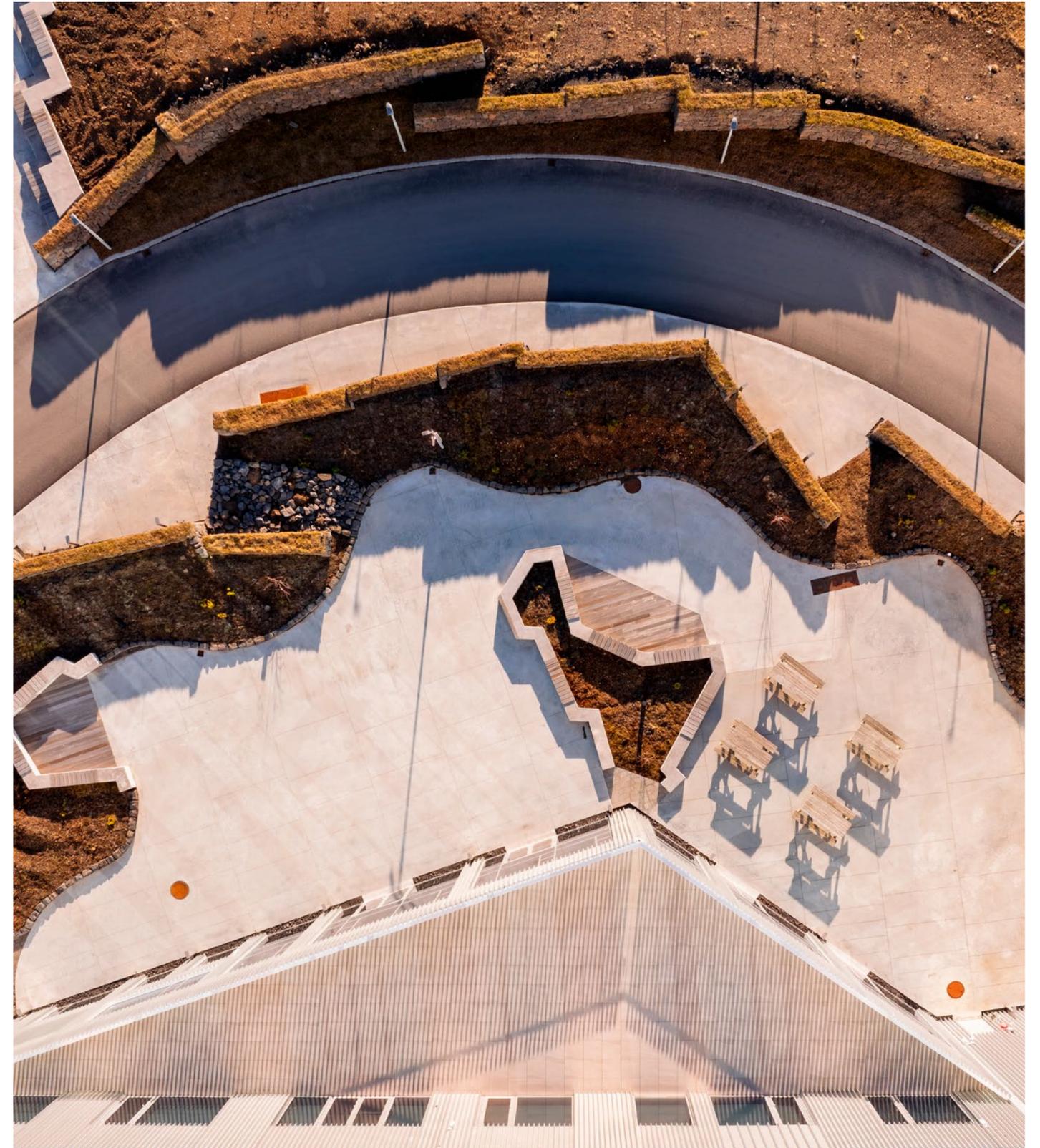
Responsible for initiating and driving projects, trendspotting, and strategy development as well as communication and reporting. Coordinates with relevant business divisions, manages internal and external stakeholder relationships.

Business divisions

Each ESG priority is owned by a designated business division, with certain priorities managed cross-functionally. Business divisions are responsible for project management, actions, improvements, data management, and target setting.

Statement on due diligence

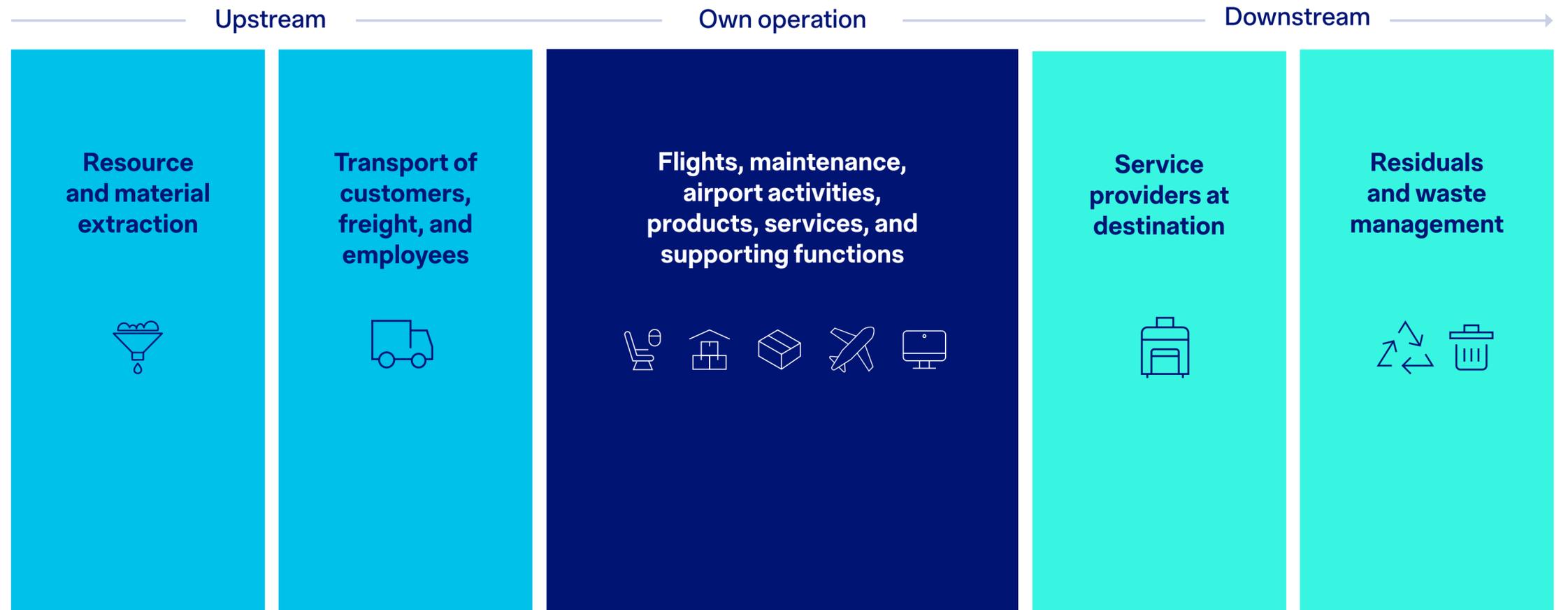
Core elements of the due diligence process	Disclosure requirement
a) Embedding due diligence	ESRS 2; GOV-1, Topical standards: E1-4, E2-4, E5-1, S1-1, S2-1, S3-1, S4-1, G1-1
b) Engaging with affected stakeholders	ESRS 2; SBM-2, Topical standards: S1-2, S2-2, S3-2, S4-2
c) Identifying and assessing adverse impacts	ESRS 2; IRO-1
d) Taking actions to address adverse impacts	Topical standards: E1-5, E2-2, E5-2, S1-3, S2-3, S3-3, S4-3, G1-2, G1-2
e) Tracking the effectiveness of these efforts and communicating	Topical standards: E1-8, E1-9, E5-5, S1-5, S1-7, S1-8, S1-13, S1-14, S1-15, S1-16, S2-4, S3-4, S4-4, G1-4, G1-6



Value chain

Icelandair's value chain reflects a network of upstream suppliers, downstream service providers, and partners working together to deliver seamless transportation services and generate value for stakeholders. The upstream value chain includes suppliers and service providers essential to Icelandair's operations, including aircraft manufacturers, fuel suppliers, maintenance providers, airport facilities, and transport services for customers, freight, and employees. These critical inputs enable Icelandair to deliver core services, including passenger and cargo flights, leasing operations, airport services, technical maintenance, and other supporting services.

As a result, the downstream activities include service providers at destinations, cargo facilities and services, and waste and residuals management. Partners such as travel agencies and cargo handlers play a vital role, alongside stakeholders who benefit from economic and social impacts of Icelandair's operations, such as tourism and other trade and export industries.



Interest and views of stakeholders

Active stakeholder engagement

The Company engages on an ongoing basis with a broad range of stakeholders that are affected by or have an interest in its activities. Key stakeholder groups include employees and representatives, future employees, customers, suppliers and business partners, local and affected communities, investors and shareholders, authorities and government, NGOs, the general public, and media. Engagement takes place through a variety of formal and informal channels, including customer feedback mechanisms, employee dialogue and collective bargaining processes, regular interactions with business partners and authorities, and investor communications.

Through these engagement activities, Icelandair seeks to understand stakeholder interests, expectations and concerns as they relate to its business model, strategy, and long-term value creation. The insights gained help inform strategic priorities and the identification and management of key impacts, risks, and opportunities.

Relevant information on stakeholder views and interests is communicated to the Executive Committee by relevant executive members responsible for the stakeholder group and the Sustainability team.

Interaction of impacts, risks, and opportunities with strategy and business model

Icelandair's business model is associated with sustainability-related impacts, positive and negative, across its operations and value chain. Material impacts arise from energy-intensive operations, a large and diverse workforce, and Icelandair's role in connecting Iceland and key domestic, regional, and international destinations for customers and communities.

In turn, the Company's material sustainability related financial risks are climate related transition risks, driven by regulatory and market developments affecting aviation, including increased environmental compliance costs.

These risks have affected operating costs and financial performance during the reporting period. At the same time, the business model also presents opportunities, including efficiency gains from fleet renewal and operational improvements, and long-term value creation through reliable connectivity, customer trust, and a skilled workforce.



Double Materiality Assessment

Material sustainability matters

The concept of double materiality is presented in the EU Corporate Sustainability Reporting Directive (CSRD). Double materiality, as defined by the CSRD, comprises impact materiality and financial materiality. Impact materiality refers to a business' impact on the environment and society while financial materiality refers to the risks and opportunities that a company faces in relation to the environment and society. A sustainability matter is considered 'material' for a company if it fulfils the requirements for impact materiality, financial materiality, or both. Icelandair completed its initial Double Materiality Assessment (DMA) in 2023 and reviewed and updated it in 2025. The DMA will be reviewed bi-annually unless any significant changes occur in the Company's management system or business model.

Description of the process to identify and assess material impacts, risks, and opportunities

The DMA was conducted with a four-step approach as follows:

1. Preparation and scoping

The business model and value chain, along with Icelandair's key activities, were mapped to establish a common point of reference for the assessment and define the assessment boundaries.

2. Mapping impacts, risks, and opportunities

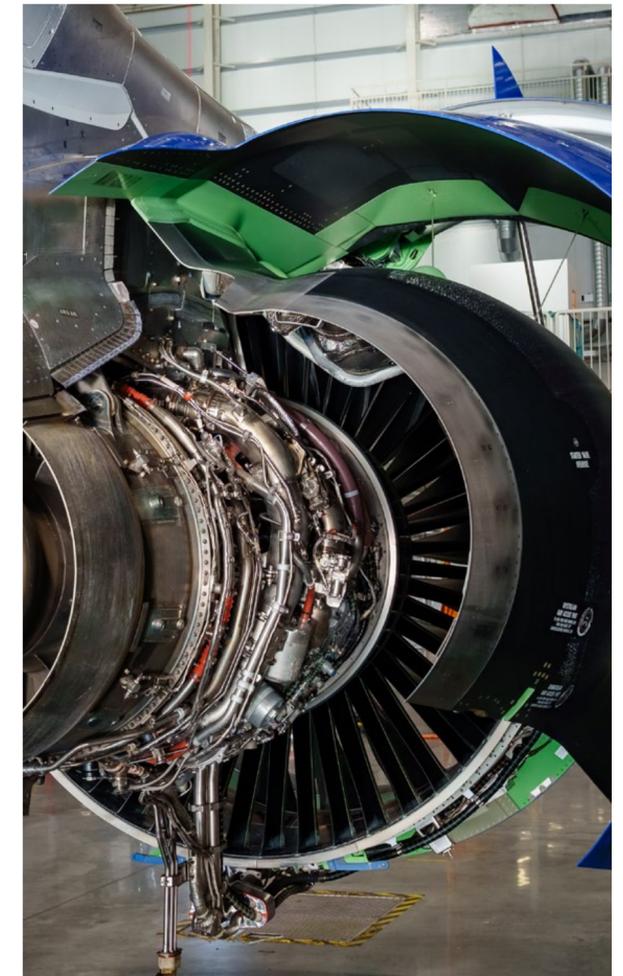
"Mapping workshops" were held to identify potential impacts, risks, and opportunities (IRO). The workshops were informed by IROs previously identified through Icelandair's due diligence processes, including the environmental management system, the risk registry, and previous materiality assessments. Additionally, the sustainability topics, sub-topics and sub-sub-topics outlined in Article 16 of ESRS 1 were incorporated into the mapping process. Risks and opportunities were identified based on related impacts and Icelandair's dependencies on specific resources. The IRO identification process was conducted across different parts of the value chain, enabling the identification of potential hotspots. The workshops involved relevant internal stakeholders from Icelandair, as well as external sustainability experts.

3. Assessing materiality

The third step was to assess the materiality of identified impacts, risks, and opportunities. For impact materiality, assessment criteria for the dimensions scale, scope, irremediability, and likelihood need to be set. The scales used in the Double Materiality Assessment were based on the following: the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, the ESRS 1 General Requirements, Icelandair's existing assessment scales, where applicable, as well as external experts on human rights, risk, and environmental impact assessment. The assessment of financial materiality was conducted using predefined scales for the size of financial effect and likelihood. The scale for evaluating the financial impact of sustainability topics aligns with Icelandair's risk assessment framework and associated manuals and guidelines, ensuring a streamlined and consistent approach.

4. Validating and reporting

The assessment of materiality of all IROs was validated by the Sustainability team. Next, the results were mapped on a materiality matrix and validated by the Executive Committee.

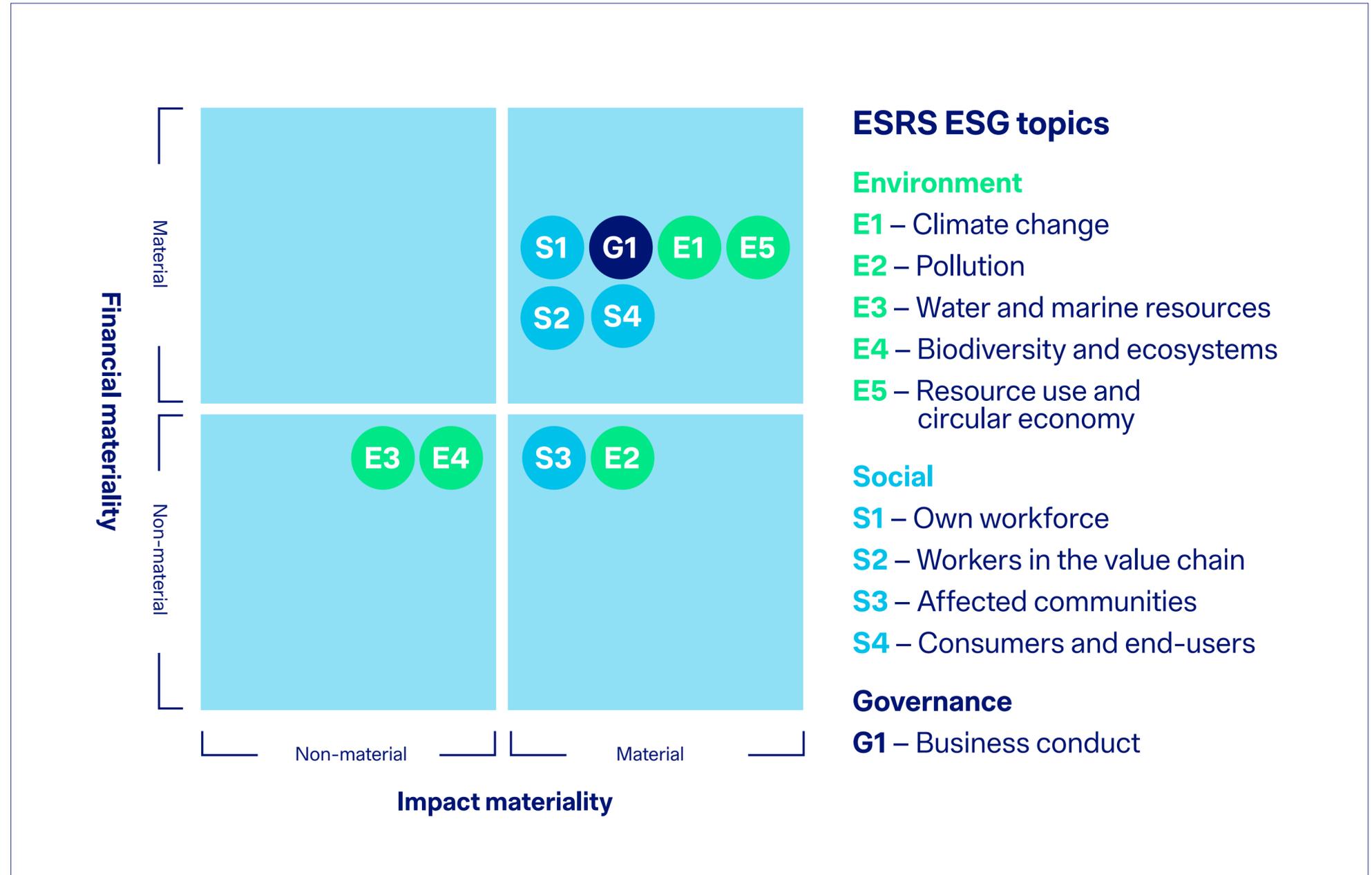


Material ESG topics

Results of the Double Materiality Assessment

As a result of the Double Materiality Assessment, eight of the 10 ESG topics have been assessed as material for Icelandair.

Icelandair recognizes that the Double Materiality Assessment is an ongoing process, with objectives extending beyond reporting purposes. Insights gained from the assessment and stakeholder feedback have already started shaping Icelandair’s strategy and the Company’s approach to sustainability.



Environment

Operating an airline involves inherent environmental challenges, and Icelandair is committed to contributing to a more sustainable future for aviation. As outlined in the Company's ESG strategy, the focus is on reducing aircraft emissions, managing noise impacts and pollution, and minimizing waste across operations.

Robust environmental management

These efforts are guided by Icelandair's Environmental Management system (EMS). Icelandair is certified to the highest level of the IEnvA environmental assessment program from the International Air Transport Association (IATA), which requires demonstration of ongoing environmental performance improvements. The IEnvA program is based on recognized environmental management principles, ISO 14001, and assessments are conducted by accredited independent organizations.

Collaboration with key stakeholders

Beyond the Company's internal initiatives, Icelandair actively collaborates on industry-wide sustainability efforts. The Company participates in environmental working groups within organizations such as IATA and Airlines for Europe (A4E), working alongside industry partners to drive meaningful change both globally and locally.



Climate change

As an airline, Icelandair recognizes its climate impact and reducing the Company's impact remains a top priority. The Company has made significant progress in recent years, most notably through its fleet renewal program and by improving fuel efficiency through a number of operational improvements, including flight planning optimization, increased focus on weight and flight efficiency, and increased use of data to support operational decision-making. These actions have resulted in measurable reductions in fuel consumption per flight and thus lower emissions per flight.

Materiality

Icelandair's operations, including flights and ground handling activities, generate greenhouse gas (GHG) emissions. Aviation is a significant source of emissions, primarily due to the combustion of aviation fuel, and the industry has committed to achieving net-zero carbon emissions by 2050.

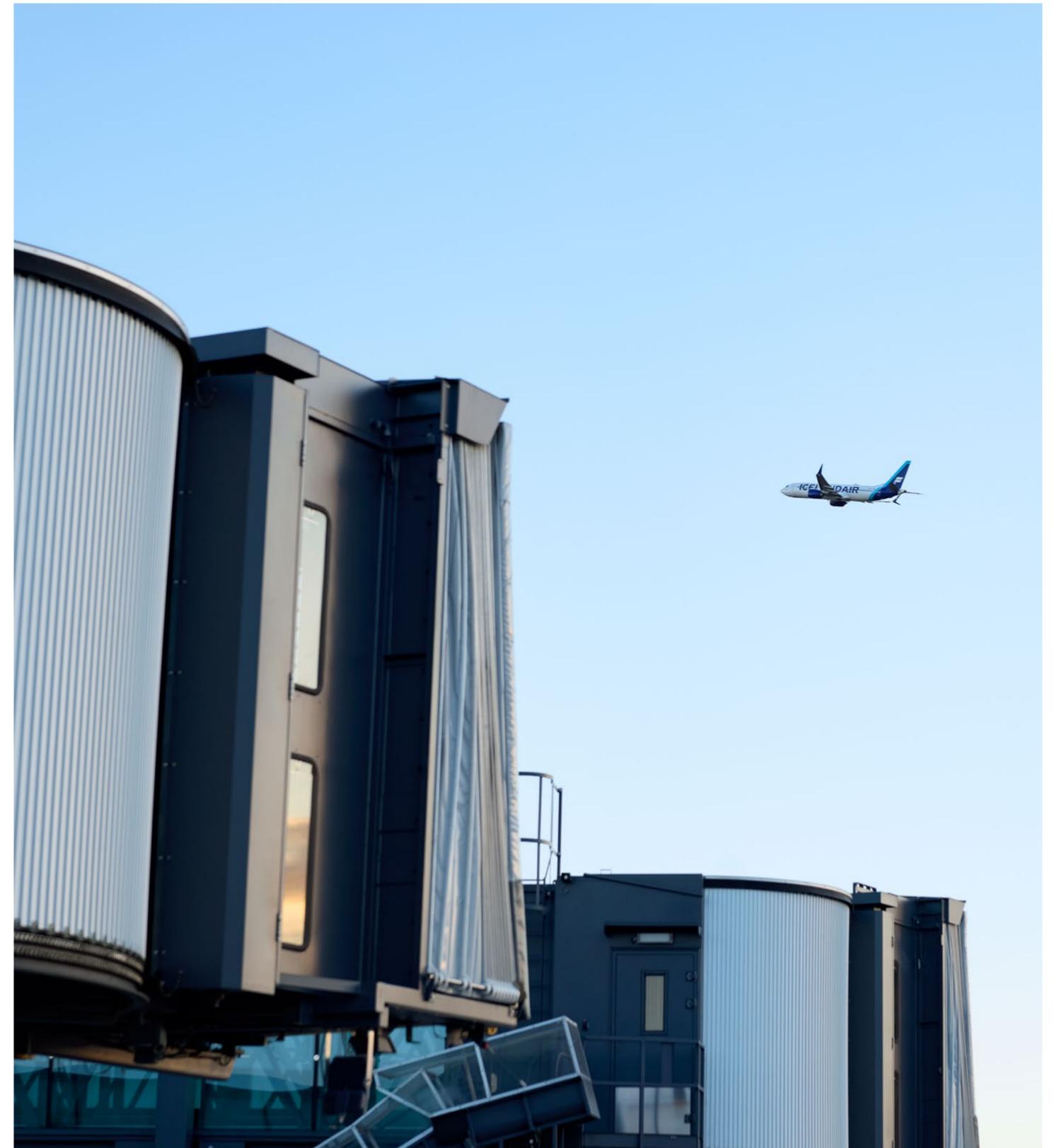
Technological advances have enabled new-generation aircraft to reduce emissions by approximately 20–30% compared with older models. However, the transition to alternative fuels remains challenging. In addition to flight operations, GHG emissions arise from ground handling and across the wider value chain, including aircraft and fuel production, passenger transport to and from airports, and waste management.

Icelandair is exposed to transition risks arising from climate-related regulation under, for example, the European Union Green Deal and the "Fit for 55" package, as well as physical climate risks affecting its assets and operations. Accordingly, both transition and physical climate risks have been identified as material.

Transition risk

As part of the European Green Deal and the "Fit for 55" legislative package, the EU has introduced a range of regulatory measures aimed at reducing greenhouse gas emissions and aligning economic activity with the EU's climate targets, including a reduction of net emissions by at least 55% by 2030 and climate neutrality by 2050. As an airline operating within the European Economic Area, Icelandair is subject to these regulatory developments. The transition to a lower-carbon aviation system creates regulatory and financial transition risks for the Company, primarily through rising environmental compliance costs. The Company's environmental costs are increasing due to rising prices of emission allowances under the EU Emissions Trading System (EU ETS), the reduction in the number of free emission allowances allocated to airlines, and the introduction and scaling up of SAF requirements.

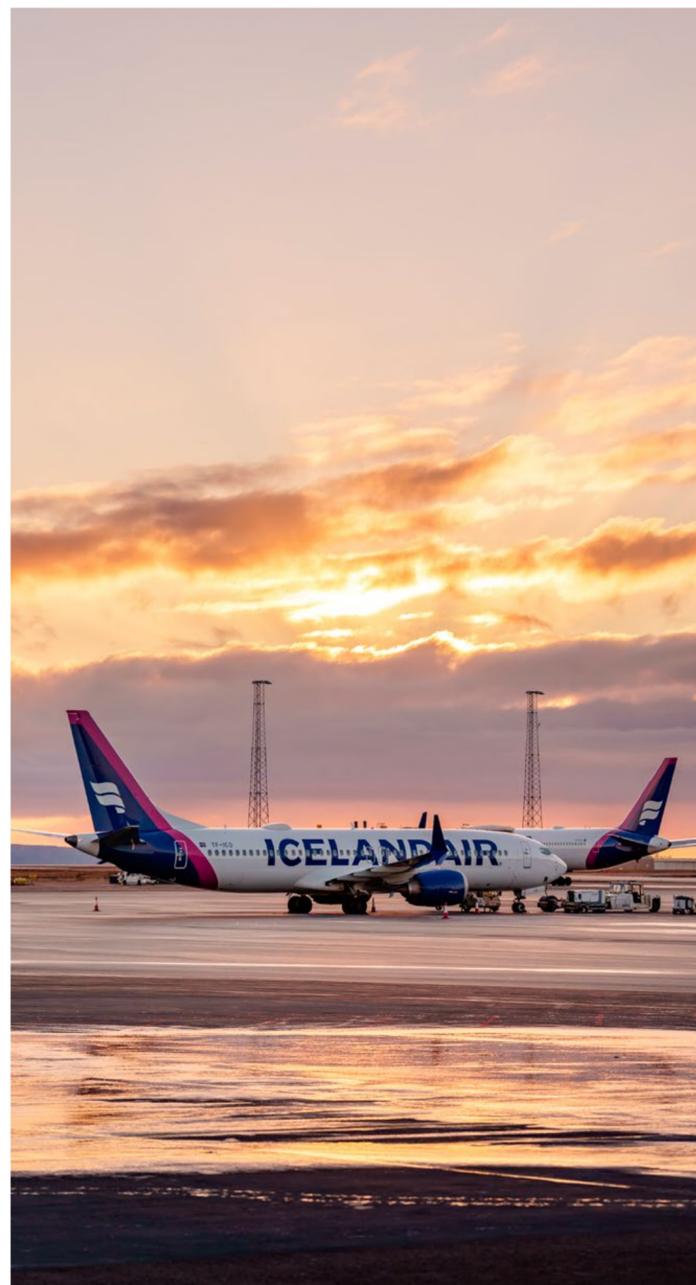
Aviation has been included in the EU ETS since 2012. Over time, the total number of emission allowances in the system has been steadily reduced. Regulatory changes adopted in 2023 accelerate this reduction and introduce a more aggressive phase-out of free allowances for



airlines between 2024 and 2026. These changes increase compliance costs for airlines, despite the sector having limited technical options to materially reduce emissions in the near-term. Due to Iceland's geographical location on the periphery of Europe and its reliance on air transport, these developments disproportionately affect Icelandair. Unlike most European countries, Iceland has no alternative means of international travel. Longer average flight distances to Europe result in higher emissions per flight and therefore higher relative ETS costs. This increases the risk that flights operated by Icelandic carriers become more expensive compared to both EEA and non-EEA competitors, potentially leading to carbon leakage and reduced competitiveness.

To mitigate the risks of the reduction of emission allowances disproportionately affecting Iceland, the Icelandic government negotiated a special adaptation of EU ETS rules with the European Commission for airlines flying from Iceland. The Icelandic government is allowed to allocate allowances free of charge to airlines that submit a verified carbon neutrality plan. In 2025, Icelandair submitted a carbon neutrality plan to the Environment and Energy Agency. Uncertainty remains regarding the ETS framework beyond 2026, which complicates long-term pricing and planning.

In addition to the EU ETS, the Regulation (EU) 2023/2405 ("ReFuelEU Aviation") entered into force on 1 January 2024. The regulation aims to create a level playing field for sustainable air transport by mandating the gradual introduction of SAF. From 2025, fuel uplifted at EU airports must contain at least 2% SAF, with the required share increasing over time to 70% by 2050. ReFuelEU applies to all Icelandair flights departing from European



outstations. However, it has not yet been implemented in Iceland, as the timeline aligns with that of other countries within the European Economic Area.

The implementation of ReFuelEU during 2025 has

involved uncertainties regarding the practical application of documentation requirements, including the availability, content, and allocation of compliance documentation to airlines. In addition, as fuel suppliers may not physically deliver SAF to all airports, airlines may be constrained in their ability to claim the price differential between conventional jet fuel and SAF, which may affect the effective cost of compliance.

More broadly, SAF remains difficult to source, and limited availability combined with high prices presents a material challenge to Icelandair's climate transition. It is therefore crucial to solve these constraints.

During 2025, Icelandair continued to actively engage with policymakers and stakeholders to highlight the importance of aviation for Iceland's connectivity and economic prosperity. The Company continues to advocate for climate policies that support decarbonization while avoiding disproportionate impacts on airlines operating from geographically remote regions. If regulatory developments remain unchanged, Icelandair expects environmental compliance costs to increase materially in the coming years.

Physical risk

Icelandair is exposed to physical climate risks, such as changing weather patterns, rising sea levels, and extreme temperatures due to its dependence on weather conditions. Such climate-related events can pose a challenge to the operations and impact infrastructure stability and flight operations. Recognizing the importance of proactively addressing these challenges, Icelandair plans to conduct a climate risk and resilience assessment with the aim to identify and evaluate its primary physical

climate risks, enabling the Company to develop strategies to mitigate its impacts and enhance the resilience of the operations.

Decarbonization roadmap

Icelandair's long-term climate target is to achieve carbon neutrality by 2050, in line with international agreements and the European Union's climate objectives. The Company's decarbonization roadmap focuses on the most effective levers available today, with fleet renewal and operational improvements driving emissions reductions in the short- to medium-term. In parallel, Icelandair is progressively exploring the use of Sustainable Aviation Fuels, which are expected to play an increasing role in achieving decarbonization in the mid- to long-term.

Policies related to climate change

Icelandair's Climate and Environmental Policy sets out the Company's commitment to managing its most material environmental impact. Icelandair Group hf. and its subsidiaries are committed to maintaining a high standard of environmental performance and to reducing greenhouse gas emissions intensity across operations. The policy further emphasizes the importance of managing climate-related risks by identifying operational vulnerabilities and investing in measures that enhance the resilience of operations to the impacts of climate change.

Actions related to climate change

The fleet renewal program combined with operational improvements and the exploration of using alternative fuels provide a comprehensive approach to reducing the environmental impact of Icelandair.

Fleet renewal

Modernizing the fleet is among the most effective and immediate strategies for reducing carbon emissions. The transition from older models to newer-generation aircraft with enhanced fuel efficiency yields substantial reductions in fuel consumption, emissions, and operational expenses. In 2025, Icelandair retired two Boeing 757s and dry-leased an additional two to another airline, while taking delivery of three Airbus A321LR aircraft. These state-of-the-art, fuel-efficient aircraft represent a key component in the Company's efforts to lower carbon emissions across its operations.

Operational improvements

While fleet renewal is a critical lever to reduce carbon emissions, the full potential of decarbonization efforts will only be realized with a combination of measures, including operational improvements that optimize fuel efficiency across every aspect of the operations.

The airline uses modern fuel-monitoring and analysis systems (e.g., SkyBreathe) to track performance in real time, identify inefficiencies, and guide crews in optimizing fuel-saving behaviors. This data-driven approach enables continuous optimization of flight operations.

In 2025, Icelandair strengthened its emissions reduction efforts further by implementing a series of data-driven operational improvements aimed at lowering fuel burn and increasing efficiency, such as single engine taxiing out, optimizing alternate fuel planning, delaying the use of APU after landing, and optimizing the aircraft center of gravity by improving the loading process holistically.

As infrastructure and new technologies allow, the Company also aims to gradually transition to electric ground support equipment, thereby reducing emissions from ground operations.

Alternative fuels and innovation

While fleet renewal and operational efficiencies are currently the most impactful levers in the decarbonization strategy, Icelandair acknowledges the importance of advancing the production and availability of sustainable aviation fuels (SAF) in the market as it is crucial to support and accelerate the decarbonization path and remains one of the most important tools for long-term emissions reductions, capable of reducing lifecycle CO₂ by up to 80%. Icelandair has started to integrate SAF into operations in accordance with the EU's ReFuelEU initiative, which requires at least 2% sustainable fuel from 2025 onward.

Beyond SAFs, Icelandair is monitoring the development of other technological innovations, such as hybrid-electric propulsion systems, carbon capture technologies,



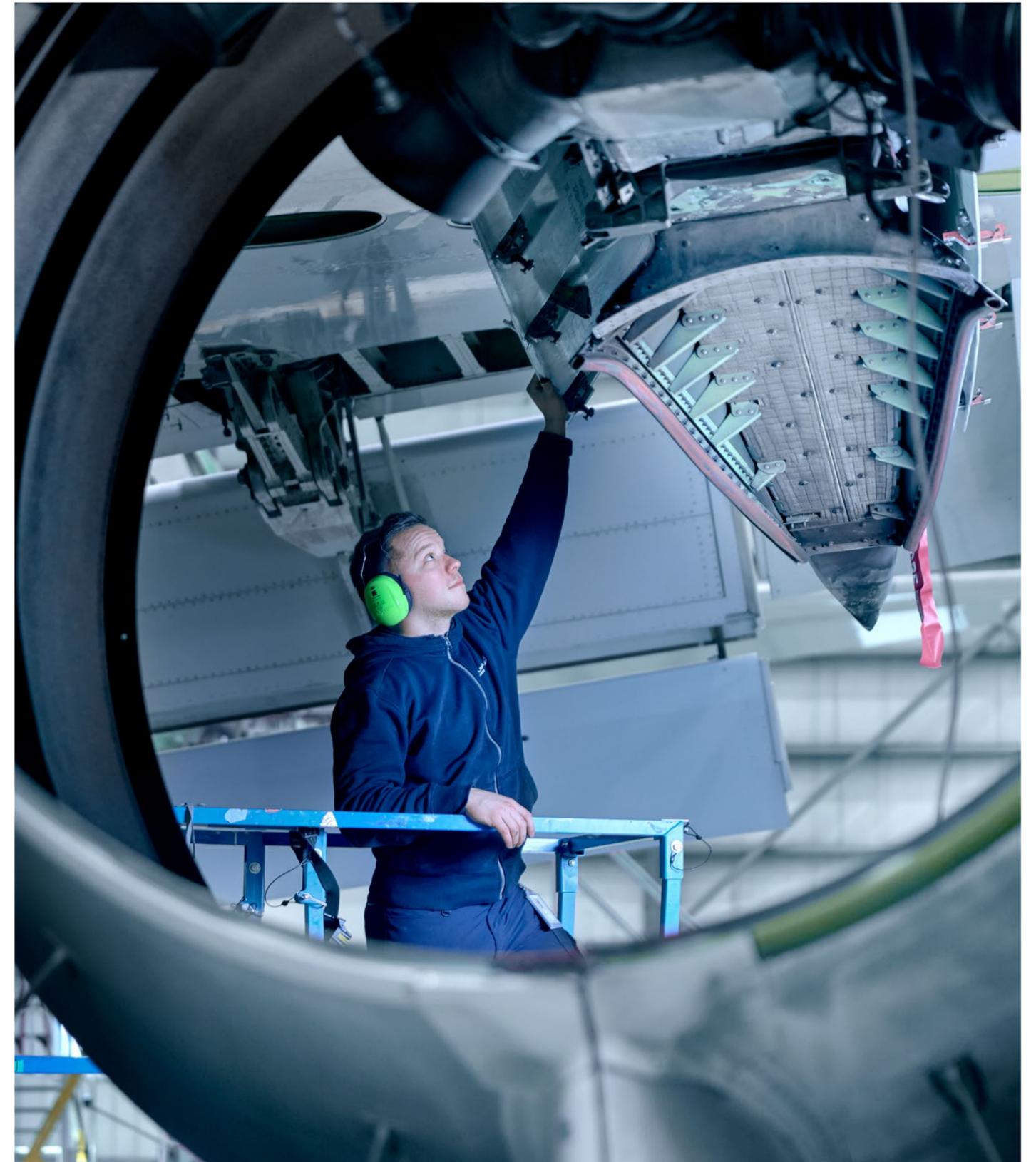
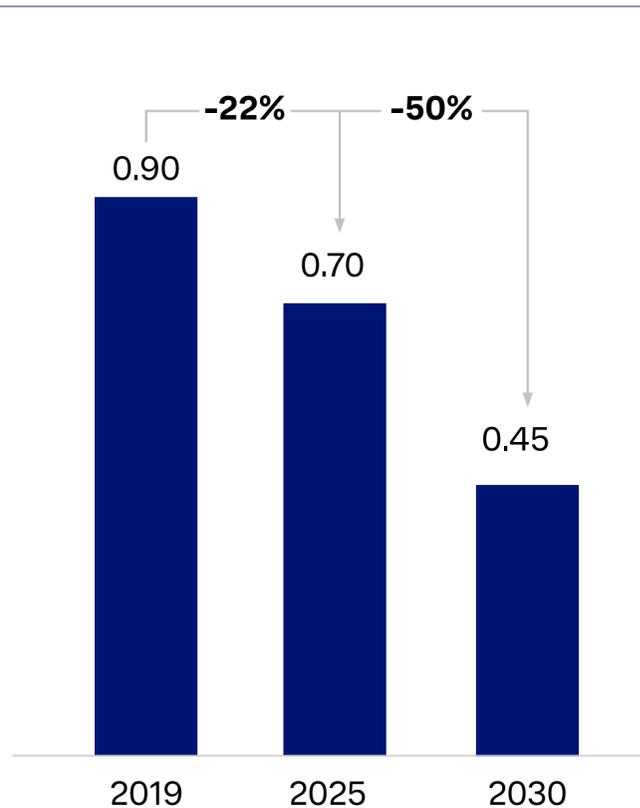
and new aircraft designs that use alternative energy sources like hydrogen. By continuously evaluating the potential of these technologies, the decarbonization strategy remains agile and aligned with the latest advancements in sustainable aviation.

Targets related to climate change

To address the global challenge of climate change, Icelandair has set a target for Scope 1 emissions, aiming to achieve net-zero emissions by 2050, and monitors fuel efficiency and CO₂e emissions from flight operations. In addition, the Company has set a specific target to reduce CO₂e emissions by 50% per Operational Ton Kilometer (OTK) from flight operations by 2030 compared to 2019. The emissions from aviation are reported annually to the Environmental Agency of Iceland. Operational Ton Kilometer (OTK) is how much CO₂e is emitted moving one payload ton over a distance of one kilometer and takes into consideration the weight of the aircraft, passengers, and cargo.

Icelandair has committed to setting a near-term company-wide emission reductions target in line with the Science Based Targets initiative (SBTi). Following this commitment, Icelandair started working on developing targets aligned with the SBTi criteria in 2025 and will continue the work in 2026.

Carbon emissions intensity 2019-2025



Climate and energy-related metrics

Jet fuel the main energy source

Metrics for the Company's energy consumption and emissions are following. The Company has not yet developed a process to apply internal carbon pricing schemes. Almost 100% of Icelandair's energy consumption comes from burning of jet fuel which is a form of fossil fuel. However, 100% of energy and heating used for the Company's buildings and facilities in Iceland use energy from renewable sources.

Greenhouse gas emissions

Almost all of Icelandair's measured GHG emissions come from burning of jet fuel as the production of electricity and heat in Iceland are mainly from renewable sources and therefore have a low carbon footprint. Icelandair only reports on Category 5, waste generated in operations under Scope 3 emissions, but will work to expand on different categories in 2026.

Energy consumption and mix (MWh)	2025	2024
Total energy consumption from fossil sources	4,632,215	4,479,737
Fuel consumption from coal and coal products	0	0
Fuel consumption from crude oil and petroleum products	4,632,215	4,479,737
Fuel consumption from natural gas	0	0
Fuel consumption from other fossil sources	0	0
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	0	0
Total energy consumption from nuclear sources	0	0
Total energy consumption from renewable sources	17,448	21,519
Total energy consumption	4,649,663	4,501,256

GHG emissions	2025	2024	Change
Scope 1 GHG emissions			
Gross Scope 1 GHG emissions (tCO ₂ e)	1,211,974	1,167,660	4%
Percentage of Scope 1 GHG emissions from the EU Emissions Trading System (EU ETS) (%)	38%	41%	-7%
Scope 2 GHG emissions			
Gross location-based Scope 2 GHG emissions (tCO ₂ e)	152	168	-10%
Gross market-based Scope 2 GHG emissions (tCO ₂ e)	0	0	0
Significant Scope 3 GHG emissions			
Total gross indirect Scope 3 GHG emissions (tCO ₂ e)	56	89	-37%
Waste generated in operations (Category 5)	56	89	-37%
Direct biogenic Scope 1 emissions	n/a	n/a	
Total GHG emissions	1,212,182	1,167,917	4%

Pollution

Emissions and aircraft noise are key environmental concerns for the aviation industry. The combustion of aviation fuels contributes to air pollution and aircraft operations generate noise that can affect local communities. Through Icelandair's commitment to reducing its climate impact, the Company simultaneously implements measures that help minimize both air and noise pollution. In addition, Icelandair manages the environmental and health risks associated with the use of chemicals and substances of concern across its operations through systematic oversight, risk assessment, and controls to ensure safe handling, storage, and disposal.

Materiality

The combustion of aviation fuel results in air pollutant emissions in addition to greenhouse gases, and as these impacts arise from the same sources and are addressed through the same mitigation measures such as fleet renewal, operational improvements, and the exploration of alternative fuels, air pollution from flight operations is managed alongside climate impacts and therefore covered under the Climate change section. Although noise pollution is not defined as a sub-topic under the ESRS, it is a material concern for Icelandair. Aircraft noise can impact communities and habitats around airports, particularly due to the noise generated during takeoff and landing. Through the commitment to reducing the climate impact, the Company simultaneously implements measures that help minimize both air and noise pollution. Additionally, Icelandair uses substances of concern in its operations which can negatively impact the environment and health if not managed properly.

Policies related to pollution

As outlined in the Climate and Environmental Policy, Icelandair acknowledges aviation's impact on the natural environment and public health through air pollutant emissions, the use of substances of concern, and aircraft noise affecting surrounding communities and airport workers, and is committed to mitigating these impacts. The Company works to prevent environmental incidents, such as fuel spills, and to minimize their impacts when they occur, manages substances of concern, reports incidents through its Safety Management System, and follows noise-abatement procedures to reduce impacts on local communities.

Actions related to pollution

Noise pollution

The commitment to mitigate the negative impacts of noise pollution is reflected in the Company's climate actions, such as renewing the fleet to newer-generation aircraft and implementing operational improvements. Noise pollution is one of the environmental issues that is addressed in the Company's EMS. To minimize the impact on the surroundings, the International Civil Aviation



Organization (ICAO) and the European Union Aviation Safety Agency (EASA) have established stringent noise regulations and Icelandair has operational procedures in place to comply with these requirements and guidelines.

Substances of concern

During 2025, Icelandair systematically worked to strengthen its management of substances of concern by improving oversight, risk assessment, and internal processes related to chemical use. A comprehensive overview of chemicals used across operations was established using the EcoOnline system. All chemical products were inventoried, mapped to their locations and areas of use, and linked to up-to-date safety data sheets to ensure accessibility and compliance. Chemical hazard assessments were conducted, and work continued to identify and evaluate alternative, less hazardous materials where feasible. For certain toxic substances, appropriate permits and licenses were maintained in accordance with regulatory requirements. In parallel, educational materials were developed to increase awareness and support safe handling of chemicals among employees. Risk reduction measures focused on limiting the quantities

of chemicals stored on site and improving storage practices. Monitoring of waste sorting was also strengthened to ensure that chemical waste and related materials are correctly separated and disposed of at appropriate facilities.

Targets related to pollution

Noise pollution from Icelandair's operations is closely linked to the Company's GHG emissions. The climate targets are therefore expected to address these pollution impacts. As a result, Icelandair has not established specific targets for noise pollution. The Company's broader objective is to continuously monitor and enhance the overall environmental performance, including incidents such as fuel spills, optimizing the use of de-icing fluids and refrigerants, and systematically tracking all environmental incidents through the EMS.

Resource use and circularity

Icelandair's approach to resource use and circularity is centered on minimizing waste from its operations, reducing unnecessary consumption, and optimizing resource efficiency by reusing valuable materials whenever possible, and prioritizing onboard recycling initiatives.

Materiality

Resource inflows are considered a material topic as airlines depend heavily on resources for operations, including fuels, aircraft maintenance materials, food, and goods for passenger services. Icelandair reuses and recycles aircraft parts when retiring older generation aircraft, specializing in end-of-life solutions and the trading of parts for Boeing aircraft. Waste management is also a material topic as Icelandair contributes to waste generation through various processes, such as inflight and maintenance activities. In general, airlines rely largely on single-use plastics for packaging, food containers, and cutlery, and there are challenges improving recycling on board due to limited infrastructure, logistical constraints, and regulations for waste management.

Resource inflows have been assessed as financially material for Icelandair in the long-term, as Icelandair faces potential risks associated with supply chain disruption and resource scarcity, as some materials critical to airline operations include critical raw materials. The financial implications will depend on factors such as the type of resource, the degree of dependency, and the actual availability of the resource in the market at a given time.

Policies related to resource use and circularity

Icelandair's Climate and Environmental Policy addresses the material environmental impacts and risks related to resource use and waste generation arising from its operations. The policy's objective is to reduce waste, promote efficient use of resources, and support the transition to a circular economy, while managing regulatory and supply-chain risks. To achieve this, Icelandair commits to applying the waste hierarchy, promoting responsible resource use, reducing single-use plastics and optimizing cabin consumables, and adopting responsible procurement practices in collaboration with suppliers and industry partners.

Actions related to resource use and circularity

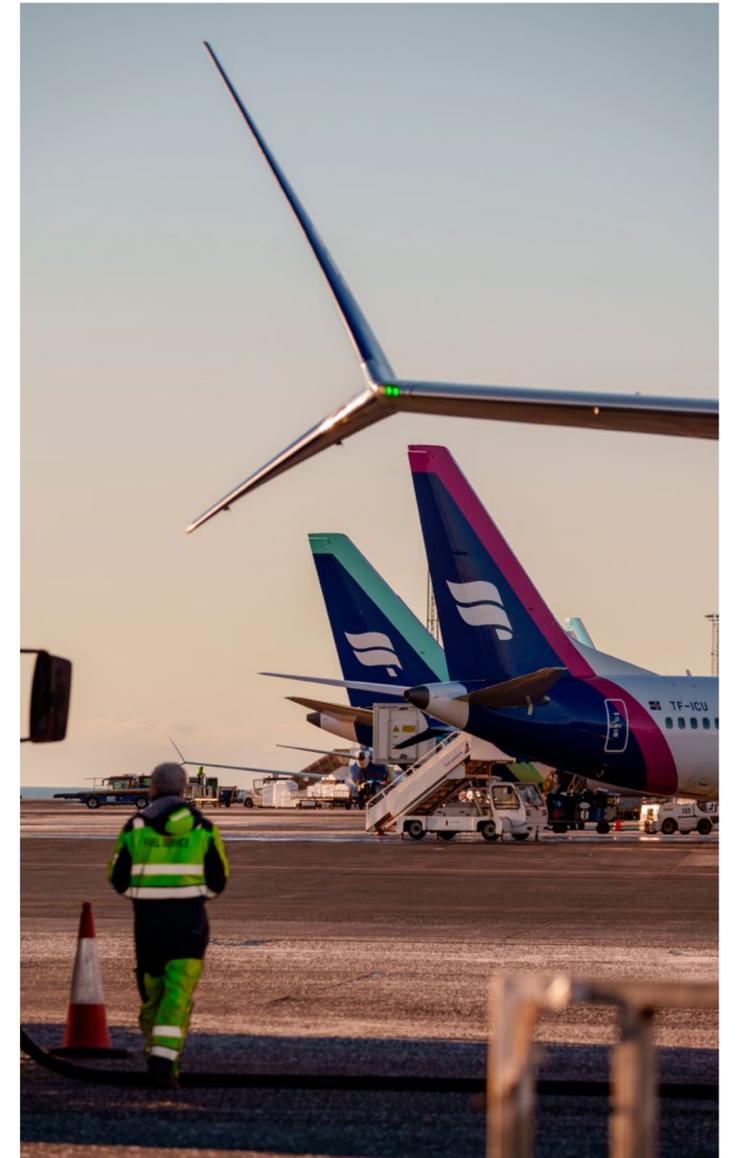
Icelandair has implemented several successful initiatives to optimize resource use and enhance waste recycling across the Company. Key actions include reusing aircraft parts, introducing onboard recycling, and reducing food waste by offering passengers the option to pre-order their onboard meals to reduce the amount of fresh food on board. The Company has also prioritized sustainable materials and reducing waste, for example when renewing the onboard textile concept, recycled materials were chosen. Icelandair is actively working to eliminate single-use plastics and consumables on board. Icelandair

launched a new amenity kit in October 2025 that highlights and celebrates Icelandic nature in collaboration with well-known local artist and ceramicist Inga Elín. To reduce waste, Icelandair now offers "on-demand" amenity kits, which are listed on the drink menu for North American routes. Passengers can select the items they find useful for their flight, so they receive only what meets their needs.

Targets related to resource use and circularity

Laws and regulations have long restricted waste separation on board. For several years, Icelandair has advocated for changes to Icelandic regulations on recycling waste from international flights, as all such waste was required to be incinerated until 2023.

Icelandair has set targets for efficient material use in line with its policy commitments. The 2025 target was to recycle at least 40% of onboard waste; however, approximately 20% was recycled during the year. The underlying causes will be reviewed in 2026 with the aim of improving the recycling rate.



Resource use and circularity-related metrics

Icelandair's main material resource inflow is aircraft. During 2025, Icelandair took delivery of three new Airbus A321LR aircraft.

Waste streams

Icelandair uses a waste management system provided by Klappir Green Solutions, which digitally tracks and breaks all waste-related data down to the operational units. The waste streams generated from Icelandair's operations are typical for aviation companies and include cabin and maintenance waste. The materials presented in Icelandair's waste are food waste, mixed waste, aluminum scrap, plastic waste, paper, wood waste, batteries, electronic waste, oil waste, and automotive scrap.

Amount of waste

The total amount of waste produced by Icelandair in Iceland, including at the Keflavík hub, was 623 tons in 2025, down from 808 tons the previous year. This decline is mainly due to Icelandair outsourcing its catering operations to an international catering company during 2024, because international catering waste is handled through that provider's facilities, the waste figures for 2024 only include this stream for the early part of the year. The largest waste category aside from onboard waste is mixed waste from aircraft cleaning, which includes lavatory waste. Additionally, food and beverage waste from international flights must be incinerated or sent to landfill in accordance with international catering regulations.

Waste	2025	2024
Total weight of waste generated (kg)	623,460	808,376
Proportion of waste diverted from disposal (% of total waste)	83%	79%
Non-hazardous	519,333	639,875
Preparation for reuse	0	0
Recycling	200,946	297,317
Other recovery operations	318,387	342,558
Hazardous	7	0
Preparation for reuse	0	0
Recycling	7	0
Other recovery operations	0	0
Proportion of waste directed to disposal (% of total waste)	17%	21%
Non-hazardous	102,729	164,553
Incineration	17,455	2,759
Landfill	85,274	161,794
Other disposal operations	0	0
Hazardous	1,391	3,948
Incineration	407	3,948
Landfill	11	0
Other disposal operations	973	0
Proportion of waste for which the final destination is unknown (% of total waste)	0	0
Total amount of radioactive waste (kg)	0	0

EU Taxonomy

As described by the European Commission, the EU Taxonomy is a classification system for determining sustainable economic activities that provides companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

Icelandair is eligible for four economic activities included in the amended Climate Delegated Act. These are Air transport ground handling operations (6.2), Leasing of aircraft (6.18), Manufacturing of aircraft (3.21) and Passenger and freight air transport (6.19). Hence, virtually all Icelandair's operations fall within economic activities that are covered by the EU Taxonomy. In 2025, 99% of the Company's turnover was generated from taxonomy-eligible activities, while 100% of both capital expenditures, and operating expenditures were related to eligible activities.

Icelandair reports eligibility and alignment on turnover, capital expenditures and operating expenditures related to these activities. However, no alignment was achieved in 2025. The Company will continue to work to track changes and simplifications made to the EU Taxonomy and work on alignment, fulfilling the minimum safeguards, and further implementation of the EU Taxonomy.

Further information on Icelandair's EU Taxonomy is reported in the annual accounts.



Social

Icelandair is committed to respecting human rights and fostering a culture where all people are treated with trust, dignity, respect, fairness, and equity. This commitment applies across the Company's own operations and extends to workers in the value chain, customers, and the communities affected by its activities.

As expectations from society, business partners, and stakeholders continue to grow, Icelandair has begun strengthening its sustainability and human rights due diligence processes. These efforts aim to better identify, manage, and address social impacts and risks, while demonstrating responsible business practices and supporting long-term value creation.



Employees

All Icelandair employees are a part of the same team and the Company's core values – passion, simplicity, and responsibility – are the principles that guide us to maintain a strong and motivating company culture. We are committed to our employees' personal growth, and we focus on fostering a culture of equality, diversity, inclusion, and belonging for all. We promote a culture that recognizes that employee wellness is fundamental to performance and safety.

Materiality

Working conditions, specifically health and safety, along with equal treatment and opportunities are key material topics for Icelandair.

Actual positive impacts relate to training and skills development for employees. Icelandair provides role-specific and company-wide training, which is critical in the airline industry for ensuring safety, regulatory compliance, customer satisfaction, operational efficiency, and adaptability to industry changes. Icelandair actively promotes gender equality in the workforce, setting an example for the industry, and has one of the highest proportions of female pilots in the world. Icelandair has also rapidly increased the number of male flight attendants. The Company has policies and procedures in place to prevent workplace violence and harassment.

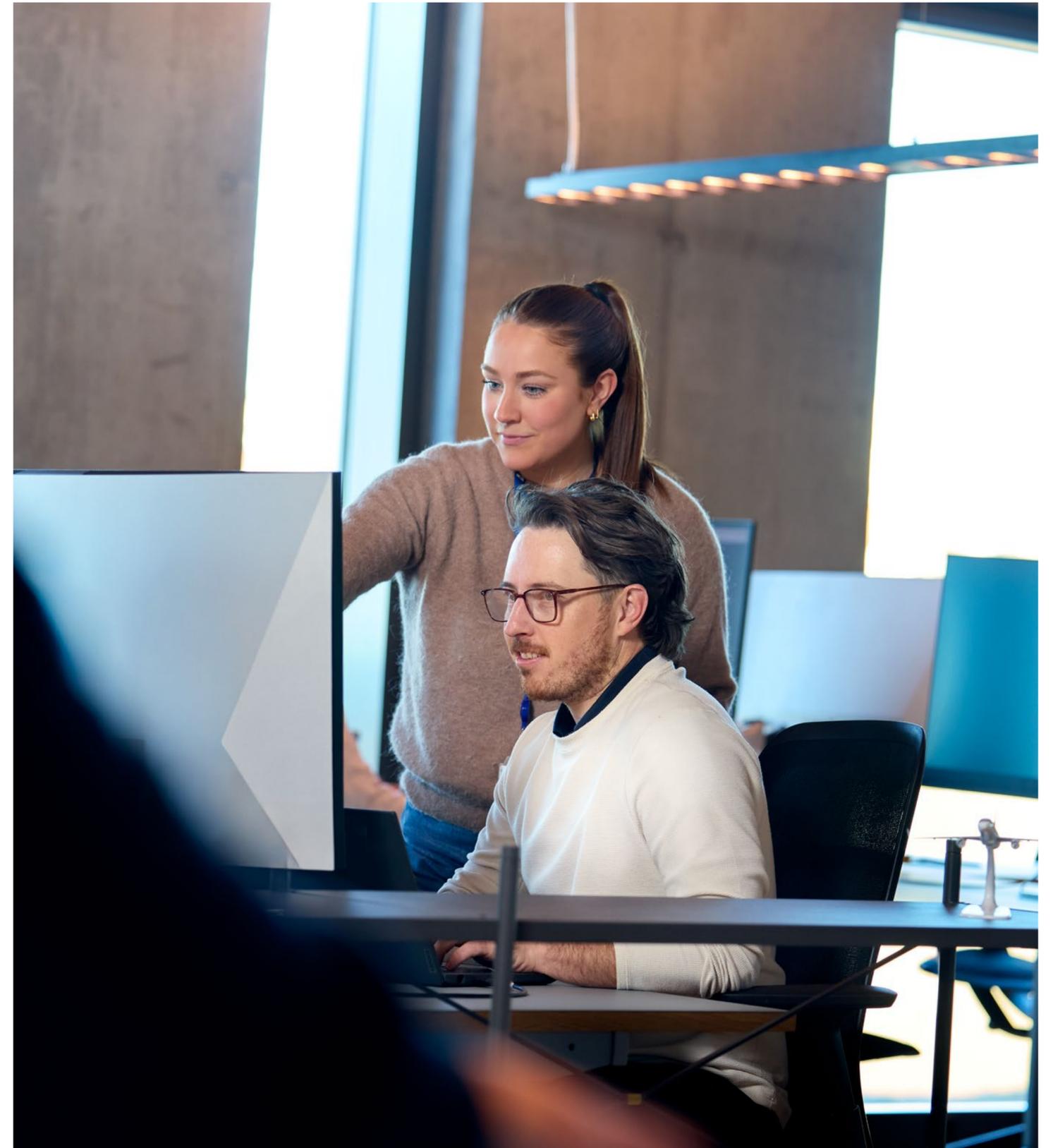
Potential negative impacts relate to health and safety faced by employees in various roles. For example, ground handling workers are exposed to harsh weather conditions and handling of luggage, maintenance staff may encounter harmful substances, and flight crew members may face occupational hazards. Icelandair's employees

can face challenging situations due to long working hours and disruption to work plans which can affect their work-life balance. Icelandair recognizes that employee wellness is essential for performance and safety and works continuously to improve the working conditions of its employees to prevent negative impacts.

Additionally, labor strikes or disputes, particularly with pilots, cabin crew, aircraft maintenance technicians and other ground staff, could pose financial risks in the medium- to long-term. Such disruptions may lead to flight cancellations, delays, and customer dissatisfaction, impacting overall operations. Icelandair is currently managing three open collective agreements with pilots, cabin crew, and technicians, and this carries some inherent risk for the organization.

Policies related to own workforce

Icelandair commits to upholding human rights and fair labor practices, with employees adhering to the Company's Code of Ethics. Equal opportunities and rights are central to Icelandair's Equal Rights Policy and Equal Rights Plan, which drive active and measurable





equality efforts throughout the Company. The Equality Plan encompasses key areas such as equal pay, recruitment, training, work-life balance, and the prevention of workplace harassment. The Equal Rights Policy explicitly prohibits all forms of discrimination, including those based on gender, origin, opinions, disability, reduced work capacity, age, sexual orientation, gender identity, sexual identity, or any other status. Icelandair has implemented an Equal Pay Policy supported by an Equal Pay System to ensure that employees receive equal wages for work of equal value, regardless of gender, and ensure that all employees are paid a fair and adequate wage.

The Company offers a flexible working policy, including opportunities for remote work where job responsibilities do not require on-site presence. This approach supports

employee flexibility and work-life balance, while also enabling the Company to attract and retain the best talent regardless of geographic location.

Icelandair's comprehensive Health & Attendance Policy applies to all employees working for the Company and its purpose is to preserve employee health. It includes various health-related programs and initiatives to further employees' health and well-being.

During 2025, Icelandair developed a Human Rights Policy aligned with international frameworks, specifically the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, that will be implemented in 2026.

Engaging with own workforce

To support the Company commitments and engage with employees, Icelandair conducts regular engagement surveys and monitors the employee Net Promoter Score (eNPS), and ensures employees have accessible channels to raise concerns.

To simplify the reporting of undesirable behavior, breach of legal obligations or other misconduct, Icelandair has implemented a simple online announcement tool, Tilkylnna.is. The tool allows employees to submit reports, and employees can choose whether to submit their reports anonymously or with their name included. Regardless of the choice, reporters gain access to a secure communication channel where they can receive updates and follow-up questions about their report. To ensure effective use of this tool, employees receive information on how to use the tool as part of regular training.

Employees who experience bullying, discrimination, or harassment are encouraged to seek support and Icelandair is dedicated to providing appropriate remediation to individuals in situations where the Company has caused or contributed to a negative impact. Incidents are addressed on a case-by-case basis and Icelandair collaborates with stakeholders to resolve issues, communicates actions taken, and incorporates lessons learned to prevent future occurrences. Icelandair is legally obliged to act on all matters involving bullying, discrimination, or harassment, in accordance with Icelandic workplace safety legislation, including Act No. 46/1980 and Regulation No. 1009/2015, which require employers to prevent, assess, and respond to such behavior.

Actions related to own workforce

Training and skills development

Icelandair believes it is essential for employees to

embrace and demonstrate a growth mindset. This approach benefits both the individual and the company as a whole. Icelandair maintains rigorous safety and security standards, with detailed action plans and mandatory training for all employees in roles deemed critical to aviation safety or occupational health. For new employees, the Company offers a comprehensive orientation program that includes e-learning modules about the Company and health and safety training. Regularly, the People & Culture team curates an ambitious training schedule featuring both on-site and online courses.

For Icelandair, training is a cornerstone of flight safety. Icelandair pilots have responded very well to the full implementation of Evidence Based Training (EBT) which emphasizes realistic scenarios and a more supportive training environment than legacy training can offer. EASA's promotion of Competency Based Training and Assessment has been embraced by Icelandair's training department with upgraded programs which are adapted to classrooms, practical facilities, and electronic learning alike for both pilots and cabin crew.

The practical training facilities were upgraded during 2025, to meet the highest standards in training. This includes a CEET Airbus Cabin Emergency Evacuation Trainer, B737 Flight Deck Trainer and a full flight Airbus simulator. Additionally, as a leading airline in Iceland, Icelandair believes it is important to offer high-quality education in the specialized jobs performed in aviation and therefore actively supports flight-related education in Iceland through various measures.

Diversity and equal treatment

Icelandair promotes equality by providing equal job opportunities and fairness for employees and job applicants. The first step to ensure equal opportunities is to reduce the impact of gender stereotypes by showing

strong role models and introducing jobs to underrepresented groups. Icelandair needs to ensure that the roles offered at Icelandair are appealing and available for everyone. All job advertisements state that Icelandair welcomes and encourages people of all genders to apply for all available jobs. Icelandair emphasizes basing decisions of recruitment, work conditions, distribution of work, delegation of working groups, training, and development on neutral and professional work methods, which are not influenced by gender, religion or origin and create diverse teams.

Working conditions

In the end of 2024, Icelandair relocated its headquarters to the new Icelandair House in Hafnarfjörður. One of the goals of the new headquarters is to strengthen the company culture and foster workplace excellence. The headquarters are an extension of Icelandair's training center, which was built in 2014. The new facility brings together theoretical and practical crew training, office operations, customer service, support functions, and the operations control center under one roof. Additionally, flight crews gather in the building before heading to Keflavík airport. The headquarters provide a modern and inclusive work environment with an activity-based setup, enhanced by improved lighting, noise control, and air quality, supporting the Company's goal of becoming Iceland's most desirable employer. One hundred days after the HQ relocation, a survey was distributed to employees with workstations in Hafnarfjörður, yielding an 80% response rate. Of those respondents, 95% reported feeling positive about working in Icelandair House, and 81% agreed that the environment encourages collaboration among team members.

Employee representation and collective bargaining

Icelandair upholds employees' rights to organize, engage in social dialogue, and collaborate with worker representatives across its operations, in line with Iceland's labor framework where union representation is a cornerstone of employment relations. The Company's governance and ethics policies promote fair labor practices, mutual respect, and clear channels for raising concerns, ensuring an environment that supports effective representation.

Employee information, consultation, and participation are facilitated through established structures such as union representatives, consistent with Icelandic practice. Collective agreements set minimum standards for wages and working conditions, and individual contracts cannot offer less favorable terms than those agreed collectively.

Health and safety

In 2025, Icelandair strengthened its approach to employee health and well-being through several targeted initiatives. The Company updated its Policy, Prevention and Response Plan on Bullying, Harassment and Violence, reinforcing expectations for a safe and respectful work environment. Following the update, captains and senior cabin crew completed specialized training delivered by an external provider specialized in occupational safety, with plans to extend this training to all managers across the company in 2026.

Healthy nutrition continues to be a priority in all company-managed canteens, where balanced and nutritious lunch options are emphasized. Fresh fruit is available daily to all employees to support healthy choices during the workday. The Company strengthened its focus on



occupational safety during the year, emphasizing a strong reporting culture and maintaining established safety standards. Mandatory training supported employees in risk-exposed environments, while efforts to harmonize occupational safety reporting procedures and improve oversight contributed to a more proactive approach to identifying hazards and preventing workplace accidents.

Targets related to own workforce

Icelandair's goal is to foster an inclusive, equitable environment that celebrates diversity, promotes equality and accessibility, and nurtures a sense of belonging for

all. Icelandair aims to promote employee satisfaction and maintain an Employee Net Promoter Score (eNPS) of at least 20. To track progress, employee satisfaction is monitored through the eNPS, Employer Excellence Score and Engagement Score. Additionally, Icelandair is committed to ensuring gender diversity in management, with a target of no more than 60% of one gender in leadership positions.

Employee-related metrics

Employee characteristics

Icelandair has a diverse workforce with employees representing many different skills, both personal and professional, and they represent more than 30 different nationalities. No employee has requested to not disclose their gender or to identify as gender other than female or male.

Number of employees (head count)

Gender	2025	2024
Male	1,950	1,990
Female	1,922	1,930
Total employees	3,872	3,920

Number of employees by country (head count)

Country	Number of employees 2025	Number of employees 2024
Iceland	3,816	3,868
Estonia	56	52

Number of full-time equivalent employees

Total number of full-time equivalent employees (FTEs) in 2025 was 3,520 down from 3,575 in 2024.

	Male	Female	Total
Number of employees (FTE) 2025	1,870	1,649	3,520
Number of employees (FTE) 2024	1,910	1,664	3,575
Number of permanent employees (FTE) 2025	1,756	1,433	3,189
Number of permanent employees (FTE) 2024	1,810	1,473	3,283
Number of temporary employees (FTE) 2025	104	209	314
Number of temporary employees (FTE) 2024	92	172	263
Number of non-guaranteed hours employees (FTE) 2025	10	7	17
Number of non-guaranteed hours employees (FTE) 2024	8	20	28

Employee-related metrics

Collective bargaining coverage and workplace representation

Coverage rate	Collective bargaining coverage				Social dialogue	
	Employees - EEA		Employees - non-EEA		Workplace representation (EEA only)	
2025	2024	2025	2024	2025	2024	
0-19%	Estonia	Estonia	n/a	n/a	Estonia	Estonia
20-39%			n/a	n/a		
40-59%			n/a	n/a		
60-79%			n/a	n/a		
80-100%	Iceland	Iceland	n/a	n/a	Iceland	Iceland

Gender distribution in management

One of Icelandair’s key sustainability focus areas is gender equality, alongside a broader commitment to equality, diversity, and non-discrimination. Achieving gender balance across the Company’s operations remains a core priority and Icelandair is committed to meet set goals in this area. The gender distribution presented includes members of the Executive Committee and one level below, Directors.

Gender distribution in management	2025	2024
Male	59%	60%
Female	41%	40%

Health and safety

Promoting good health among employees is high on the Company’s agenda and initiatives have been launched with the overall aim of improving the well-being of all employees. All employees are covered by the Company’s health and safety management systems.

The reported figures do not necessarily reflect a material increase in occupational accidents. While ongoing improvements in occupational health and safety are required, the data indicates a more mature reporting culture, contributing to enhanced transparency and reliability of incident data.

Health and safety	2025	2024
Number of fatalities as a result of work-related injuries and work-related ill health	0	0
Number of recordable work-related accidents	325	254
Cases of recordable work-related ill health	7	0

Employee-related metrics

Work-life balance

All employees are entitled to take family-related leave in accordance with Icelandic law. All employees are entitled to parental leave, which is a leave of absence from paid employment. The duration is 12 months in total. Each parent is entitled to six months, and six weeks are transferable. We recognize the importance of both parents in raising kids and making it possible for both parents to be actively involved, both at home and at work.

Remuneration metrics

All employees are covered by collective bargaining agreements, which determine the salaries for the majority of the employees.

The gender pay gap is defined as the difference between the median salary of female and male employees. The remuneration ratio is defined as the remuneration of the highest-paid individual to the median remuneration for all employees.

Remuneration and pay gap	2025	2024
Gender pay gap	1:1.27	1:1.28
Remuneration ratio	8	8
Incidents of discrimination and other human rights incidents	2025	2024
Total number of incidents of discrimination, including harassment	29	31
Number of human rights incidents, excluding those related to discrimination	0	13
Total amount of fines, penalties, and compensation for damages recognized during the reporting period in the financial statements for incidents of discrimination and other human rights incidents	0	0



Value chain workers

Icelandair relies on a network of suppliers that provide essential inputs such as aircraft, fuel, maintenance, and airport facilities. Icelandair recognizes that the well-being, safety, and working conditions of people throughout the value chain are essential and is committed to promoting responsible and ethical practices across the value chain. In 2025, the Company initiated work to build a more systematic approach to sustainability due diligence in the value chain. While these processes are still under development, the Company has taken concrete first steps to strengthen how it identifies, assesses, and follows up on potential risks. This work will continue in 2026, focusing on further maturing processes, improving follow-up with suppliers and partners, and strengthening how identified risks are managed and addressed.

Materiality

The sustainability of the value chain is an important aspect of the Company's operations. Value chain workers include employees of suppliers and contractors involved in, for example, cleaning, catering, aircraft maintenance, ground handling, and fuel supply at network airports, where these activities are not performed by Icelandair itself, as well as other upstream service providers. Downstream workers include employees of companies that purchase and distribute Icelandair's services and products.

Suppliers and business partners may negatively impact human rights in the value chain. Potential adverse impacts include poor working conditions related to working hours, living wages, health and safety, freedom of association, and discrimination. These impacts can potentially occur among direct suppliers and further down in the value chain where Icelandair has limited visibility.

Strikes and other labor disruptions in the value chain are assessed as a material financial risk to Icelandair. The Company's ability to operate its network punctually is critical to value creation and depends on efficient processes and close cooperation with suppliers. Disruptions may cause operational delays, damage Icelandair's reputation, and lead to financial losses through compensation payments and additional operational costs.

Policies and engagement related to value chain workers

Icelandair's Supplier Code of Conduct (SCoC) outlines the ethical, environmental, and social standards expected from suppliers and business partners. Suppliers are required to adhere to the SCoC, including compliance with all applicable laws, respect for human rights, environmental stewardship, and the promotion of fair labor practices, and to conduct its business in accordance with





the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The SCoC states that suppliers shall not use any form of forced labor, compulsory labor, and slavery in any form and prohibit the use or support of human trafficking. Additionally, suppliers are expected to enforce a similar code of conduct and require that subcontractors and suppliers do the same, ensuring that these standards are upheld at every level of the supply chain.

As stated in the Company's Human Rights Policy, Icelandair works to identify and prevent adverse human rights impacts in its value chain by securing appropriate

contractual commitments and conducting risk-based supplier due diligence.

Icelandair's Procurement Policy supports sustainable and ethical purchasing. Price and quality guide supplier selection, but sustainability is a deciding factor when comparable options exist. Preference is given to greener products and suppliers with recognized sustainability certifications or strong environmental and social responsibility programs.

To simplify the reporting of undesirable behavior, breach of legal obligations, or other misconduct, Icelandair has implemented a simple online announcement tool,

Icelandairexternal.tilkynna.is. Anyone, including value chain workers, can report suspicion, of violation of Icelandair's policies, including any suspicion of modern slavery within the Company's business or supply chain. Reports can be submitted anonymously.

As stated in Icelandair's Human Rights Policy, Icelandair is committed to providing or enabling appropriate remediation where the Company has caused or contributed to adverse impacts. Remedies are addressed case by case and provided promptly in a timely, effective, and transparent manner. Where impacts are directly linked to the Company's operations through business relationships, Icelandair will support partners in addressing them through their grievance processes or, where appropriate, through third-party remediation.

Actions and targets related to value chain workers

During 2025, Icelandair continued to strengthen its processes for identifying, preventing, and managing potential negative impacts on workers in the value chain. The focus was to define the scope of the work and establish stronger foundations for systematic risk assessments.

In 2025, training on due diligence was delivered to members of the Executive Committee and selected managers, and a dedicated session was held for the procurement team. Icelandair also began reviewing how risk assessments are applied to the selection of destinations and airline partnerships, recognizing that impacts may be linked to workers at destinations and within partner airlines. As a result, Icelandair developed a process for sustainability risk-assessing new partnerships and destination selection.

Additionally, Icelandair started mapping its supply chain by compiling an overview of suppliers by procurement category. Risk-screening has begun based on industry, geography, and the type of product or service provided. A supplier questionnaire has been developed and will be sent to suppliers identified as higher risk to support assessment of potential and actual impacts on human rights, labor rights, and the environment. As this work progresses, Icelandair will further develop its due diligence approach to include supplier follow-up and management of identified risks.

No human rights incidents connected to value chain workers were identified during the reporting period.

Icelandair has not yet established quantitative targets related to workers in the value chain but is currently focusing on strengthening and improving relevant processes and management practices.

Affected communities

Icelandair plays an important role in Icelandic society beyond its position as a major employer. Through its operations, connectivity, and engagement with society, the Company contributes to Iceland's economic and social development. Icelandair continuously seeks to strengthen its ties to the community and, through its support of various organizations and events, helps foster and promote Iceland's culture and national identity.

Materiality

Icelandair has a material positive impact on Icelandic communities and contributes to economic prosperity in Iceland. As a leading tourism company and one of Iceland's largest employers, Icelandair contributes directly to the economy through salaries, pension contributions, and taxes, as well as indirectly by supporting value creation across the tourism sector and the wider economy. By connecting Iceland to international markets, Icelandair facilitates trade, tourism, and foreign investment, including the transport of exports and imports through its cargo operations. Air connectivity also supports access to essential services, such as healthcare, education, and emergency response, and contributes to national cohesion in a geographically dispersed island nation where alternative transport options are limited. While not defined as a separate sub-topic under the ESRS, Icelandair considers its impact on the Icelandic community to be material.

Actions related to affected communities

Aviation is a critical infrastructure for Iceland, and Icelandair's flight network supports economic growth and long-term prosperity. Research indicates that a 10% increase in flight connectivity is associated with a 0.5% increase in GDP, highlighting the broader societal value

of air transport. Icelandair contributes to these outcomes through continued investment in connectivity and engagement with policymakers and stakeholders on the importance of sustainable and reliable aviation.

In 2025, Icelandair continued its efforts to contribute to Icelandic society by actively engaging with key stakeholders to ensure the continued positive economic impact of aviation and tourism in Iceland, as well as through its diverse partnerships that reflect the Company's strategy and approach to social responsibility and economic prosperity. This includes long-standing support for Icelandic culture and sports, such as Iceland Airwaves, Icelandic Music Experiments and the national sports federations. To support the development of tourism in Iceland, the Company is a founding member of the Icelandic Tourism Fund, which invests in innovation in tourism. The Company partners with Iceland's main volunteer search-and-rescue team on safe travel as well as flight safety and emergency response. Furthermore, together with contributions from its passengers, Icelandair supports the Special Children Travel Fund which gives families of children with long-term illnesses and children who live in difficult circumstances the opportunity to travel.

Community-related metrics

Icelandair contributes directly to the Icelandic economy in the form of taxes and fees paid to the government and municipalities. The total tax footprint in Iceland in 2025 amounted to USD 322 million. The Company intends to

enhance its use of data-driven analysis to more effectively evaluate and share information about Icelandair's impact on society and the economy in Iceland, thereby supporting thoughtful and balanced discussion about the role of aviation.

Total tax footprint of Icelandair Group in USD thousand	2025			2024		
	Iceland	Other Countries	Total	Iceland	Other Countries	Total
Salary-related taxes	27,703	545	28,248	24,249	486	24,735
Pension fund contribution	59,763	44	59,807	51,267	20	51,287
Emissions Trading System (ETS)	0	35,078	35,078	0	20,238	20,238
Corsia Carbon Credits (CCC)	0	3,597	3,597	0	0	0
Sustainable Aviation Fuel (SAF)	0	4,399	4,399	0	0	0
Landing fees	25,472	35,108	60,850	22,103	32,989	55,092
Other taxes	7,420	1,201	8,621	4,784	0	4,784
Companies fees	120,628	79,972	200,600	102,403	54,831	157,234
Employee income taxes	131,620	385	132,005	115,008	433	115,441
Passenger taxes	65,283	143,786	209,069	53,107	127,898	181,005
Collected taxes	196,903	144,171	341,074	168,115	128,331	296,446
Deferred payments on payroll taxes	4,342	0	4,342	3,896	0	3,896
Total tax footprint	321,873	224,143	546,016	274,414	183,162	457,576

Consumers and end-users

Customer safety and well-being are top priorities for Icelandair. The Company is dedicated to accessible, inclusive travel and regularly reviews customer feedback to enhance its services.

Materiality

Consumers and end-users include Icelandair's passengers, as well as customers of its air freight and leasing services. Icelandair's most material impacts on customers relate to safety, security, and social inclusion. Passenger health and safety are the Company's highest priorities, supported by robust risk management processes and continuous improvements to the Safety Management System. Icelandair places strong emphasis on the protection of children, including dedicated services for unaccompanied minors, and works to promote accessibility and non-discrimination across its services. The Company also recognizes the risk of human trafficking associated with air travel and seeks to reduce this risk through employee awareness and appropriate procedures.

In addition, epidemics and pandemics represent material operational and financial risks for airlines, given their reliance on passenger travel through international hubs. Travel restrictions imposed during such outbreaks can lead to substantial financial losses, as seen during the COVID-19 pandemic.

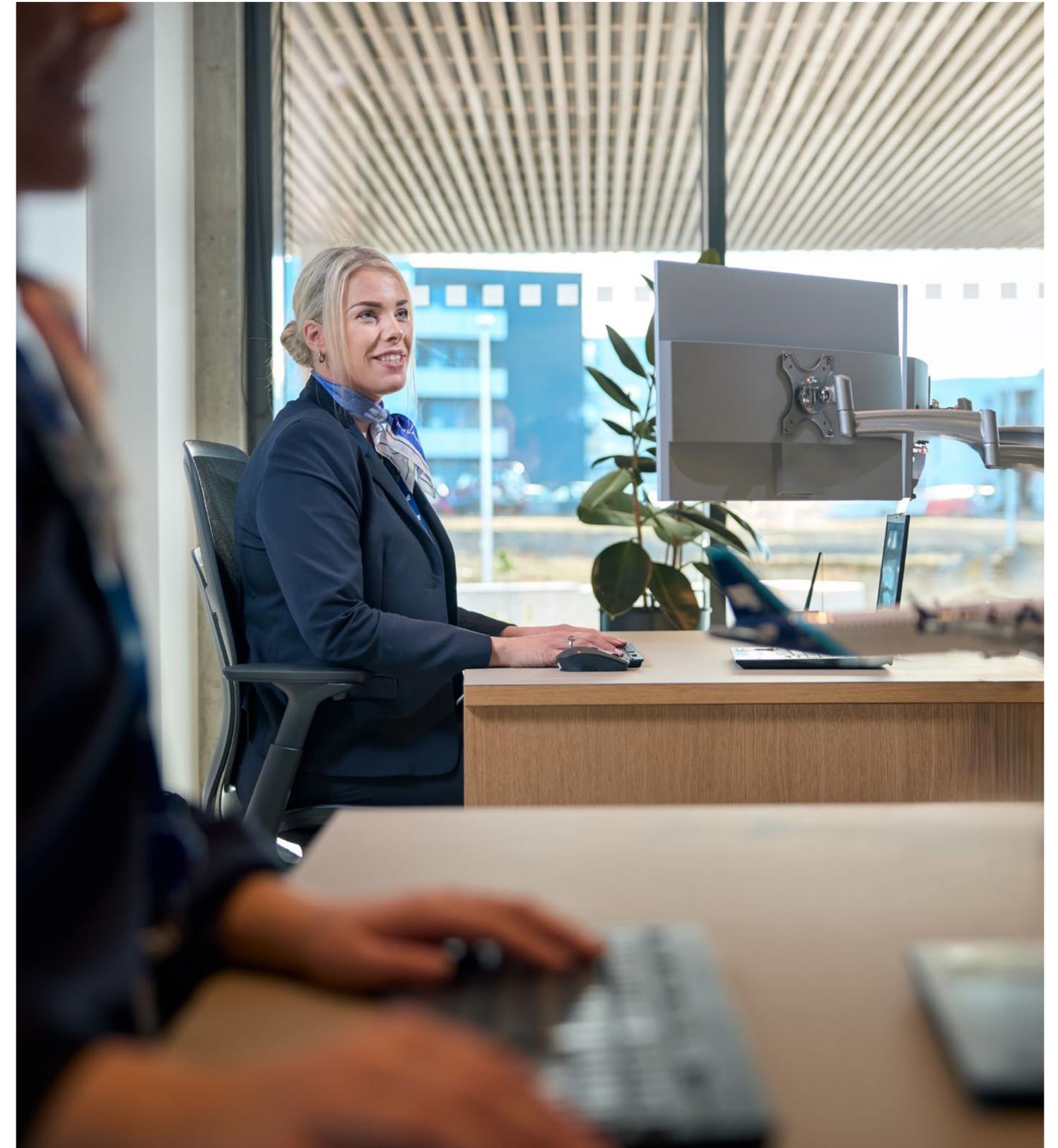
Policies and engagement related to customers

As described in the Company's Human Rights Policy, Icelandair is committed to providing accessible and inclusive travel experience for all passengers. The

Company's goal is to ensure that all passengers can travel with dignity, comfort, and ease. Icelandair ensures that the services meet high standards of accessibility for individuals with disabilities. This includes offering necessary assistance, accessible facilities, and clear communication to support passengers throughout their journey. Icelandair prioritizes safety, privacy, and the protection of personal data, and strives to deliver high-quality service that respects the dignity and individual needs of each traveler.

Icelandair works in accordance with its customer support guidelines and actively engages with customers and relevant stakeholders to better understand and address their needs, including conducting large-scale surveys. Additionally, Icelandair proactively provides customers with essential information before their journeys to ensure smooth experiences. To identify areas for improvement, Icelandair relies on multiple feedback mechanisms such as passenger reports, customer surveys, and crew observations. Cases are reviewed to identify recurring patterns and implement meaningful improvements. All stakeholders can report grievances through Icelandair's external grievance mechanism [Icelandairexternal.tilkynna.is](https://icelandairexternal.tilkynna.is).

Icelandair is dedicated to providing appropriate remediation to harmed individuals in situations where the Company has caused or contributed to a negative impact.





Incidents are addressed on a case-by-case basis, and remedies can relate to acknowledging issues, addressing concerns, committing to better processes, or compensation when appropriate. Icelandair collaborates with stakeholders to resolve issues, communicates actions taken, and incorporates lessons learned to prevent future occurrences.

Like other airlines, Icelandair is at risk of transporting victims of human trafficking. All cabin crew members receive training on identifying and responding to potential human-trafficking situations and Icelandair collaborates closely with national law enforcement agencies to support efforts to combat human trafficking.

Actions related to customers

At the start of 2025, Icelandair reaffirmed its commitment to safeguarding the well-being of all customers by strengthening its approach to health, safety, and security across the travel journey. This included continued focus on the protection of children, heightened awareness of human-trafficking risks, and ongoing collaboration with internal and external partners to maintain robust prevention measures. In parallel, the Company restructured its customer experience team to ensure that every service and desired experience throughout the journey had clear ownership, enhancing accountability and enabling a more consistent and customer-centric approach.

Building on this foundation, Icelandair further advanced its work on accessibility, with efforts aimed at improving both customer-facing information and internal service delivery. Accessibility remained a key priority across customer experience initiatives, including the introduction of a clearly signposted, one-click pathway on the website to accessibility-related information, making it

easier for passengers with disabilities to understand available support and plan their journey. To enhance alignment and clarity of responsibility, Icelandair established an internal cross-functional working group made up of employees from relevant parts of the organization, tasked with aligning service objectives for passengers with disabilities and clarifying ownership across teams.

At the same time, Icelandair reinforced internal guidance and training to support respectful and consistent interactions with passengers with disabilities, while increasingly incorporating their feedback into customer-experience analysis to inform continuous improvements. These efforts were supported by ongoing engagement with both internal and external stakeholders, contributing to a more structured and proactive approach to accessibility and customer care throughout the travel journey.

Targets related to customers

At Icelandair, we are dedicated to a journey of continuous improvement for all our customers. Our commitment to delivering smooth, enjoyable, and safe travel experiences remains our priority in 2026. We actively monitor and enhance our performance through robust key performance indicators, including Net Promoter Score (NPS), Customer Satisfaction (CSAT) scores, and comprehensive customer feedback. These metrics are essential tools that guide our ongoing efforts to exceed customer expectations, refine our services, and ensure every passenger's experience reflects our high standards of care and quality.

Governance and business conduct

Effective governance and ethical business conduct are central to Icelandair's operations. By regularly reviewing its strategy, policies, and performance, and fostering a culture of integrity, Icelandair ensures compliance, transparency, and accountability across all levels of the Company, safeguarding trust with stakeholders and supporting long-term success.

Materiality

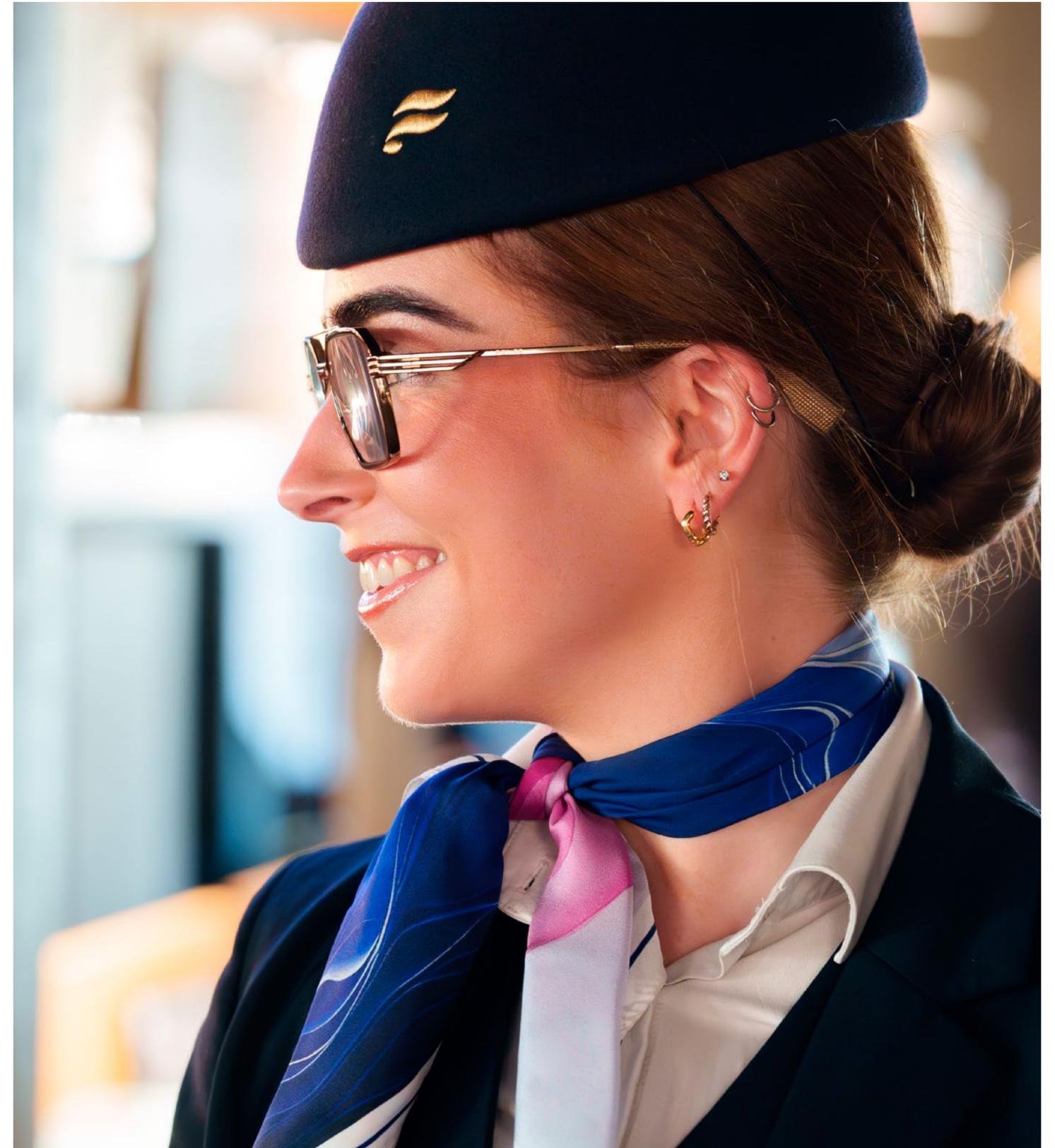
Corporate culture has been assessed as a key material topic, reflecting the importance of maintaining high ethical standards. Icelandair ensures this through the implementation of policies and training programs, and regular evaluation of employee perceptions of corporate culture through internal surveys. Animal welfare has been assessed as material, given the potential impact of Icelandair Cargo's transportation of animals, primarily horses. While incidents are rare, Icelandair acknowledges its responsibility to minimize risks and ensure the welfare of animals during transit. Corruption and bribery prevention and detection are also material for Icelandair's operations. Icelandair is committed to safeguarding employees who report criminal offenses or other unethical conduct, in accordance with Act No. 40/2020 on the Protection of Whistleblowers. Additionally, the Company aims to work with responsible suppliers throughout the supply chain and is working on enhancing its procurement practices to qualify and monitor suppliers in a systematic way, as described in the chapter Value chain workers.

Corporate culture and business conduct policies and processes

Icelandair manages its material impacts through various policies and processes, including the Anti-Corruption and Anti-Bribery Policy, Code of Ethics, Procurement Policy, Rules on Whistleblowing, and Supplier Code of Conduct.

Icelandair requires all new employees to formally certify their compliance with the Anti-Corruption and Anti-Bribery Policy. The policy describes Icelandair's processes for identifying and managing bribery and corruption risks in the Company's operations. Certain functions pose elevated risks for corruption and bribery due to their involvement in critical financial transactions and interactions with external stakeholders, such as procurement, hiring, finance, and senior management.

Icelandair's Climate and Environmental Policy recognizes the Company's responsibility to ensure the safe and humane transport of animals. This commitment also includes a zero-tolerance approach to illegal wildlife trade and trafficking, a growing global concern that threatens





biodiversity and animal welfare. Icelandair supports relevant industry initiatives to help prevent these activities and promotes safe, respectful transportation of animals in line with applicable animal welfare standards.

Through the Supplier Code of Conduct, suppliers are required to ensure that materials are ethically sourced, in compliance with international human rights and environmental standards. Icelandair requires that its suppliers comply with ethical standards that reflect the same standards that Icelandair complies to within its own operations. The Company is in the process of centralizing and improving procurement functions across all operations. A part of these efforts is to enhance the sustainability due diligence process and integrate sustainability into the Company's procurement practices.

Concerns regarding unlawful behavior or policy violations can be reported anonymously via tilkynna.is, through supervisors, or to the Compliance Officer. The Company's promise to protect whistleblowers against retaliation is outlined in the whistleblowing policy. Icelandair is committed to prompt and impartial investigations, with the People & Culture division managing initial reports and engaging relevant parties as needed. Investigators operate independently of the management chain to ensure objectivity.

Actions related to business conduct

Management and relationship with suppliers

Icelandair's Procurement Policy supports sustainable and ethical purchasing. Price and quality guide supplier selection, but sustainability is a deciding factor when comparable options exist. Preference is given to greener products and suppliers with recognized sustainability

certifications or strong environmental and social responsibility programs. In 2025, training on due diligence was delivered to members of the Executive Committee and selected managers, and a dedicated session was held for the procurement team. Icelandair has also started to risk-assess its suppliers based on risk country and category and covers Tier 1 suppliers. Further information on actions related to suppliers is described under Value chain workers.

Corruption and bribery

Any act of corruption or bribery, or conduct that may contravene applicable laws or Icelandair's policies, must be reported. Reports can be submitted through icelandairexternal.tilkynna.is or directly to the Compliance Officer. Icelandair is committed to prompt, fair, and impartial investigations. Reports are managed by the Compliance Officer, with relevant parties engaged as appropriate, and investigations are conducted independently of the management chain to ensure objectivity.

Metrics related to business conduct

In 2025, there were no convictions for violations of anti-corruption and anti-bribery laws.

Icelandair's Procurement Policy outlines payment practices, specifying payment terms of 45 days for all supplier categories except for fuel suppliers. There are no specific or unique supplier payment terms for small and medium sized enterprises (SMEs). As of 2025, there were no outstanding legal proceedings related to late payments.

About this report

This Annual and Sustainability Report includes the Consolidated Financial Statements of Icelandair Group hf. for the financial year 1 January to 31 December 2025, which has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Icelandic disclosure requirements.

The Corporate Sustainability Reporting Directive (CSRD) expands the scope of non-financial reporting by introducing new disclosure requirements under which companies shall report on their environmental and social impact activities. The CSRD introduces binding reporting standards, the European Sustainability Reporting Standards (ESRS), and directions on alignment with the EU Taxonomy Regulation. Icelandair has continued preparatory work in 2025 for these upcoming regulatory changes.

[The consolidated financial statements for 2025](#)

Icelandair Group hf. (the “Company” or “Icelandair”) is a public limited liability company incorporated and domiciled in Iceland. Icelandair Group hf. is listed on the Icelandic Stock Exchange (Nasdaq Iceland), and is the holding company, under the ticker symbol ICEAIR - [nasdaqomxnordic.com](https://www.nasdaqomxnordic.com). More information is available on the Group’s website, [icelandairgroup.com](https://www.icelandairgroup.com).

We welcome any comments, suggestions, or questions you may have regarding this report.

