ICELANDAIR

Consolidated Financial Statements for the year 2025



Icelandair Group hf. · Flugvellir 1, 221 Hafnarfjörður, Iceland · Reg. No. 631205-1780

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Endorsement and Statement by the Board of Directors and the CEO

Icelandair Group hf. is an Icelandic aviation company with decades' long history of operating in the international airline sector. The Icelandair Route Network is the heart of the business model which takes advantage of the unique geographical location of Iceland serving as a connecting hub between Europe and North America. Icelandair Group is the parent company of several subsidiaries, that in addition to Icelandair include most notably Icelandair Cargo and the aircraft leasing brand Loftleidir Icelandic. The Company's strategic initiatives support its vision of “Bringing the spirit of Iceland to the world” and its mission of offering smooth and enjoyable journeys to, from, via and within Iceland – the Company's hub and home. The Consolidated Financial Statements of Icelandair Group hf. for the year 2025 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements. The Financial Statements comprise the Consolidated Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries (together the “Group”) and have been audited by KPMG.

Operations in the year 2025

According to the Consolidated Income Statement, loss for the year 2025 amounted to USD 9.5 million. When other comprehensive income is considered, total comprehensive income amounted to USD 15.5 million. Equity at year end amounted to USD 286.4 million, including share capital in the amount of USD 311.0 million, according to the Consolidated Statement of Financial Position. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

Net loss in 2025 amounted to USD 9.5 million, improving by USD 11.0 million from 2024. A significant change in the operating environment in 2025 had a negative impact on the financial results. Geopolitical developments have weakened the USD, which directly affects the margins of Icelandair and the competitiveness of Iceland, 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 that have most of their revenues in foreign currencies.

Despite the difficult market environment in 2025, Icelandair delivered record revenue. Icelandair carried over 5 million passengers for the first time, up by 8% year-on-year. During the year, 34% of passengers traveled to Iceland, 18% from Iceland, 43% were connecting passengers, and 5% traveled within Iceland. The growth between years was primarily driven by a strong increase in traffic to and from Iceland, with passenger numbers rising by 14% and 16%, respectively. These results highlight the flexibility of the route network in responding to changing market conditions. Icelandair had an outstanding on-time performance of 83% during the year, thanks to the fantastic teamwork among Icelandair employees. Costs were adversely affected by the weakening of the USD against other currencies, particularly the ISK, salary increases, a spike in carbon related cost, and inflationary pressures in parts of the value chain.

Icelandair's transformation journey, launched in 2024, is progressing well. The program focuses on driving efficiency, reducing costs, and unlocking new revenue opportunities. To date, over 500 initiatives have been identified, with 233 implemented by year-end 2025. When fully realized, these actions are expected to generate more than USD 100 million in annual impact. The program delivered an actual impact of around USD 70 million in 2025. One result of the program is reflected in improved labor efficiency with fewer FTEs during the year despite more capacity than last year. Icelandair employed an average of 3,520 full-time employees in 2025, which was 55 fewer than in 2024. The cargo operation continued to show improvement, and the leasing business delivered strong results, which contributed positively to the overall performance.

Equity amounted to USD 286.4 million, with an equity ratio of 15% at year-end. The total liquidity position is strong, with cash and marketable securities amounting to USD 365.8 million and USD 92 million in form of committed undrawn revolving facilities.

The Company expects profitability to improve in 2026. Full-year capacity is planned to grow by 2% with a focus on off-peak seasons. Unit revenue development is expected to outpace unit cost development, driving improved margins. Profitability for the Leasing and Cargo segments is projected to remain similar to that in 2025.

Endorsement and Statement by the Board of Directors and the CEO, contd.

Share capital and Articles of Association

The nominal value of Icelandair Group's issued share capital at year-end was ISK 41.1 billion. The share capital is divided into an equal number of shares with a nominal value of one ISK each. The shares are listed on the Main Market of the Nasdaq Iceland stock exchange under the ticker symbol ICEAIR in a single class bearing equal rights. The Company has entered various agreements that include "Change of control" clauses which might be triggered if any person or group of persons acting in convert gains direct or indirect control of the Company and/or if the Company's shares cease to be listed on a stock exchange.

According to the Icelandic Company's Act, companies can acquire and hold up to 10% of the nominal value of issued shares. On 7 March 2024 the Annual General Meeting authorized the set-up of a formal buy-back program in accordance with the provisions of Article 5 of MAR (Regulation (EU) No 596/2014 of the European Parliament and of the Council), which has been transposed into Icelandic legislation with Act No 60/2021, as well as the provisions of the Commission Delegated Regulation (EU) 2016/1052 which contains regulatory technical standards for the conditions applicable to buy-back programs. Under the program the Company was authorized to purchase up to 10% of its own shares in accordance with Article 55 of the Icelandic Companies Act No 2/1995 during a period of 18 months following the Annual General Meeting. No buy-back of shares was undertaken in 2025 and the Company held no treasury shares at year-end.

The Annual General Meeting further authorized an incremental share capital increase of up to ISK 900,000,000 nominal value that may only be utilized to fulfil terms under stock option agreements granted pursuant to the Company's Share-Based Incentive Program approved by the meeting. Existing shareholders will not have pre-emptive subscription rights to shares issued pursuant to this provision. Share price and subscriptions shall be in accordance with the Share Based Incentive Program and stock option agreements entered pursuant to that. The authorization is valid until 31 December 2030. In February 2025, a total of 486,600,000 stock options were granted based on the program. At year-end total outstanding stock options numbered 1,127,900,000. See note 26.

The Company's Board of Directors comprises five members, two women and three men. The gender ratio is thus in accordance with Icelandic laws requiring companies with over 50 employees to ensure that the Board has representation from both genders and that each gender comprises at least 40% of the Board Members when Board Members surpass three. The Board Members are elected at the Annual General Meeting each for a term of one year. Those persons willing to stand for election must give formal notice thereof to the Board of Directors and Icelandair Group's Nomination Committee at least seven days before the Annual General Meeting.

The Company's Articles of Association may only be amended at a legitimate shareholders' meeting, provided that amendments and their main aspects are clearly stated in the invitation to the meeting. A resolution will only be passed if it is approved by at least 2/3 of votes cast as well as by shareholders controlling at least 2/3 of the share capital represented at the respective shareholders' meeting.

The number of shareholders at year-end 2025 was 13,213, a decrease of 755 during the year. At 31 December 2025 the 10 largest shareholders were:

Name	Shares in ISK thousand	Shares in %
Blue Issuer Designated Activity Company	7,073,868	17.20
Gildi - lífeyrissjóður	1,956,169	4.76
Brú Lífeyrissjóður starfsmanna sveitarfélaga	1,532,443	3.73
Lífeyrissjóður starfsmanna ríkisins	1,486,423	3.61
Stefnir hf.	1,161,283	2.82
Almenni-Lífsverk lífeyrissjóður	998,984	2.43
Landsbréf hf.	978,899	2.38
Arion banki hf.	978,655	2.38
Vanguard	832,461	2.02
Birta lífeyrissjóður	715,849	1.74
	17,715,034	43.08
Other shareholders	23,405,213	56.92
	41,120,247	100.00

Further information on matters related to share capital is disclosed in note 26. Additional information on shareholders is provided on the Company's website www.icelandairgroup.com.

Endorsement and Statement by the Board of Directors and the CEO, contd.

Corporate Governance

The Group's management is of the opinion that practicing good Corporate Governance is vital for the existence of the Group and in the best interests of shareholders, Group companies, employees and other stakeholders and will in the long run produce satisfactory returns on shareholders' investment. Corporate Governance exercised within Icelandair Group hf. ensures sound and effective control of the Company's affairs and highly ethical business practices.

The Board of Directors has prepared a Corporate Governance Statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement that form an appendix to the Consolidated Financial Statements on page 50. It is the opinion of the Board of Directors that Icelandair Group hf. complies with the Icelandic guidelines for Corporate Governance.

Information on matters related to financial risk management is disclosed in note 33. Information regarding operational risk management is disclosed in the Operational Risk appendix.

Non-Financial Reporting

According to the Icelandic Financial Statements Act, the Company has compiled a thorough overview of non-financial information. To prepare for the EU Corporate Sustainability Reporting Directive (CSRD), the sustainability statement has been developed by considering the European Sustainability Reporting Standards (ESRS), which outline requirements for corporate reporting on a broad range of sustainability matters.

The Company’s sustainability data is presented in accordance with the Nasdaq's ESG Reporting Guide 2.0 (Environment, Society and Governance) at the end of the sustainability statement. The Company's material matters, policies, goals and progress are further discussed in the Non-financial Reporting that forms an appendix to the Consolidated Financial Statements on page 56.

Statement by the Board of Directors and the CEO

The Consolidated Financial Statements for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies.

In our opinion, the Consolidated Financial Statements of Icelandair Group hf. for the year 2025 identified as “549300UMI5MBLZSXGL15-2025-12-31-en.xbri” are in all material respects prepared in compliance with the ESEF Regulation.

According to our best knowledge it is our opinion that the annual Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Group for the year 2025, its assets, liabilities and consolidated financial position as at 31 December 2025 and its Consolidated Cash Flows for the year 2025.

Further, in our opinion, the Consolidated Financial Statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Icelandair Group hf. for the year 2025 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements will be approved at the Annual General Meeting of Icelandair Group hf.

Reykjavík, 5 February 2026

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason

Independent Auditor's Report

To the Board of Directors and Shareholders of Icelandair Group hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Icelandair Group hf. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors of Icelandair Group hf. when it was founded in 2005. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report, contd.

Key Audit Matters	The Audit
Passenger revenue recognition *Reference is made to note 7 "Operating income" and 32 "Deferred income".* Passenger ticket sale is presented as deferred income in the consolidated statement of financial position until transportation has been provided and at that time the sale is recognised as revenue. Large volumes of transactions flow through various IT systems from the date of sale until revenue is recognized in the consolidated income statement. The recording process is complex which gives rise to a risk of error in determining the amount and timing of the revenue recognition. Timing and accuracy in the recording of passenger income is therefore one of the key audit matters of our audit of the consolidated financial statements.	Our audit procedures were designed to evaluate the timing and accuracy of passenger revenue recognition. These procedures include inspecting the controls over the Group's systems which govern the passenger ticket sales. We evaluated the design of controls to assess if they were likely to ensure the accuracy and timing of the revenue recognition of passenger income and tested operating effectiveness of selected controls. We inspected reconciliation between the revenue accounting system and the financial system. We tested selected manual journal entires posted in passenger revenue accounts. We used data analytics to correlate the transactions in passenger revenue to confirm appropriate counter postings. We also analysed passenger revenue and used external and internal information to set expectations which were compared to recognized revenue. We evaluated the methodology applied to deferred income and assessed the appropriateness. We tested the inputs and challenged key assumptions in the deferred income obligation and reperformed calculations of the obligation. We tested the timing of passenger revenue in the appropriate period by testing selected flights before and after the the reporting date.
Provision for scheduled aircraft engine maintenance of leased engines and amortization of owned engines *Reference is made to note 12 "Operating assets" and note 30 "Provisions and other liabilities".* The Group operates aircraft engines which are owned or held under lease arrangements. For own engines the maintenance cost is capitalized and expensed over the estimated useful life of the engine until it needs to undergo maintenence. Maintenance provision for leased engines is estimated by performing calculations which are based on estimated cost of maintenance and an estimated timetable of required checks. These aspects require significant judgements by Management when evaluating estimated aircraft engine utilisation hours, expected maintenance intervals and future maintenance costs which has led us to consider this area as one of the most relevant aspects of the audit.	We read new purchase and lease agreements for engines in the year 2025 and evaluated if accounting for new engines was appropriate and initial recognition is in line with agreements. We assessed the appropriateness of management's key assumptions which included assessing the estimated cost of overhaul, estimated future utilisation and expected maintenance intervals. We selected a sample of additions during the year and inspected relevant invoices. We recalculated the estimated provision for leased engines and amortization for owned engines as well as confirming usage of each engine during the year. Assessed whether past estimates have been historically accurate by comparing budgeted and actual cost of the most recent maintenance of engines.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, contd.

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide The Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Icelandair Group hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Icelandair Group hf. for the year 2025 with the file name "549300UMI5MBLZSXGL15-2025-12-31-en.xbri" is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements are prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Icelandair Group hf. for the year 2025 with the file name "549300UMI5MBLZSXGL15-2025-12-31-en.xbri" is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the report of the Board of Directors and CEO

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Sigríður Soffía Sigurðardóttir.

Reykjavík, 5 February 2026

KPMG ehf.

Sigríður Soffía Sigurðardóttir

Matthías Þór Óskarsson

Consolidated Income Statement and other Comprehensive Income for the year 2025

	Notes	2025	2024
Operating income			
Passenger revenue	7	1,453,126	1,325,083
Cargo revenue		79,730	76,736
Leasing revenue		111,252	93,731
Other operating revenue	7	96,778	75,057
		1,740,886	1,570,607
Operating expenses			
Salaries and salary-related expenses		455,399	406,030
Aircraft fuel		360,347	360,200
Other aviation expenses		341,304	292,140
Other operating expenses		427,262	372,381
	8	1,584,312	1,430,751
Operating profit before depreciation and amortization (EBITDA)		156,574	139,856
Depreciation and amortization	10	(173,813)	(154,067)
Operating loss (EBIT)		(17,239)	(14,211)
Finance income		41,673	31,501
Finance cost		(48,399)	(42,770)
Net finance cost	11	(6,726)	(11,269)
Share of gain of associates	19	3,605	673
Loss before tax (EBT)		(20,360)	(24,807)
Income tax	21	10,833	4,638
Loss for the year		(9,527)	(20,169)
Other comprehensive income (loss)			
Items that are or may be reclassified to profit or loss			
Currency translation differences		17,766	(2,210)
Net profit (loss) on hedge of investment, net of tax	33	5,369	(854)
Cash flow hedges - effective portion of changes in fair value, net of tax	33	(11,014)	8,797
Cash flow hedges - reclassified to profit or loss		12,913	(5,724)
Other comprehensive income for the year		25,034	9
Total comprehensive profit (loss) for the year		15,507	(20,160)
Owners of the Company		(9,330)	(20,560)
Non-controlling interests		(197)	391
Loss for the year		(9,527)	(20,169)
Total Comprehensive profit (loss) attributable to:			
Owners of the Company		15,704	(20,551)
Non-controlling interests		(197)	391
Total comprehensive income (loss) for the year		15,507	(20,160)
Earnings per share			
Basic and diluted earnings per share in US cent	27	(0.02)	(0.05)

The notes on pages 13 to 48 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2025

	Notes	2025	2024 Reclassified*
Assets			
Operating assets	12,15	563,544	559,890
Right-of-use assets	16	483,140	406,035
Intangible assets and goodwill	17,18	57,811	56,385
Investments in associates	19	36,995	31,741
Receivables and deposits	20	71,959	76,494
Deferred tax assets	21	73,510	63,794
Non-current assets		1,286,959	1,194,339
Inventories	22	28,138	24,488
Derivatives used for hedging	33	3,967	4,416
Trade and other receivables*	24	178,835	178,679
Marketable securities	23	170,369	104,562
Cash and cash equivalents	25	195,466	150,235
Current assets		576,775	462,380
Total assets		1,863,734	1,656,719
Equity			
Share capital		310,973	310,973
Reserves		68,785	37,206
Accumulated deficit		(95,707)	(80,780)
Equity attributable to equity holders of the Company	26	284,051	267,399
Non-controlling interests		2,371	1,668
Total equity		286,422	269,067
Liabilities			
Loans and borrowings	28	138,243	164,708
Lease liabilities	29	461,570	398,802
Provisions and other liabilities	30	146,809	99,548
Non-current liabilities		746,622	663,058
Loans and borrowings	28	39,123	41,046
Lease liabilities	29	77,987	66,302
Derivatives used for hedging	33	3,570	5,615
Trade and other payables*	31	318,712	260,056
Deferred income	32	391,298	351,575
Current liabilities		830,690	724,594
Total liabilities		1,577,312	1,387,652
Total equity and liabilities		1,863,734	1,656,719

The notes on pages 13 to 48 are an integral part of these Consolidated Financial Statements.

*Comparative information has been reclassified. See note 2c.

Consolidated Statement of Changes in Equity
for the year 2025

	Attributable to equity holders of the Company							
		Reserves						
	Share capital	Hedging reserve	Translation reserve	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
2024								
Equity 1 January 2024	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347
Loss for the year					(20,560)	(20,560)	391	(20,169)
Currency translation differences			(2,210)			(2,210)		(2,210)
Loss on hedge of investment, net of tax			(854)			(854)		(854)
Effective portion of changes in fair value of cash flow hedges, net of tax		8,797				8,797		8,797
Cash flow hedges, reclassified to profit or loss		(5,724)				(5,724)		(5,724)
Stock options					880	880		880
Effects of profit or loss of subsidiaries and associates				17,085	(17,085)	0		0
Equity 31 December 2024	310,973	(1,582)	(4,668)	43,456	(80,780)	267,399	1,668	269,067
2025								
Equity 1 January 2025	310,973	(1,582)	(4,668)	43,456	(80,780)	267,399	1,668	269,067
Shares issued							900	900
Loss for the year					(9,330)	(9,330)	(197)	(9,527)
Currency translation differences			17,766			17,766		17,766
Profit on hedge of investment, net of tax			5,369			5,369		5,369
Effective portion of changes in fair value of cash flow hedges, net of tax		(11,014)				(11,014)		(11,014)
Cash flow hedges, reclassified to profit or loss		12,913				12,913		12,913
Stock options					948	948		948
Effects of profit or loss of subsidiaries and associates				6,545	(6,545)	0		0
Equity 31 December 2025	310,973	317	18,467	50,001	(95,707)	284,051	2,371	286,422

The notes on pages 13 to 48 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year 2025

	Notes	2025	2024 Reclassified*
Cash flows from (to) operating activities			
Loss for the year		(9,527)	(20,169)
Adjustments for:			
Depreciation and amortization	10	173,813	154,067
Expensed deferred cost		60,791	54,698
Net finance cost	11	6,726	11,269
Gain on sale of operating assets		(10,111)	(1,295)
Share in profit of associates	19	(3,605)	(673)
Income tax	21	(10,833)	(4,638)
		207,254	193,259
Changes in:			
Inventories	22	(525)	2,486
Trade and other receivables	24	3,009	(42,983)
Trade and other payables	31	66,445	37,516
Deferred income		39,583	33,817
Cash generated from operating activities		108,512	30,836
Interest received		30,976	35,552
Interest paid		(41,730)	(38,490)
Net cash from operating activities		305,012	221,157
Cash flows from (to) investing activities			
Acquisition of operating assets	12	(102,804)	(110,457)
Proceeds from sale of operating assets		15,671	4,559
Acquisition of intangible assets	17	(2,726)	(1,593)
Deferred cost, change		(22,271)	(10,239)
Received dividend from associates		1,697	212
Non-current receivables, change		(1,561)	(13,725)
Marketable securities, change		(65,807)	(33,554)
Net cash used in investing activities		(177,801)	(164,797)
Cash flows from (to) financing activities			
Shares issued	26	900	0
Proceeds from loans and borrowings	28	19,438	0
Repayment of loans and borrowings	28	(53,693)	(44,978)
Repayment of lease liabilities	29	(72,348)	(60,412)
Net cash used in financing activities		(105,703)	(105,390)
Change in cash and cash equivalents		21,508	(49,030)
Effect of exchange rate fluctuations on cash equivalents held		23,723	(249)
Cash and cash equivalents at beginning of the year		150,235	199,514
Cash and cash equivalents at 31 December	25	195,466	150,235
Marketable securities		170,369	104,562
Cash, cash equivalents and marketable securities at 31 December		365,835	254,797

The notes on pages 13 to 48 are an integral part of these Consolidated Financial Statements.

See Note 40 for details of investment and financing activities that do not affect cash flows.

*Comparative information has been reclassified. See note 2c.

Notes

1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is at Flugvellir 1 in Hafnarfjordur, Iceland. The Consolidated Financial Statements for the Company as at and for the year ended 31 December 2025 comprise the Company and its subsidiaries, together referred to as the “Group” and individually as "Group entities" and the Group's interests in associates. The Group primarily operates in the airline industry. The Company is listed on the Nasdaq Main Market Iceland, www.nasdaqomxnordic.com. The Group´s website address is www.icelandairgroup.com.

2. Basis of accounting

a. Statement of compliance

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. They were authorized for issue by the Company's Board of Directors on 5 February 2026.

b. Basis of measurement

The Consolidated Financial Statements are prepared on the historical cost basis except that derivative financial instruments, part of deferred income and certain short-term investments are stated at their fair values. Details of the Group's accounting policies are included in note 41.

c. Change in presentation of results

At year end, comparative information for 2024 has been reclassified to present ETS carbon-related assets and obligations on a gross basis, consistent with the current year’s presentation. Previously, ETS carbon contracts were presented net within Trade and other payables. As a result of the revised presentation, Trade and other payables for 2024 increased from USD 241,207 to USD 260,056. ETS-related assets are now presented within Trade and other receivables and increased from zero to USD 18,849. As a result, the reclassification increased total assets by USD 18,849 and total liabilities by the same amount. The reclassification has no impact on equity, profit or net cash flows.

Certain comparative amounts in the statement of cash flows have been reclassified within operating activities to reflect this change, moving from “Change in other payables” to “Change in other receivables”. The reclassification does not affect net cash from operating activities or the overall change in cash and cash equivalents.

d. Going concern

These Consolidated Financial Statements are prepared on a going concern basis.

3. Functional and presentation currency

The Company's functional currency is US dollars (USD). These Consolidated Financial Statements are presented in US dollars (USD). All financial information presented in USD has been rounded to the nearest thousand, unless otherwise indicated.

4. Use of estimates and judgements

In preparing these Consolidated Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

4. Use of estimates and judgements, contd.

Assumptions and estimation uncertainties

Information on assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 31 December 2025 is included in the following notes:

Note 18 - Impairment test
Note 21 - Income taxes (tax asset)
Note 32 - Deferred income
Note 34 - Financial instruments and fair value

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has established a control framework with respect to the measurement of fair values. The Director of Treasury and Risk Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The Risk Committee regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

Note 34 - Financial instruments and fair value.

5. Changes in accounting policies

A number of new standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements and they are not considered to have significant impact on the Consolidated Financial Statements, excluding IFRS 18, which addresses presentation and disclosure in financial statements and will change the presentation of the financial statements. The effects of the standard have not been assessed.

6. Operating segments

Segment information is presented in the Consolidated Financial Statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure and is divided into three segments; Route network, Cargo operation and Leasing operation.

The management of Icelandair Group assesses performance based on segment revenue and profit or loss and makes resource allocation decisions for the segment based on various performance metrics. The objective in making resource allocation decisions is to optimize consolidated financial results.

Inter-segment pricing is determined on an arm's length basis.

6. Operating segments, contd.

Route network

The Route network business unit is the main reporting segment, which provides passenger air travel to, from, via and within Iceland by the entities Icelandair ehf. and Flugfélag Íslands ehf.

The segment also consist of the parent company Icelandair Group hf., the holding company, and other entities such as Iceeignir ehf., a real estate entity, ICECAP Insurance PCC Ltd., a captive insurance entity, CAE Icelandair Flight Training ehf., which operates flight simulators and FERIA ehf., a travel agency, are platform functions of the business that primarily support the Group entities in this segment and are therefore classified within this segment.

Cargo operation

The Cargo operation, provided by the entity Icelandair Cargo ehf., offers air-freight services to, from, via and within Iceland by utilizing the capacity within the aircraft of the Icelandair passenger network as well as with their own freighter.

Leasing operation

The Leasing operation, provided by the entity Loftleiðir-Icelandic ehf., offers aircraft leasing and consulting services to international passenger airlines and tour operators.

	Route network	Cargo operation	Leasing operation	Eliminations	Total
Reporting segments for the year 2025					
External revenue	1,547,379	81,862	111,645	0	1,740,886
Inter-segment revenue	67,733	2,372	369	(70,474)	0
Total segment revenue	1,615,112	84,234	112,014	(70,474)	1,740,886
External operating cost	(1,502,635)	(43,354)	(38,323)	0	(1,584,312)
Internal operating cost	(2,741)	(32,485)	(35,248)	70,474	0
Total operating cost	(1,505,376)	(75,839)	(73,571)	70,474	(1,584,312)
Depreciation and amortization	(151,817)	(3,972)	(18,024)	0	(173,813)
Segment EBIT	(42,081)	4,423	20,419	0	(17,239)
Net finance cost	(7,143)	(2,258)	2,675	0	(6,726)
Share of gain of associates	3,605	0	0	0	3,605
Reportable segment profit before tax	(49,224)	2,165	23,094	0	(23,965)
Income tax	16,146	(433)	(4,880)		10,833
(Loss) profit	(29,473)	1,732	18,214	0	(9,527)
Capital expenditures	120,832	1,550	26,421	(21,002)	127,801
Reporting segments for the year 2024					
External revenue	1,396,995	79,286	94,326	0	1,570,607
Inter-segment revenue	64,060	3,110	1,256	(68,426)	0
Total segment revenue	1,461,055	82,396	95,582	(68,426)	1,570,607
External operating cost	(1,355,153)	(42,671)	(32,927)	0	(1,430,751)
Internal operating cost	(3,758)	(34,513)	(30,155)	68,426	0
Total operating cost	(1,358,911)	(77,184)	(63,082)	68,426	(1,430,751)
Depreciation and amortization	(133,757)	(4,415)	(15,895)	0	(154,067)
Segment EBIT	(31,613)	797	16,605	0	(14,211)
Net finance cost	(9,299)	(2,418)	448	0	(11,269)
Share of loss of associates	673	0	0	0	673
Income tax	7,845	328	(3,535)	0	4,638
Profit (loss)	(32,394)	(1,293)	13,518	0	(20,169)
Capital expenditures	103,169	8,576	16,303	(5,759)	122,289

6. Operating segments, contd.

The geographic segment analyses the Group's revenue as the majority of the Group's clients are outside of Iceland. The vast majority of the Group's non-current assets are located in Iceland. In presenting the following information the Group's revenues have been based on point of sale.

Geographic segments for the year 2025	North America	Europe	Iceland	Other	Total
Passenger revenue	799,177	349,807	271,345	32,797	1,453,126
Cargo revenue	4,642	31,830	43,258	0	79,730
Leasing revenue	24,475	7,788	5,563	73,426	111,252
Other operating revenue	2,830	5,396	88,241	311	96,778
Total revenue	831,124	394,821	408,406	106,534	1,740,886
Total revenue %	48%	23%	24%	5%	100%
Geographic segments for year 2024					
Passenger revenue	768,548	315,370	212,013	29,152	1,325,083
Cargo revenue	5,693	32,591	38,452	0	76,736
Leasing revenue	26,389	4,698	4,509	58,136	93,731
Other operating revenue	2,195	4,185	68,436	241	75,057
Total revenue	802,825	356,844	323,410	87,529	1,570,607
Total revenue %	51%	23%	21%	5%	100%

7. Operating income

Passenger revenue is specified as follows:	2025	2024 *Reclassified*
Passenger revenue	1,423,394	1,298,963
Ancillary revenue	29,732	26,120
Passenger revenue	1,453,126	1,325,083
Other operating revenue is specified as follows:		
Revenue from tourism	47,705	40,162
Sale at airports	5,486	4,909
Aircraft handling	10,537	8,810
Gain on sale of operating assets	10,109	1,298
Other operating revenue	22,941	19,878
Total other operating revenue	96,778	75,057

8. Operating expenses

Salaries and salary-related expenses are specified as follows:		
Salaries	357,697	321,352
Contributions to pension funds	59,807	51,287
Other salary-related expenses	37,895	33,391
Total salaries and salary-related expenses	455,399	406,030
Average number of full time equivalents	3,520	3,575
Full time equivalents at period end	3,276	3,166
Gender ratio for employees (male/female)	55/45	53/47
Aircraft fuel is specified as follows:		
Aircraft fuel	312,078	330,411
Emissions Trading System (ETS)	35,078	20,238
Corsia Carbon Credits	3,597	1,098
Sustainable Aviation Fuel charges (SAF)	4,399	0
Fuel hedges	5,195	8,453
Total Aircraft fuel cost	360,347	360,200

8. Operating expenses, contd.

Other aviation expenses are specified as follows:	2025	2024
Aircraft and engine lease	4,914	4,492
Aircraft handling, landing and navigation	184,270	165,402
Aircraft maintenance expenses	152,120	122,246
Total other aviation expenses	341,304	292,140
Other operating expenses are specified as follows:		
Travel and other employee expenses	83,756	71,662
Tourism expenses	35,830	30,725
IT expenses	39,434	35,961
Advertising	25,626	24,103
Booking fees and commission expenses	75,941	68,848
Customer services	104,767	89,228
Operating cost of real estate and fixtures	8,774	9,544
Allowance for bad debt	278	1,416
Other operating expenses	52,856	40,894
Total other operating expenses	427,262	372,381

9. Auditor's fee

Auditor's fee is specified as follows:	2025 Group auditors	2024 Group auditors	2025 Other auditors	2024 Other auditors
Audit	516	460	44	45
Permitted tax services, other assurance and training	53	29	0	0
	569	489	44	45

10. Depreciation and amortization

The depreciation and amortization charge in profit or loss is specified as follows:	2025	2024
Depreciation of operating assets, see note 12	101,055	96,511
Depreciation of right-of-use assets, see note 16	71,456	56,970
Amortization of intangible assets, see note 17	1,302	586
Depreciation and amortization recognized in profit or loss	173,813	154,067

11. Finance income and (finance cost)

Finance income and (finance cost) are specified as follows:		
Interest income on cash and cash equivalents and marketable securities	27,710	23,847
Interest income on lease receivables	1,786	2,353
Other interest income	5,258	5,301
Net currency exchange gain	6,919	0
Finance income total	41,673	31,501
Interest expenses on loans and borrowings	(10,753)	(15,484)
Interest on lease liabilities	(30,243)	(22,435)
Other interest expenses	(7,403)	(3,142)
Net currency exchange loss	0	(1,709)
Finance cost total	(48,399)	(42,770)
Net finance cost	(6,726)	(11,269)

12. Operating assets

Operating assets are specified as follows:

	Aircraft and flight equipment	Buildings	Other property and equipment	Total
Cost				
Balance at 1 January 2024	949,446	108,100	85,356	1,142,902
Additions	74,478	24,082	11,897	110,457
Sales and disposals	(74,649)	0	(2,938)	(77,587)
Effects of movements in exchange rates	(89)	(1,971)	(92)	(2,152)
Balance at 31 December 2024	949,186	130,211	94,223	1,173,620
Additions	79,110	3,222	20,472	102,804
Sales and disposals	(60,425)	(1,945)	(6,461)	(68,831)
Effects of movements in exchange rates	0	13,447	586	14,033
Balance at 31 December 2025	967,871	144,935	108,820	1,221,626
Depreciation and impairment				
Balance at 1 January 2024	514,361	29,977	43,454	587,792
Depreciation	85,170	3,189	8,152	96,511
Sales and disposals	(67,046)	0	(2,919)	(69,965)
Effects of movements in exchange rates	(50)	(527)	(31)	(608)
Balance at 31 December 2024	532,435	32,639	48,656	613,730
Depreciation	86,889	4,272	9,894	101,055
Sales and disposals	(54,762)	(739)	(4,889)	(60,390)
Effects of movements in exchange rates	0	3,452	235	3,687
Balance at 31 December 2025	564,562	39,624	53,896	658,082
Carrying amounts				
At 1 January 2024	435,085	78,123	41,902	555,110
At 31 December 2024	416,751	97,572	45,567	559,890
At 31 December 2025	403,309	105,311	54,924	563,544
Depreciation ratios	1-20%	2-6%	5-33%	

Acquisition of operating assets in 2025 amounted to USD 102.8 million (2024: USD 110.5 million) thereof overhaul of own engines and aircraft spare parts in the amount of USD 63.5 million (2024: USD 61.2 million).

13. Mortgages and commitments

The Group's operating assets, aircraft and spare parts are mortgaged to its secure debt. The Group's total long-term debt amounted to USD 172.9 million at year-end 2025 (2024: USD 197.2 million). The Group owned in total 28 aircraft, including 11 Boeing 757, five Boeing 767, six Boeing 737's and six DHC Dash 8's. at year-end, 11 of which were unencumbered.

14. Insurance value of aircraft and flight equipment

The insurance value and carrying amount of the Group's aircraft and related equipment at year-end is specified as follows:

	Insurance value		Carrying amounts	
	2025	2024	2025	2024
Boeing - 22 / 23 aircraft	531,009	589,130	337,935	352,803
Other - 6 / 7 aircraft	45,000	64,000	20,199	25,601
Flight equipment	90,655	96,980	45,175	38,347
Total aircraft and flight equipment	666,664	750,110	403,309	416,751

15. Insurance value of buildings and other operating assets

The principal buildings owned by the Group are the following:

	Maintenance hangars	Staff apartments	Office buildings	Other buildings	Under construction	Total
2025						
Official assessment value	61,010	7,654	46,814	23,302	0	138,780
Insurance value	101,471	14,507	101,931	33,517	0	251,426
Carrying amounts	20,897	2,454	72,243	7,865	1,852	105,311
Square meters	31,814	4,549	26,853	12,574	1,000	76,790
2024						
Official assessment value	43,099	8,324	27,772	14,771	0	93,966
Insurance value	89,099	18,488	90,553	29,060	0	227,200
Carrying amounts	20,074	3,550	66,351	7,597	0	97,572
Square meters	31,814	6,813	21,530	12,124	0	72,281

The official valuation of the Group's leased land for buildings as at 31 December 2025 amounted to USD 24.3 million (2024: USD 19.0 million).

The insurance value of the Group's other operating assets and equipment amounted to USD 74.6 million at year-end 2025 (2024: USD 70.0 million). The carrying amount at the same time was USD 54.1 million (2024: USD 45.2 million).

16. Right of use assets

Right of use assets are specified as follows:

	Aircraft	Land & Real Estate	Other	Total
Balance at 1 January 2024	339,043	8,688	789	348,520
Adjustments	2,999	(902)	(198)	1,899
Adjustments for indexed leases	(922)	280	35	(607)
New or renewed leases	111,917	640	681	113,238
Depreciation	(52,545)	(3,885)	(540)	(56,970)
Currency translation adjustment	0	(47)	2	(45)
Balance at 31 December 2024	400,492	4,774	769	406,035
Adjustments	1,964	0	(116)	1,848
Adjustments for indexed leases	(1,904)	163	21	(1,720)
New or renewed leases	147,224	854	308	148,386
Depreciation	(68,883)	(2,122)	(451)	(71,456)
Currency translation adjustment	0	50	(3)	47
Balance at 31 December 2025	478,893	3,719	528	483,140

The leasing contracts are in note 29.

17. Intangible assets and goodwill

Intangible assets and goodwill are specified as follows:

	Goodwill	Trademarks and slots	Other intangibles	Total
Cost				
Balance at 1 January 2024	55,728	34,565	2,377	92,670
Additions	0	0	1,593	1,593
Disposals	0	0	(471)	(471)
Balance at 31 December 2024	55,728	34,565	3,499	93,792
Additions	0	0	2,726	2,726
Disposals	0	0	(1,540)	(1,540)
Balance at 31 December 2025	55,728	34,565	4,685	94,978

17. Intangible assets and goodwill, contd.

Amortization and impairment losses	Goodwill	Trademarks and slots	Other intangibles	Total
Balance at 1 January 2024	33,308	2,605	1,380	37,293
Amortization	0	0	586	586
Disposals	0	0	(471)	(471)
Balance at 1 January 2024	33,308	2,605	1,495	37,408
Amortization	0	0	1,302	1,302
Disposals	0	0	(1,540)	(1,540)
Effects of movements in exchange rates	0	0	(2)	(2)
Balance at 31 December 2025	33,308	2,605	1,255	37,168
Carrying amounts				
At 1 January 2024	22,420	31,960	997	55,377
At 31 December 2024	22,420	31,960	2,004	56,385
At 31 December 2025	22,420	31,960	3,430	57,811

18. Impairment test

Goodwill and other intangible assets that have indefinite life are tested for impairment annually and additionally at each reporting date if there is an indication of impairment.

These assets were recognized at fair value on their acquisition dates. Goodwill and other intangible assets with indefinite life are specified as follows:

	2025	2024
Goodwill	22,420	22,420
Trademarks and airport slots	31,960	31,960
Total	54,380	54,380

For the purpose of impairment testing, goodwill is allocated to the units which represent the level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each cash generating unit (CGU) are as follows:

	Goodwill		Trademarks and slots	
	2025	2024	2025	2024
Passenger and cargo operations	0	0	31,960	31,960
Other Group entities	22,420	22,420	0	0
Total	22,420	22,420	31,960	31,960

The recoverable amounts of cash-generating units was based on their value in use and was determined by discounting the future cash flow generated from the continuing use of the CGU. Icelandair prepared a 5-year high level financial plan based on long-term targets that Icelandair has set regarding profitability and growth. Cash flows were projected based on actual operating results and a 5-year business plan. Cash flows were extrapolated for determining the residual value using a constant nominal growth rate which was consistent with the long-term average growth rate for the industry. Management believes that this forecast period was justified due to the long-term nature of the business. There are still some uncertainties that the Group's operations face such as economic uncertainty and inflationary pressures in our main markets, FX developments, salary development in Iceland and increasing emissions cost. A weighted USA and EU CPI forecast from IMF was used as a base for inflationary increases. The renewal of aircraft in the fleet will have a positive effect on some cost items.

The values assigned to the key assumptions represent management's assessment of future trends in the airline and transportation industries and are based on both external sources and internal historical data.

18. Impairment test, contd.

Value in use was based on the following key assumptions:

	Passenger and cargo operations	Other Group entities*
2025		
Long-term growth rate	3.0%	2.5%
Revenue growth:		
Weighted average 2025/2024	9.2%	14.4%
2026- 2030	7.1%	4.8%
Budgeted EBIT growth 2026-2030	45.7%	2.5%
WACC	10.6%	13.6%
Debt leverage	67.1%	67.7%
Pre-tax interest rate for debt	7.3%	7.6%
2024		
Long-term growth rate	3.0%	2.5%
Revenue growth:		
Weighted average 2024/2023	1.2%	36.7%
2025- 2029	8.4%	6.8%
Budgeted EBIT growth 2025-2029	39.5%	2.0%
WACC	10.6%	13.5%
Debt leverage	68.1%	68.6%
Pre-tax interest rate for debt	7.3%	7.6%

* Weighted average of underlying CGU.

The recoverable amounts of the cash-generating units at year-end were estimated to be higher than carrying amounts and no impairment was required. Reasonable change in main assumptions would not lead to impairment.

19. Investment in associates

The Group has interests in a number of associates. The carrying amount and share of profit of the associates is as follows:

	Ownership	Carrying amount 2025	Share of profit/loss in associates 2025	Carrying amount 2024	Share of profit/loss in associates 2024
EBK ehf.	25%	1,506	266	1,338	386
ÍTF 1 slhf.	29%	9,094	2,537	7,244	336
Lindarvatn ehf.	50%	26,185	801	22,989	(50)
Other investments		210	1	170	1
Total investments in associates		36,995	3,605	31,741	673

EBK ehf. operates jet fuel tank storage facilities, serving fuel to suppliers and airlines at Keflavík airport.

Landsbréf – Icelandic Tourism Fund I slhf. (ÍTF1 slhf.) is a fund managed by Landsbréf. The Fund's purpose was to invest in Icelandic companies focusing on entertainment and leisure activities for foreign tourists, with focus on projects that have full-year operational potential. The original lifespan of the Fund was originally until year-end 2023 but has been extended until year-end 2027. The aim of the Fund is to return proceeds from its investments to shareholders as soon as they are realized.

Lindarvatn ehf. is the owner of a property at Thorvaldsensstræti in downtown Reykjavík and other properties located near Austurvöllur which have been rebuilt as a hotel which was opened in December 2022.

20. Non-current receivables and deposits

Non-current receivables consist of notes, deposits for aircraft and engine lease agreements and various other travel-related security fees.

	2025	2024
Non-current receivables and deposits are specified as follows:		
Loans, effective interest rates	1,356	1,673
Lease receivables, interest rates 7%	23,061	33,083
Security deposits	20,399	18,149
Prepayments on aircraft purchases	36,459	32,955
	81,275	85,860
Current maturities	(9,316)	(9,366)
Non-current receivables and deposits total	71,959	76,494
Contractual repayments mature as follows:		
Maturities in 2025	-	9,366
Maturities in 2026	9,316	9,559
Maturities in 2027	6,369	7,141
Maturities in 2028	5,662	5,560
Maturities in 2029	23,850	23,934
Maturities in 2030	8,237	6,517
Subsequent	27,841	23,783
Total non-current receivables and deposits, including current maturities	81,275	85,860

Non-current receivables and deposits denominated in currencies other than the functional currency comprise USD 5.7 million (2024: USD 5.6 million).

21. Income taxes

(i) Amounts recognized in profit or loss

	2025	2024
Deferred tax expense		
Origination and reversal of temporary differences	(3,746)	(4,356)
Exchange rate difference	(7,087)	(282)
Total tax expense recognized in profit or loss	(10,833)	(4,638)

(ii) Amounts recognized in other comprehensive income

Effective portion of changes in fair value of cash flow hedges	475	774
Exchange rate difference	1,342	(213)
Total tax recognized in other comprehensive income	1,817	561

(iii) Reconciliation of effective tax rate

	2025		2024	
Loss before tax		(20,360)		(24,807)
Income tax according to current tax rate	20.0%	(4,072)	21.0%	(5,209)
Non-deductible expenses	0.5%	94	0.4%	111
Share of loss of associates	(3.5%)	(721)	(0.6%)	(141)
Exchange rate difference - tax loss carry-forwards	(37.2%)	(7,565)	5.0%	1,228
Exchange rate difference - other	2.3%	478	(6.1%)	(1,510)
Other items	4.7%	953	3.6%	883
Effective tax rate	53.2%	(10,833)	18.7%	(4,638)

(iv) Recognized deferred tax asset

Deferred tax assets are specified as follows:	2025	2024
Deferred tax assets 1 January	63,794	59,728
Deferred tax recognized in profit or loss	10,833	4,638
Income tax recognized in other comprehensive income	(1,817)	(561)
Exchange rate difference	700	(11)
Deferred tax assets 31 December	73,510	63,794

21. Income taxes, contd.

(v) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025	2024	2025	2024	2025	2024
Operating assets	0	0	(13,929)	(24,843)	(13,929)	(24,843)
Intangible assets	0	0	(226)	(128)	(226)	(128)
Derivatives	0	396	(79)	0	(79)	396
Trade receivables	1,479	1,522	0	0	1,479	1,522
Right-of-use assets	0	0	(120,101)	(108,543)	(120,101)	(108,543)
Lease claims	0	0	(14,671)	(15,801)	(14,671)	(15,801)
Lease liabilities	143,981	129,148	0	0	143,981	129,148
Tax loss carry-forwards	78,203	81,580	0	0	78,203	81,580
Other items	0	463	(1,147)	0	(1,147)	463
Total	223,663	213,109	(150,153)	(149,315)	73,510	63,794

(vi) Movements in deferred tax balance during the year

2025	1 January	Recognized in profit or loss	Exchange rate difference	Recognized in other comprehensive income and equity	31 December
Operating assets	(24,843)	11,074	(160)		(13,929)
Intangible assets	(128)	(98)			(226)
Derivatives	396			(475)	(79)
Trade receivables	1,522	(45)	2		1,479
Right-of-use assets	(108,544)	(11,557)			(120,101)
Lease claim	(15,801)	1,130			(14,671)
Lease liabilities	129,149	14,832			143,981
Tax loss carry-forwards	81,580	(3,762)	385		78,203
Other items	463	(741)	473	(1,342)	(1,147)
	63,794	10,833	700	(1,817)	73,510

2024					
Operating assets	(30,753)	5,882	28		(24,843)
Intangible assets	(70)	(58)			(128)
Derivatives	1,170			(774)	396
Trade receivables	1,425	97			1,522
Right-of-use assets	(91,472)	(17,071)	(1)		(108,544)
Lease claim	(12,979)	(2,822)			(15,801)
Lease liabilities	108,360	20,788	1		129,149
Tax loss carry-forwards	84,152	(2,511)	(61)		81,580
Other items	(105)	333	22	213	463
	59,728	4,638	(11)	(561)	63,794

Tax loss carry-forwards are specified as follows:	2025	2024
Tax loss from 2018 expire 2028	38,048	64,408
Tax loss from 2019 expire 2029	48,102	43,595
Tax loss from 2020 expire 2030	193,830	175,665
Tax loss from 2021 expire 2031	96,387	87,354
Tax loss from 2024 expire 2034	14,648	36,875
Tax loss carry-forwards total	391,015	407,897

Based on a five-year forecast, the Group expects to fully utilize its carry forward tax loss. The long-term outlook for the Company has improved, providing stronger support for the Company's profitability assumptions and the recoverability of deferred tax assets. In addition to the route network, the company also models future profitability for its Leasing and Cargo segments, for which the company expects prospects to remain positive as in the last few years.

22. Inventories

Inventories are specified as follows:	2025	2024
Spare parts	26,937	22,816
Other inventories	1,201	1,672
Inventories total	28,138	24,488

23. Marketable securities

At year-end marketable securities amounted to USD 170.4 million (2024: USD 104.6 million). The increase is due to higher allocation of funds to the asset class given favorable yields on locally issued commercial papers. Marketable securities consist of term deposits, government, bank and corporate bonds and bills, and unit shares in local mutual funds that are valued at their year-end market price. No restrictions apply to the securities' redemption.

24. Trade and other receivables

Trade and other receivables are specified as follows:	2025	2024
Trade receivables	75,780	72,597
Prepayments	37,695	25,227
Restricted cash	15,807	34,250
Lease receivables	7,915	8,664
Current maturities of non-current receivables and deposits	9,316	9,366
Carbon-related asset	23,077	19,130
Other receivables	9,245	9,445
Trade and other receivables total	178,835	178,679

At year-end trade receivables are presented net of an allowance for doubtful accounts of USD 7.2 million (2024: USD 7.4 million).

The prepayments consist mainly of prepaid contractual obligations, insurance premiums, software licenses and leases.

Restricted cash is held in bank accounts pledged against credit card acquirers, airport operators and tourism guarantees. Due to improved terms with credit card acquirers USD 20 million of restricted cash was released to the Company in Q4 2025.

Carbon-related assets arise from the Group's participation in the EU, Swiss and UK Emissions Trading Systems/Schemes. They represent allowances purchased or allocated to meet compliance obligations in the year following the balance sheet date. Comparative information has been reclassified accordingly. See Notes 2c and 33c for further details.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 33.

25. Cash and cash equivalents

Cash and cash equivalents are specified as follows:	2025	2024
Securities and fixed term bank deposits	17,971	8,763
Bank deposits	177,495	141,472
Cash and cash equivalents total	195,466	150,235

26. Equity

Share capital

The Company's share capital amounts to ISK 41,120,247 thousand according to its Articles of Association. Each share carries one vote at shareholders' meetings. The shares are freely transferable unless otherwise stipulated by law. All shareholders hold equal rights to dividend payments as declared from time to time.

The Company held no treasury shares at year-end 2025.

26. Equity, contd.

Share premium

Share premium represents excess of payment above the nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to the Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

Reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The translation reserve comprises all currency differences arising from the translation of the Financial Statements of subsidiaries having functional currencies other than the Group as well as from the translation of liabilities that hedge net investment. According to the Icelandic Financial Statements Act, companies must retain, in a separate equity account, recognized share in profit of subsidiaries and associates in excess of dividend received or declared.

Stock options

The Company has in place a Stock Options program for its Executive Committee and Director-level employees. All granted options accrue 3% annual interest and will be adjusted for any future dividends. At year end a total of 1,265.2 million options to buy 1 share have been issued in relation to the Program. Outstanding stock option at year end is 1,127.9 million shares with an issue price of ISK 1.39 - ISK 2.15 and total strike price 1,910.5 million. The total number of employees participating in the Program is 51. The estimated cost of the Stock Option Program for the Company is approximately USD 2.7 million until 2027, based on the Black-Scholes model, thereof USD 2.2 million has been expensed.

Dividend

No dividend was paid to shareholders in 2025 and 2024.

The Board of Directors proposes no dividend payment to shareholders in 2026 for the year 2025 as it is not permitted by law due to accumulated deficit at year-end.

For the longer term the dividend policy is as follows: “The Company's goal is to declare 20-40% of annual net profit as dividend. The final decision on dividend payments will be based on the financial position of the Company, operating capital requirements and market conditions.”

27. Earnings per share

Earnings per share is calculated by dividing net profit or loss attributable to equity holders of the Parent Company by the weighted average number of outstanding shares during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares. Earnings per share are following:

	2025	2024
Loss for the year attributable to equity holders of the parent company	(9,330)	(20,560)
Weighted average number of shares for the year	41,120,247	41,120,247
Weighted average number of shares for the year including stock options	42,242,388	41,809,038
Basic and diluted earnings per share in US cent per share	(0.02)	(0.05)

28. Loans and borrowings

This note provides information on contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost, and changes during the year. For more information on the Group's exposure to interest rate, foreign currency and liquidity risk, see note 33.

28. Loans and borrowings, contd.

	Non-current interest bearing debt	Total
Total interest-bearing debt 1 January 2024	252,330	252,330
Repayment of borrowings	(44,978)	(44,978)
Cash flows related to financing activities	(44,978)	(44,978)
Accrued interest added to the loans	400	400
Financing activities without cash flows	400	400
Currency exchange difference	(2,672)	(2,672)
Expensed borrowing cost recognized in finance cost	674	674
Other liability related changes	(1,998)	(1,998)
Total interest-bearing debt 31 December 2024	205,754	205,754
Total interest-bearing debt 1 January 2025	205,754	205,754
Repayment of borrowings	(53,693)	(53,693)
Cash flows related to financing activities	(53,693)	(53,693)
New borrowings	19,438	19,438
Accrued interest added to the loans	403	403
Financing activities without cash flows	19,841	19,841
Currency exchange difference	4,782	4,782
Expensed borrowing cost recognized in effective interests	682	682
Other liability related changes	5,464	5,464
Total interest-bearing debt 31 December 2025	177,366	177,366

Loans and borrowings are specified as follows:	2025	2024
Non-current loans and borrowings:		
Secured bank loans	172,930	197,210
Unsecured loans	4,436	8,544
Total loans and borrowings	177,366	205,754
Current maturities	(39,123)	(41,046)
Total non-current loans and borrowings	138,243	164,708
Current loans and borrowings:		
Current maturities of non-current liabilities	39,123	41,046
Total current loans and borrowings	39,123	41,046
Total loans and borrowings	177,366	205,754

Terms and debt repayment schedule:

	Currency	Nominal interest rates year	Year of maturity	Total remaining balance 2025	2024
Secured bank loans	USD	5.05%	2026-2031	131,727	166,123
Secured bank loans	EUR	1.29%	2028	41,203	31,087
Unsecured loans	ISK	4.13%	2026-2030	4,436	8,544
Total interest bearing liabilities				177,366	205,754

The Company has three committed credit lines in place with local banks in total amount of USD 92 million. The lines were undrawn at year-end 2025.

28. Loans and borrowings, contd.

Repayments of loans and borrowings are specified as follows:	2025	2024
Repayments in 2025	-	41,046
Repayments in 2026	39,123	37,911
Repayments in 2027	17,875	20,485
Repayments in 2028	51,935	54,971
Repayments in 2029	14,934	9,699
Repayments in 2030	21,193	9,328
Subsequent repayments	32,306	32,314
Total loans and borrowings	177,366	205,754

The Company was granted a concession to minimum a equity ratio covenant in a long-term funding agreement with a local bank in 2025. The ratio should be no less than 10% at the end of each reporting period. The carrying amount of the loan in question was USD 24.6 million at 31 December 2025. The Company expects to be granted the same concession if needed in 2026.

29. Lease liabilities

This note provides information of the Group's lease liabilities, which are measured at amortized cost, and changes during the year.

For more information on the Group's exposure to interest rate, foreign currency and liquidity risk, see note 33.

Lease liabilities are specified as follows:	2025	2024
Balance at 1 January	465,104	386,250
Adjustments	(129)	(1,802)
Adjustments for indexed leases	(1,720)	(601)
New or renewed leases	148,386	141,501
Payment of lease liabilities	(102,683)	(82,941)
Interest of lease liabilities	30,335	22,529
Currency translation adjustment	264	168
Balance at 31 December	539,557	465,104
Current maturities	(77,987)	(66,302)
Total non-current lease liabilities	461,570	398,802

	Average Rate	Aircraft	Land & Real Estate	Other	Total
Lease liabilities in USD	5.86%	534,251	76	15	534,342
Lease liabilities in ISK, indexed	5.71%	0	3,168	560	3,728
Lease liabilities in other currency	5.51%	0	820	667	1,487
Total lease liabilities		534,251	4,064	1,242	539,557

Repayments of lease liabilities are specified as folllows:	2025	2024
Repayments in 2025	-	66,302
Repayments in 2026	77,987	66,620
Repayments in 2027	76,532	63,642
Repayments in 2028	70,851	59,218
Repayments in 2029	70,384	60,250
Repayments in 2030	68,464	58,606
Subsequent repayments	175,339	90,466
Total lease liabilities	539,557	465,104

Further lease commitments are in place for five A321LR aircraft scheduled for delivery to the Route network as demonstrated in the table below. The delivery of the one aircraft scheduled in Q2 2026 will delay, but revised delivery month from Airbus is still pending. The total lease liability for these five aircraft is estimated to be around USD 237 million.

	Q1 2026	Q2 2026	Q4 2026	Total
A321LR	2	1	2	5

30. Provisions and other liabilities

Provisions and other liabilities correspond to accrued engine overhaul cost of leased aircraft and security deposits from lease contracts to be realized after they mature. Provisions and other liabilities are specified as follows:

	2025	2024
Provisions and other liabilities	155,034	116,561
Current portion, classified in trade and other payables	(8,225)	(17,013)
Total provisions and other liabilities	146,809	99,548

Provisions and other liabilities are scheduled to be repaid as follows:

Repayments in 2025	-	17,013
Repayments in 2026	8,225	3,107
Repayments in 2027	3,043	4,291
Repayments in 2028	30,465	22,151
Repayments in 2029	11,765	3,431
Repayments in 2030	29,973	18,979
Subsequent	71,563	47,589
Total provisions and other liabilities, including current maturities	155,034	116,561

31. Trade and other payables

Trade and other payables are specified as follows:		*Reclassified*
Trade payables	58,992	49,734
Current portion of engine overhauls and security deposits from lease contracts	8,225	17,013
Carbon obligations	55,625	35,433
Other payables	195,870	157,876
Total trade and other payables	318,712	260,056

Carbon-related obligations relate to the Group's obligations under the EU, Swiss and UK Emissions Trading Systems/Schemes and the global CORSIA scheme for CO_2-equivalent emissions from flight operations. These obligations are expected to be settled with the relevant authorities in the year following the balance sheet date. Comparative information has been reclassified accordingly. See Notes 2c and 33c for further details.

32. Deferred income

Sold unused tickets, fair value of unredeemed frequent flyer points and other prepayments are presented as deferred income in the Consolidated Statement of Financial Position.

Deferred income is specified as follows:

Sold unused tickets and vouchers	323,136	295,981
Frequent flyer points	37,686	28,781
Other prepayments	30,476	26,813
Total deferred income	391,298	351,575

The amount allocated to sold unused tickets and vouchers is the book value of fares and fuel surcharges that the Group has collected and is liable for to passengers. Thereof sold tickets with future travel dates amounted to USD 304.3 million (2024: USD 274.2 million) and vouchers amounted to USD 18.8 million (2024: USD 21.8 million).

The amount allocated to frequent flyer points is estimated by reference to the fair value of the discounted services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the discounted services for which the points, granted through a customer loyalty program, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. That amount is recognized as deferred income.

Other prepayments consist mainly of prepayments for packages and charter flights.

33. Financial risk management

Overview

The Group has exposure to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the risks above, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's Risk Management Committee is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. In addition to the formal oversight performed by the Audit Committee, the Company has in place internal audit processes which act to monitor management controls and procedures, the results of which are reported to the Audit Committee.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations arises principally from the Group's cash and cash equivalents, which are kept with local and international banks with acceptable credit ratings and secondly from marketable securities which consist of bonds and bills issued by Government treasuries, high rated banks and financially strong corporates. Finally, there is some exposure from customers' receivables.

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2025	2024
Non-current receivables and deposits	20	71,959	76,494
Trade and other receivables	24	141,140	153,452
Derivatives used for hedging	34	3,967	4,416
Marketable securities	23	170,369	104,562
Cash and cash equivalents	25	195,466	150,235
		582,901	489,159

Trade and other receivables and marketable securities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of customers and counterparties.

Credit risk is linked to trade receivables, agreements with financial institutions related to hedging and counterparties in marketable securities. The relative spread of trade receivables across counterparties is crucial for credit risk exposure. The Group is aware of potential losses related to credit risk exposure and chooses its counterparties subject to business experience and securities issuers subject to credit ratings and financial strength.

The Group establishes an allowance for impairment that represents its estimate of losses incurred in respect of trade and other receivables. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

33. Financial risk management, contd.

a. Credit risk, contd.

Trade and other receivables and marketable securities, contd.

At year-end 2025, the maximum exposure to credit risk for trade and other receivables and marketable securities by type of financial instrument was as follows:

	2025	2024 Reclassified
Credit cards	31,477	21,147
Trade receivables	44,303	51,450
	75,780	72,597
Marketable securities	170,369	104,562
Other receivables	103,055	106,082
Trade and other receivables, see note 24	349,204	283,241

Impairment losses

The aging of trade receivables and credit cards at the reporting date was as follows:

	Gross 2025	Allowance for impairment 2025	Gross 2024	Allowance for impairment 2024
Not past due	59,526	(209)	38,238	(92)
Past due 1-30 days	3,418	(63)	8,640	(57)
Past due 31-120 days	12,154	(456)	20,835	(220)
Past due 121-365 days	5,912	(4,712)	6,046	(1,683)
More than one year	1,949	(1,739)	6,236	(5,346)
Total	82,959	(7,179)	79,995	(7,398)

Changes in the allowance for impairment in respect of trade receivables during the year were as follows:

	2025	2024
Balance at 1 January	7,398	6,918
Impairment loss allowance, increase (decrease)	278	1,416
Amounts written off	(511)	(933)
Exchange rate difference	14	(3)
Balance at 31 December	7,179	7,398

A significant part of the balance relates to customers that have a good track record with the Group. But based on historical default rates and expected credit loss in the future, management believes that minimal impairment allowance is necessary in respect of trade receivables not past due or past due by 30 days or less.

The allowance account in respect of trade receivables is used to record impairment losses. If the Group believes that no recovery is possible the gross carrying amount of the financial asset is written off.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, settled by delivering cash or another financial asset at their due date. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The Group aims to maintain the level of its cash and cash equivalents and marketable securities equal to the estimated amount of three months' average fixed operating cost, where 30% can be in the form of undrawn lines of credit. At year-end the Group's cash and cash equivalents amounted to USD 195.5 million, and USD 170.4 million of marketable securities with trusted counterparties, totaling USD 365.8 million.

The Group's management monitors its cash flow requirements by using a rolling forecast. Liquidity is managed based on projected cash flows in different currencies.

33. Financial risk management, contd.

b. Liquidity risk, contd.

Following are the contractual maturities of financial liabilities at the reporting date, including estimated interest payments:

31 December 2025	Carrying amount	Contractual cash flows	Within 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:						
Unsecured bank loans	4,436	4,652	3,067	547	1,038	0
Secured loans	172,930	202,821	44,653	23,211	100,838	34,120
Lease liability	539,557	669,535	107,112	101,299	259,218	201,906
Payables and prepayments	465,521	473,746	326,937	3,043	42,230	101,536
	1,182,444	1,350,754	481,769	128,099	403,324	337,562
Derivative financial liabilities:						
Commodity derivatives	(3,570)	(3,570)	(1,603)	(1,967)	0	0
Currency contracts	3,720	5,023	5,023	0	0	0
- Outflow	(100,265)	(101,372)	(101,372)	0	0	0
- Inflow	103,726	106,396	106,396	0	0	0
Interest rate swaps	247	260	152	94	14	0
	397	1,713	3,572	(1,873)	14	0

31 December 2024						
Non-derivative financial liabilities:						
Unsecured bank loans	8,544	8,983	5,270	2,283	1,430	0
Secured loans	197,210	235,975	49,162	41,582	98,706	46,525
Lease liability	465,104	595,314	99,363	96,274	239,001	160,676
Payables and prepayments	340,755	357,768	258,220	3,107	26,442	69,999
	1,011,613	1,198,040	412,015	143,246	365,579	277,200
Derivative financial liabilities:						
Commodity derivatives	(6,393)	(6,503)	(6,814)	311	0	0
Margin accounts	778	778	778	0	0	0
Currency contracts	4,045	7,223	7,223	0	0	0
- Outflow	(147,081)	(150,207)	(150,207)	0	0	0
- Inflow	151,126	157,430	157,430	0	0	0
Interest rate swaps	371	397	177	208	12	0
	(1,199)	1,895	1,364	519	12	0

Undrawn committed credit lines at year-end 2025 amounted to USD 92.0 million (2024: USD 92.0 million).

c. Market risk

Market risk emerges from changes in market prices, such as foreign exchange rates, interest rates, carbon prices and fuel prices, as those changes will affect the Group's cash flows or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. The Company holds some of its financial assets in terms of deposits, government bonds and rated banks securities as well as short-term bills issued by financially strong local corporates. These investments fall within the agreed risk management policy.

The Group uses spot and forward trading, swaps and options to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. The Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Climate risk

Climate change poses a financial risk to airlines. The potential for new regulations and taxes aimed at reducing carbon emissions, as well as the increasing costs associated with transitioning to low-carbon fuels, can have a material impact on the Company’s financial performance. 2024 was the first year of CORSIA phase I compliance and 2025 was the first year of SAF compliance. These are addition to the increasing financial burden of ETS. Climate-related physical risks, such as extreme weather events, also have the potential to disrupt operations and damage infrastructure. Additionally, the industry in general faces reputational risks as consumers become more conscious of the environmental impact of their travel choices. To mitigate these financial risks, Group has implemented strategies to reduce carbon emissions.

33. Financial risk management, contd.

c. Market risk, contd.

Carbon risk

The Group is required to procure three types of emission allowances in relation to its operations: European Carbon Emission Allowance Futures (EUAs), UK Allowances (UKAs) and Swiss General Unit Allowance (CHUAs). Carbon emission is calculated in a fixed proportion to the fuel consumption of flights operated within the European continent. Group mitigates risk associated with carbon emission allowances through opportunistic monthly spot and forward purchases of allowances to mirror the net shortfall of allowances taking into consideration the Group's free allowances. Earning returns on the stock of procured units is a challenge as the Emissions Trading System (ETS) accounts doesn't offer interest. Yet some steps have been taken to this end by lending them to counterparties and selling EUA call options covered with forward agreements.

Unlike financial derivatives associated with IFRS 9 and Hedge Accounting, such as those instruments covering the market risk of fuel, currency and interest, forward carbon contracts are not regarded as derivative financial liabilities. This is due to the underlying exposure being a commitment to purchasing goods, i.e. "non-cash receipt" of carbon allowances Therefore the forward contracts are future commitments to buy such goods at fixed forward prices to match the expensed item. In fact, they are kept on the Financial Position amongst Trade and other payables. Further, the acquired stock position of allowances through spot and forward trading is netted against the expensed actual emission of carbon and the market value of the contracts is disregarded as it is netted against the expensed commitment.

The prices of all types of allowances have risen substantially in recent years making procurement of emission allowances a significant and growing cost item. Group enjoys a free allowance of ETS units which covered approx. 27% of the Group's total emission allowance needs in 2025. In 2024 the EU announced a plan to accelerate the amortization rate of the 2012 free allowance allocated to airlines which will phase them out by 2026. Thus, airlines will be more dependent on carbon trading in near future which will bring the consequential added costs and volatility of procurement to their production earlier and at a faster pace than planned.

Another recent aspect of carbon risk is CORSIA which is an international emission trading system based on an agreement by ICAO members to offset carbon emissions according to compliance benchmarks set up in phases. 2024 was the first year of Phase I, which succeeds the Pilot Phase of which Group was also a participant. No benchmark was breached during the Pilot Phase but some costs of necessary procurement of verified carbon credits are expected in 2026 to be surrendered by the end of year 2027. Flights committed to the ETS are exempt so the new legislation effects most importantly Group flights to North America.

Impact on financial reporting

Carbon-related assets are presented as part of Trade and other receivable in note 24 and Carbon-related obligation are presented as part of Trade and other payables in note 31.

	2025	2024
Carbon-related assets:		
ETS	23,077	19,130
Corsia	0	0
	23,077	19,130
Carbon-related obligations:		
ETS	50,931	34,335
Corsia	4,694	1,098
	55,625	35,433

Fuel risk

The Group is exposed to fuel price risk. The Group's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial price fall. The Group strategy is to hedge between 20% and 50% of estimated fuel consumption 6 months forward, 0-40% 7-12 months forward and 0-20% 13-18 months forward.

The hedging policy allows for both swaps and options traded with approved counterparties and within approved limits.

Sensitivity analysis

The following table demonstrates the sensitivity of the financial instruments in place at year-end to a reasonably possible change in fuel prices, with all other variables held constant, on equity:

	Effect on equity	
	2025	2024
Increase in fuel prices by 10%	11,582	11,421
Decrease in fuel prices by 10%	(11,582)	(11,421)

33. Financial risk management, contd.

c. Market risk, contd.

Fuel risk, contd.

At year-end 2025 all open hedge positions were effective. Changes in their market value are therefore confined to equity until settlement.

Currency risk

The Group is exposed to risk associated with cash flow and financial position items that are denominated in currencies other than the functional currencies of Group entities.

The Group seeks to reduce the risk arising from such a currency mismatch in the cash flow by netting receivables and payments in each individual currency and by internal trading within the Group. The shortfall of ISK is financed by a surplus of European and American currencies. The Group also maintains a relatively high ISK balance on the Statement of Financial Position to offset currency mismatches and to serve as a reserve for future ISK-denominated payments. Lastly the ISK historically a high interest currency offering better yields on ISK holdings.

Exposure to currency risk

The Group's exposure to currency risk in major currencies is as follows:

2025	ISK	EUR	GBP	DKK	NOK/SEK	CAD
Receivables / payables, net	(77,116)	(25,939)	(3,438)	555	(541)	2,694
Marketable securities	170,369	0	0	0	0	0
Cash and cash equivalents	55,201	33,400	5,935	988	1,089	2,077
Secured bank loans	0	(41,141)	0	0	0	0
Unsecured loans	(2,114)	0	0	0	0	0
Long-term Subordinated loan	89,039	0	0	0	0	0
Lease receivables	0	0	0	0	0	0
Lease liabilities	(133,961)	0	(733)	(216)	0	0
Carry forward tax loss	78,203	0	0	0	0	0
Currency contracts	105,038	(12,732)	(25,337)	0	(20,589)	0
Net statement of financial position	284,659	(46,412)	(23,573)	1,327	(20,041)	4,771
Next 12 months forecast sales	315,142	234,481	112,551	28,138	65,655	106,923
Next 12 months forecast purchases	(616,622)	(197,929)	(58,620)	(16,283)	(9,770)	(34,195)
Capex thereof	(6,000)	0	0	0	0	0
Currency exposure	(16,821)	(9,860)	30,358	13,181	35,844	77,499

2024						
Receivables / payables, net	(52,068)	(7,465)	(7,579)	(676)	(2,033)	2,151
Marketable securities	104,562	0	0	0	0	0
Cash and cash equivalents	36,526	14,552	3,949	921	2,654	5,125
Secured bank loans	0	(31,074)	0	0	0	0
Unsecured loans	(5,754)	0	0	0	0	0
Long-term Subordinated loan	75,066	0	0	0	0	0
Lease receivables	0	0	89	0	0	0
Lease liabilities	(128,328)	(105)	(195)	(59)	0	0
Carry forward tax loss	70,892	0	0	0	0	0
Currency contracts	157,685	(9,894)	(20,066)	(6,284)	(10,342)	(19,828)
Net statement of financial position	258,581	(33,986)	(23,802)	(6,098)	(9,721)	(12,552)
Next 12 months forecast sales	239,762	205,742	89,101	24,300	51,841	93,961
Next 12 months forecast purchases	(536,167)	(185,095)	(51,403)	(17,134)	(14,279)	(21,418)
Capex thereof	(15,000)	0	0	0	0	0
Currency exposure	(37,824)	(13,339)	13,896	1,068	27,841	59,991

33. Financial risk management, contd.

c. Market risk, contd.

Exposure to currency risk, contd.

The following significant exchange rates of USD applied during the year:

	Average rate		Year-end spot rate	
	2025	2024	2025	2024
ISK	0.0078	0.0072	0.0080	0.0072
EUR	1.1275	1.0821	1.1755	1.0415
GBP	1.3159	1.2783	1.3460	1.2541
CAD	0.7146	0.7303	0.7300	0.6957
DKK	0.1510	0.1451	0.1574	0.1396
SEK	0.1019	0.0947	0.1086	0.0909

Sensitivity analysis

A 10% appreciation of the USD against the following currencies at 31 December would have increased (decreased) post-tax equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and omits the impact of deferred tax assets at the reporting date.

	Directly in equity	Profit or loss	Total effect on equity
2025			
ISK	(15,526)	(7,247)	(22,773)
EUR	1,019	2,694	3,713
GBP	2,027	(141)	1,886
DKK	0	(106)	(106)
NOK/SEK	1,647	(44)	1,603
CAD	0	(382)	(382)
2024			
ISK	(18,620)	(2,066)	(20,686)
EUR	792	1,927	2,719
GBP	1,605	299	1,904
DKK	503	(15)	488
NOK/SEK	827	(50)	778
CAD	1,586	(582)	1,004

A 10% weakening of the USD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the potential that a change in market interest rates will reduce the value of a bond or other fixed rate instruments. The fair value of fixed rate instruments and the cash flow of variable rate instruments will fluctuate with changes in market interest rates.

At the reporting date the interest rate profile of the Group´s interest bearing financial instruments was as follows:

	2025	2024
Fixed rate instruments		
Commodity derivatives and forward exchange contracts (Carrying amount)	150	(2,611)
Interest rate swaps (Notional amount)	(8,570)	(11,195)
	(8,420)	(13,806)
Variable rate instruments		
Financial assets (Carrying amount)	365,835	254,797
Financial liabilities (Carrying amount)	(177,366)	(205,754)
	188,469	49,043

33. Financial risk management, contd.

c. Market risk, contd.

Fair value sensitivity analysis for fixed rate instruments

The Group designates derivatives for the purpose of fuel, carbon, currency and interest rate hedging as instruments under a fair value hedge accounting model. As such, market rates affect the mark to market of the derivatives and the market value of fixed rate financial assets. In addition, interest rate changes affect the fixed rate instruments carrying amount through equity.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts stated below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	100 bp increase	100 bp decrease
31 December 2025		
Commodity derivatives and currency contracts	(1)	1
Interest rate swaps	102	(104)
Fair value sensitivity (net)	101	(103)
31 December 2024		
Commodity derivatives and currency contracts	17	(17)
Interest rate swaps	220	(228)
Fair value sensitivity (net)	237	(245)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts stated below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase	100 bp decrease
31 December 2025		
Variable rate instruments	1,508	(1,508)
Cash flow sensitivity (net)	1,508	(1,508)
31 December 2024		
Variable rate instruments	392	(392)
Cash flow sensitivity (net)	392	(392)

Hedge accounting

The Hedge Accounting Standards of IFRS 9 require hedge instruments to fulfill certain criteria so that the market value of open hedge positions can be allocated to equity as hedge reserves until settlement day. One of these qualifications is the requirement of effectiveness of the financial instrument against the identified exposure. The exposure in terms of cash flows has to be considered highly likely on the basis of a robust forecast of operations. All outstanding hedge contracts are effective.

Following table shows effective and ineffective hedges:

31 December 2025	1-6 months	7-12 months	> 13 months	Total
Fuel	(1,090)	(1,193)	(1,287)	(3,570)
Currency	3,862	(142)	0	3,720
Interest rate swap	81	66	100	247
Total derivatives	2,853	(1,269)	(1,187)	397
Tax	(571)	254	237	(79)
Derivatives used for hedging, Equity	2,282	(1,015)	(950)	317
Ineffective derivatives, P&L	0	0	0	0

34. Financial instruments and fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows. The table does not include information for financial assets and liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount 2025	Fair value 2025	Carrying amount 2024	Fair value 2024
Derivatives used for hedging	397	397	(1,199)	(1,199)
Unsecured loans	(4,436)	(2,305)	(8,544)	(8,182)
Secured loans	(172,930)	(181,390)	(197,210)	(202,186)
Lease liabilities	(461,570)	(461,570)	(465,104)	(465,104)
Total	(638,539)	(644,868)	(672,057)	(676,671)

Fair value hierarchy

The table below analyses the fair value of assets and liabilities and their levels in the fair value hierarchy:

31 December 2025	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives used for hedging		3,967		3,967
	0	3,967	0	3,967
Financial liabilities				
Unsecured loans			(2,305)	(2,305)
Secured loans			(181,390)	(181,390)
Lease liabilities			(461,570)	(461,570)
Derivatives used for hedging		(3,570)		(3,570)
	0	(3,570)	(645,265)	(648,835)
31 December 2024				
Financial assets				
Derivatives used for hedging		4,416		4,416
	0	4,416	0	4,416
Financial liabilities				
Unsecured loans			(8,182)	(8,182)
Secured loans			(202,186)	(202,186)
Lease liabilities			(465,104)	(465,104)
Derivatives used for hedging		(5,615)		(5,615)
	0	(5,615)	(675,472)	(681,087)

The basis for determining the levels is disclosed in note 4.

Non-derivative financial liabilities

Fair value, as determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rates as at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. This methodology is also used when valuating commodity forwards and swaps.

The fair value of interest rate swaps is based on broker quotes. If not available, the fair value is based on the discounted cash flow difference of the contractual fixed interest payment and the floating interest receivable.

Fair value reflects the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entities and counterparties when appropriate.

35. Capital commitments

In 2023, the Group finalized a purchase agreement for up to 25 A321XLR aircraft from Airbus and engine agreements thereto with engine manufacturer Pratt & Whitney. The order consists of 13 A321XLR's and includes purchase rights for additional aircraft. The deliveries will commence in 2029. In addition, the Group has concluded long-term agreements for nine new A321LR aircraft, five with SMBC Aviation Capital Limited, two with CDB Aviation and two with CALC. Of these nine new A321LR's, first one was delivered in Q4-2024, three were delivered in 2025 and the remaining five are scheduled for delivery to the Route network as demonstrated in the table in note 29.

36. Related parties

Identity of related parties

The Group has a related party relationship with its shareholders with significant influence, subsidiaries, associates, and with its directors and executive officers. All the transactions with related parties are on arm's length basis and are on similar terms than transactions carried out with independent parties.

Transactions with management and key personnel

Salaries and benefits of management for their service to Group companies and the number of shares in the Company held by management are specified below.

	Salaries and benefits	Pension contri-bution	Incentive payments for previous year	Number of shares held at year-end thousands*	Stock options held at year-end in thousands
2025					
Board of Directors:					
Guðmundur Hafsteinsson, Chairman	88.8	10.2		8,555	
Nina Jonsson, Vice Chairman	79.4	9.1			
John F. Thomas	63.0	7.2		3,395	
Matthew Evans	49.0	5.6			
Svafa Grönfeldt	49.0	5.8		12,500	
Executive Committee:					
Bogi Nils Bogason Group CEO	512.5	95.5	72.1	23,625	72,100
Eight members of Executive Committee**	2,139.5	406.5	298.9	32,324	271,100
Executive Committee (male / female)	7/2				
2024					
Board of Directors:					
Guðmundur Hafsteinsson, Chairman	79.2	9.1		8,555	
Nina Jonsson, Vice Chairman	70.5	8.1			
John F. Thomas	56.5	6.5		3,395	
Matthew Evans	43.5	5.0			
Svafa Grönfeldt	43.5	5.0		12,500	
Executive Committee:					
Bogi Nils Bogason Group CEO	452.7	80.9	42.4	23,625	44,200
Seven members of Executive Committee	1,874.0	337.8	149.2	32,574	170,600
Executive Committee (male / female)	5/3				

* Including financially related

** Number of executives were seven for the first nine months of the year 2025.

At the Company's Annual General Meeting in 2022 it was approved to implement a share-based incentive program for the senior leadership team and other selected key employees. In 2025, 486,600,000 stock options were granted to a total of 51 employees based on the program.

Transactions with associates and subsidiaries

The Group's purchases and sales to associates and subsidies were immaterial for the year 2025.

36. Related parties, contd.

Transactions with shareholders

There are no shareholders with significant influence at year-end 2025. Companies which members of the Board and Executive Committee members control have been identified as being thirteen. These companies have been identified as related. Transactions with them were immaterial in 2025.

37. Litigations and claims

Icelandair has initiated legal proceedings against ISAVIA, seeking a judicial declaration of liability for damages arising from the air traffic controllers' strike in December 2023. The case was initially dismissed by the District Court; however, that decision was appealed to the Court of Appeal, which remanded the matter to the District Court, where it now awaits a ruling on the subject matter of the case.

38. Group entities

The Company held the following significant subsidiaries at year-end 2025 which are all included in the Consolidated Financial Statements:

	Ownership interest	
	2025	2024
ICECAP Insurance PCC Ltd.	100%	100%
Iceeignir ehf.	100%	100%
Icelandair ehf.	100%	100%
CAE Icelandair Flight Training ehf.	67%	67%
Flugfélag Íslands ehf.	100%	100%
Icelandair Cargo ehf.	100%	100%
FERIA ehf.	100%	100%
Loftleiðir - Icelandic ehf.	100%	100%

The subsidiaries further own seven minor operating companies that are also included in the Consolidated Financial Statements.

39. Ratios

The Group's primary ratios at year-end are specified as follows:	2025	2024
Current ratio	0.69	0.63
Equity ratio	0.15	0.16
Intrinsic value of share capital	0.92	0.87

40. Investment and financing without cash flow effect

Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of the Group and should be excluded from the statements of cash flows. The exclusion of non-cash transactions from the Statement of Cash Flows as these items do not involve cash flows in the current period.

Investment and financing without cash flow effect:		2025	2024
Acquisition of right-of-use assets	16	(148,386)	(113,238)
New or renewed leases	29	148,386	141,501
Non-current receivables		0	(28,263)
Investment in associates		0	(22,917)
Trade and other receivables		0	22,917

41. Significant accounting policies

The accounting policies set out in this note have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by Group entities.

a. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated statements from the date on which control commences until the date on which control ceases. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

b. Currency exchange

Currency transactions

Transactions in currencies other than functional currencies (foreign currencies) are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective or qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

Subsidiaries with other functional currencies

Assets and liabilities of foreign operations and subsidiaries with functional currencies other than USD, including goodwill and fair value adjustments arising on acquisitions, are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at exchange rates at the dates of the transactions. Currency differences arising on translation are recognized in other comprehensive income. When an operation is disposed of, in part or in full, the relevant amount in the currency translation reserve within equity is transferred to profit or loss as part of the profit or loss on disposal.

Currency differences are recognized in other comprehensive income, and presented in the translation reserve in equity. However, if the operation is not a wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

c. Operating income

Transport revenue

Passenger ticket sales are recognized as revenue when transportation has been provided. Sold refundable documents not used within six months after expected transport are recognized as revenue. Non-refundable documents are recognized as revenue two months after expected transport if not used. Revenue from mail and cargo transportation is recognized when transportation has been provided.

41. Significant accounting policies, contd.

b. Currency exchange, contd.

Customer loyalty programs

For customer loyalty programs, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits (frequent flyer points) and other components of the sale. Awards can also be generated through transportation services supplied by the Group. Through transportation services the amount allocated to the points is estimated by reference to the fair value of the services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the services is calculated taking into account the expected redemption rate and timing of the redemptions. The amounts are deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to provide the services. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for services, relative to the total number of points that is expected to be redeemed.

Aircraft and aircrew lease

Revenue from aircraft and aircrew lease is recognized in profit or loss when the service has been provided and IFRS 16 Lease standard does not apply.

Other operating revenue

Revenue includes revenue from tourism, sales at airports and hotels, maintenance service sold and other revenue. Revenue is recognized in profit or loss when the service has been provided or sale completed by delivery of products.

Gain on sale of operating assets is recognized in profit or loss when the risks and rewards of ownership are transferred to the buyer.

d. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed when the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed when the related service is provided.

e. Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right of controlling the use of identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of lease in IFRS 16.

As a lessee

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives receivable.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment leases, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

41. Significant accounting policies, contd.

e. Leases, contd.

As a lessee, contd.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group´s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group only and not by the lessors. The Group assesses whether such an option is reasonably certain to be exercised at the lease commencement date. A reassessment is made in case of a significant event or significant changes in circumstances within the Group's control.

A sales and leaseback transaction is one where the Group sells and asset and immediately reacquires the use of the asset by entering into a lease agreement. Any profit from the sale is deferred and amortized over the lease term.

Short-term leases and leases of low value

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value asset and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

41. Significant accounting policies, contd.

f. Finance income and finance cost

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance cost comprises interest expense on borrowings, unwinding of discounts on provisions, foreign currency losses, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether currency movements are in a net gain or net loss position.

g. Taxes

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is expected tax payable on taxable income for the year using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect accounting, or taxable profit or differences relating to investment in subsidiaries.

Global minimum tax (Pillar II)

The OECD introduced Global Anti-Base Erosion (GloBE) Rules for a new global minimum tax framework (Pillar Two) at the end of 2021. In December 2022, the EU Minimum Tax Directive entered into force, implementing a global minimum tax rate of 15% for multinational enterprises and large-scale domestic groups. The Directive has been applicable within the EU starting from 2024.

Iceland has announced its intention to implement Pillar Two rules but has not yet enacted legislation as of 31 December 2025. The Group is within the scope of Pillar Two rules. In relation to its subsidiary ICECAP Insurance PCC Ltd. domiciled in Guernsey, where legislation has been enacted for fiscal years beginning on or after 1 January 2025.

IASB amendments to IAS 12 issued in May 2023 provide a temporary exception from recognizing deferred taxes related to Pillar Two. The Group applies this exception except where legislation is enacted and tax is expected to be payable.

h. Operating assets

Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of operating assets have different useful lives, they are accounted for as separate items (major components) of operating assets.

Any gain and loss on disposal of an item of operating assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Aircraft and flight equipment

Aircraft and flight equipment, e.g. aircraft engines and aircraft spare parts, are measured at cost less accumulated depreciation and accumulated impairment losses. When an aircraft is acquired the purchase price is divided between the aircraft itself and engines. Aircraft is depreciated over the estimated useful life of the relevant aircraft until a residual value is met. Engines are depreciated according to actual usage based on cycles flown. When an engine is overhauled the cost of the overhaul is capitalized and the remainder of the cost of the previous overhaul that has not already been depreciated, if any, is expensed in full.

41. Significant accounting policies, contd.

h. Operating assets, contd.

Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Items of operating assets are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component unless other systematic method is considered appropriate. Leased assets are depreciated over the shorter of the lease term or their useful lives. The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Aircraft and flight equipment	3-17 years
Engines	Cycles flown
Buildings	17-50 years
Other property and equipment	3-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i. Intangible assets and goodwill

Goodwill and other intangible assets with indefinite useful lives

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Goodwill, trademarks and airport slots with indefinite useful lives are stated at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

	Useful life
Software	3 years
Other intangible assets	6-10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

j. Inventories

Goods for resale and supplies are measured at the lower of cost and net realizable value. The cost of inventories is based on first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

41. Significant accounting policies, contd.

k. Financial instruments

Non-derivative financial assets

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and financial assets measured at amortized cost.

Financial assets at fair value through profit or loss

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at fair value through profit or loss comprise marketable securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding financial assets.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at amortized cost comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when the underlying contractual obligations are discharged, cancelled, settled or otherwise extinguished, or when the liability expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities other than derivatives comprise loans and borrowings and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

41. Significant accounting policies, contd.

k. Financial instruments, contd.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency, fuel price and interest rate risk exposures (see note 34). Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Group holds no trading derivatives.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period during which the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the hedged future cash flows is no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of foreign exchange gains and losses on the non-derivative is recognized immediately in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Warrants are free standing financial instruments that are legally detachable and separately exercisable from the underlying shares. Pursuant to the requirements of IAS 32 Financial instruments: Presentation, the warrants are classified as financial liabilities because their exercise price is denominated in ISK, the Company's functional currency is USD and the Company did not offer the warrants pro rata to all of its existing shareholders. The outstanding warrants are recognized as warrant liabilities in the Consolidated Statement of Financial Position and are measured at their fair value on their issuing date and are subsequently measured at each reporting period with changes in fair value being recorded as a component of Change in fair value in the Consolidated Income Statement and other Comprehensive Income according to IFRS 13, Fair Value Measurement.

l. Carbon-related assets and obligations

Carbon-related assets and liabilities

As an operating company emits CO_2-equivalent, it accumulates obligations under the ETS, CORSIA or voluntary carbon-offset schemes. When the operating company purchases ETS allowances, CORSIA emission units or voluntary carbon-offset units, these are recognized at cost within *Carbon-related assets*. Carbon-related assets are not revalued or amortized but are assessed for impairment whenever indicators arise that their carrying amount may not be recoverable.

41. Significant accounting policies, contd.

l. Carbon-related assets and obligations, contd.

Carbon-related assets and liabilities, contd.

For obligations arising where the operating company has acquired sufficient emission allowances or units to offset the related emissions, the obligation is measured at the weighted-average cost of the corresponding carbon-related assets. Where allowances or units have not yet been purchased, the obligation is recognized at the market price of the required instruments at the balance sheet date. As the obligation is recognized, a corresponding amount is recorded in the Income Statement *within Fuel costs and emission charges (Emissions Trading Systems (ETS), Corsia Carbon Credits and Sustainable Aviation Fuel (SAF)).*

The Group's emissions obligations, recognized as *Carbon contracts* within *Trade and other payables*, are extinguished when the associated emission certificates are surrendered or retired to the relevant authorities. ETS allowances are typically surrendered within 12 months after the balance sheet date, whereas CORSIA units are retired once every three years, with the first retirement for the 2024–2026 compliance period expected in 2028, unless earlier retirement is agreed with the respective authorities.

m. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase and reissue of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

n. Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangibles assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

41. Significant accounting policies, contd.

n. Impairment, contd.

Non-financial assets, contd.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Overhaul commitments relating to aircraft under operating leases

With respect to the Group´s operating lease agreements, where the Group has a commitment to maintain the aircraft, provision is made during the lease term for the obligation based on estimated future cost of major airframe and certain engine maintenance checks by making appropriate charges to the profit or loss calculated by reference to the number of hours or cycles operated.

Provisions are entered into the statement of financial position among non-current and current payables, as applicable.

p. Deferred income

Sold unused tickets, fair value of unutilized frequent flyer points and other prepayments are presented as deferred income in the statement of financial position.

Icelandair's frequent flyer program

Frequent flyer points earned or sold are accounted for as a liability on a fair value basis of the services that can be purchased for the points. The points are recognized as revenue when they are utilized or when they expire.

q. Deferred tax asset

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

41. Significant accounting policies, contd.

r. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held, for the effects of all dilutive potential ordinary shares.

s. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The major revenue-earning assets of the Group is the aircraft fleet, the majority of which is registered in Iceland. Since the Group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities

42. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted. However, the Group has not early adopted the following new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements, excluding IFRS 18, which addresses the presentation and disclosure of financial statements and is expected to alter their presentation. The effects of the standard have not yet been assessed.

- Presentation and Disclosure in Financial Statements (IFRS 18).
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).

43. Significant events after period end

There are no significant events after the end of the reporting period to report.

Corporate Governance Statement

The framework

The Guidelines on Corporate Governance, 6th edition issued on 21 July 2021, by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers, along with the Company's Articles of Association, the Rules for Issuers of securities listed on the Nasdaq Iceland and policies and procedures approved by the Board, make up the framework for Icelandair Group's, hereafter Icelandair, Corporate Governance practices. The Company's Articles of Association are accessible on the Company's website. The Guidelines on Corporate Governance are accessible on the website www.leidbeiningar.is and the guidelines and the Rules for Issuers are available on the website of Nasdaq Iceland.

Icelandair was recognized for Excellence in Corporate Governance in 2025, an acknowledgement granted by the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers. The acknowledgement certifies that the working practices of the Company's Board of Directors are well organized, and that the implementation of the Board's duties is exemplary. The recognition is based on an assessment of Icelandair's governance practices that are evaluated based on the Guidelines on Corporate Governance. Stjórnvísi (e. Excellence Iceland) is the coordinator of the recognition process.

In all main respects there are detailed rules of procedure in place, including for the Nomination Committee. In the Company's Articles of Association it is specified that two female candidates and the male candidates that receive the most votes and the person who receives the most votes after the aforementioned in the election of board members shall be deemed as the rightfully elected board members. In its work, the Nomination Committee also considers the combination of the Board in terms of education, professional background, gender, knowledge, experience, and skills. The Company has a goal to ensure that there is never more than 60% of one gender in management positions. The ratio of women at the Executive Management and Director levels was 41% at year-end 2025.

Composition and activities of the Board of Directors and sub-committees

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
No. of meetings in 2025	12	4	3	5	5
Guðmundur Hafsteinsson	Chairm.		Chairm.		
Nina Jonsson	Vice chairm.		Member		Member
Svafa Grönfeldt	Member	Member			
John F. Thomas	Member	Member			Chairm.
Matthew Evans	Member		Member		
Auður Þórisdóttir		Chairm.			
Árni Gunnarsson				Chairm.	
Alda Sigurðardóttir				Member	
Georg Lúðvíksson				Member	

Internal controls

Internal controls are applied at various levels to minimize the risk of fraud, abuse of funds and to achieve operational, reporting and compliance objectives. The management establishes appropriate internal control, with Board oversight, and holds individuals accountable for their responsibilities in the pursuit of objectives. Directors are responsible for identifying, assessing, and mitigating risks associated with the operations of their respective divisions. The Company has a Risk governance framework in place which includes a centralized enterprise risk platform that is coordinated by Risk Management and overseen by the Risk Committee. Icelandair has identified risks in the financial and accounting processes and selected and developed control activities to mitigate those risks.

The oversight of compliance with the Company's Risk Management Policies and procedures resides with the Board's Audit Committee. Enterprise risk is monitored through bi-annual risk assessments that are reported to the Board of Directors. Regular and ad hoc reviews of risk management controls and procedures are a part of the Company's working procedures, the results of which are reported to the Audit Committee. The Committee oversees the annual financial statements of the Company and the Group's consolidated financial statements including non-financial information as well as the Company's annual report. The Committee is responsible for the evaluation of the independence and the eligibility of both the Company's external auditor and auditing firm. The Committee shall make suggestions to the Board of Directors regarding the selection of the Company's auditor. The Audit Committee held four meetings in 2025.

Corporate Governance Statement, contd.

Internal controls, contd.

Audit Committee members:

Auður Þórisdóttir, Chairman

John F. Thomas

Svafa Grönfeldt

Values, Code of Ethics and Corporate Responsibility

The Company's values are:

Passion

Simplicity

Responsibility

On 25 May 2009 the Board of Directors approved a Code of Ethics which was amended on 5 January 2011 and 18 November 2016. The Code of Ethics is accessible to all Company employees through the Company's intranet, MyWork and on the Icelandair Group website.

Remuneration Committee

The purpose of the Remuneration Committee is to maintain oversight of the remuneration of the Executive Committee and senior management as well as to ensure that the structure of the compensation package is aligned with the long-term interests of shareholders.

The main tasks of the Remuneration Committee are to prepare the decision-making process of the Board with regards to the Remuneration Policy, including the determination of any performance-related variable compensation, and setting the terms and conditions for remuneration for the CEO. The Remuneration Committee is also assigned to regularly review the remuneration policy and ensure its adherence.

The Remuneration Committee further oversees the overall long-term development of remuneration and human resource matters to ensure that all remuneration practices are in accordance with laws, regulations, and overall best practices. Furthermore, the Remuneration Committee seeks to formulate a point of view on any risks – operational, financial, or otherwise – and if and how they may affect the organization.

The Remuneration Committee inquiries about the results and outcomes of established human resource policies and procedures on a regular basis.

The objective of the Remuneration Policy is to make employment within Icelandair and its subsidiaries an attractive option for highly skilled employees and thereby secure the Company's position as a leading company in its field. Pursuant to said objective, the Company must be able to offer competitive salaries and other variable forms of payment, such as short-term cash incentives and equity-related long-term incentives.

Icelandair has a short-term incentive program in place for the senior leadership team based on a proposal from the Remuneration Committee which has been approved by the Board of Directors.

The purpose of the program is to align the interests of the management and shareholders and mobilize the Company’s leadership to focus on the overall performance – both financial objectives and the execution of the Group's strategy. The program is designed to encourage the management to increase shareholder value and reward operational performance, proper management, and professional conduct. Performance outcomes are determined by a mixture of financial, strategic, and operational measures which take into account the participant's role. Performance pay-outs based on this short-term incentive program are annual and capped at 25% of annual base salary.

Any compensation to the management under the short-term incentive program is based on the sole discretion of the Remuneration Committee considering the factors above.

At the Company's Annual General Meeting in 2022 and 2024it was approved to implement a share-based incentive program for the senior leadership team and other selected key employees. In 2025, 486,600,000 stock options were granted based on the program, thereof 140,600,000 to the Executive Team.

Corporate Governance Statement, contd.

Remuneration Committee, contd.

General Salary Development

Icelandair operates within a highly regulated and unionized international airline and aviation sector, and its organizational structure reflects these industry standards. Consequently, approximately 80% of Icelandair's workforce is employed under collective bargaining agreements, adjusted for seasonal variations, while the remaining employees' terms are influenced by broader market trends. The company maintains continuous, year-round operations, facing significant seasonal fluctuations and utilizing a hub-and-spoke model, which presents ongoing challenges for optimal staff allocation and efficiency. These factors directly impact the formulation and evolution of wage agreements for both ground operations and office personnel.

CEO Remuneration

According to Icelandair's Remuneration Policy, the remuneration package for the President and CEO is comprised of a fixed and variable salary component and needs to be competitive with other CEO's of publicly traded companies in the Icelandic stock market as well as other airlines in the same markets. In addition, the terms of employment of the President and CEO shall consider the financial and operating results of the Company from time to time.

As stated above, the variable remuneration of the President and CEO is an integral part of the overall Executive Committee remuneration policy which is linked to predetermined and quantifiable performance measures and are reviewed and approved by the Remuneration Committee and the Board each fiscal year. The Remuneration Committee typically reviews the President & CEO's performance measures and makes a proposal to the Board of Directors for appropriate changes to reflect a strategic or tactical directional change for the Group from time to time.

Board of Directors Remuneration

Members of the Board of Directors shall be paid a monthly remuneration in accordance with the decision of the Annual General Meeting each year, as provided in Article 79 of the Companies Act No. 2/1995. The Board of Directors will submit a proposal concerning the remuneration for the upcoming year of operation, considering the extent of responsibilities, time commitment and the results of the Company. Board Members shall not enjoy shares, options to buy or sell, stock options or other types of payments linked to the share price or performance of the Company.

The Remuneration Committee held three meetings in 2025.

Remuneration Committee members:

Guðmundur Hafsteinsson, Chairman

Nina Jonsson

Matthew Evans

Nomination Committee

Icelandair Group has a Nomination Committee which has an advisory role in the selection of members of the Board of Directors. The Committee presents its proposal to the Annual General Meeting or other Shareholders' meetings where elections to the Board of Directors is on the agenda.

The Nomination Committee shall put forward its rationalized opinion concurrently with the notification of the AGM or as soon as possible in conjunction with other shareholder meetings. The Committee's opinion shall be made available to shareholders in the same way as other proposals to be submitted to the meeting. The Committee operates according to Rules of Procedures which are set up by the Committee itself and approved by the Board of Directors. The Nomination Committee shall review its Rules of Procedure as needed and have any changes approved by the Board of Directors.

The Nomination Committee consists of three members. The Shareholders' meeting elects two members, one man and one woman, which are nominated by shareholders. Subsequently, the Board of Directors appoints one member who cannot also be a member of the Board of Directors.

All members shall be independent of the Company and its executives. The member appointed by the Board of Directors shall be independent of the Company's largest shareholders. The same criteria shall apply to the assessment of the independence of Committee members as to the assessment of the independence of Board Members according to The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland. The Nomination Committee held five meetings in 2025.

Corporate Governance Statement, contd.

Nomination Committee, contd.

Nomination Committee members:

Árni Gunnarsson, Chairman (appointed by the Board of Directors)

Alda Sigurðardóttir

Georg Lúðvíksson

Health & Safety Committee

The purpose of the Health & Safety Committee is to maintain oversight of the development and implementation of Icelandair's Health and Safety Policies and initiatives. In addition, the Committee serves as a forum for in-depth discussions on Icelandair's safety matters and relevant considerations to health and risk mitigation strategies. At the start of its term, the Board of Directors selects up to two of its members to serve on the Health & Safety Committee.

The Health & Safety Committee has extensive knowledge and experience of airline safety matters in addition to a strong background within the industry. As a result, it can provide valuable support to the organization on health and safety topics. All quarterly Board of Directors meetings include a ten-minute safety review. The Committee held five meetings in 2025.

Health & Safety Committee members:

John F. Thomas, Chairman

Nina Jonsson

The Board of Directors

At the Annual General Meeting of Icelandair Group, held on 12 March 2025, the following were elected members of the Board of Directors; Guðmundur Hafsteinsson, John F. Thomas, Matthew Evans, Nina Jonsson and Svafa Grönfeldt. Guðmundur Hafsteinsson was elected as the Chairman of the Board.

Gudmundur Hafsteinsson, Chairman

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

John F. Thomas

John joined the Board of Icelandair Group on 6 March 2020. He is born in 1959 and is an Australian and U.S. citizen. John is independent of the Company and holds 3,394,500 shares.

Matthew Evans

Matthew joined the Board of Icelandair Group on 23 July 2021. He is born in 1986 and is a U.S. citizen. Matthew is independent of the Company and its management. However, he serves on the Board as the representative of the Company's largest shareholder and as such he is not independent from the Company's major shareholders. He holds no shares in the Company.

Nina Jonsson, Vice Chairman

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

Svafa Grönfeldt

Svafa joined the Board of Icelandair Group on 8 March 2019. She is born in 1965 and is an Icelandic and U.S. citizen. Svafa is independent of the Company, its management and significant shareholders and holds 12,500,000 shares.

Further information on the Board of Directors can be found on the Icelandair Group website.

Corporate Governance Statement, contd.

The Board of Directors, contd.

The Company's Board of Directors exercises supreme authority in the Company's affairs between shareholders' meetings, and it is entrusted with the task of ensuring that the organization and activities of the Company's operation are in in correct and proper order at all times.

The Board of Directors is instructed in the Company's Articles of Association to appoint a President and CEO for the Company and decide the terms of his or her employment. The Board of Directors and President and CEO are responsible for the management of the Company.

The Company's Board of Directors shall adopt working procedures in compliance with the Companies Act and must ensure adequate supervision of the Company's accounts and the safeguarding of its assets. Only the Board of Directors may assign powers of procuration on behalf of the Company. The signatures of the majority of members of the Board are required to bind the Company. The President and CEO has charge of the day-to-day operation of the Company and is required in his work to observe the policies and instructions set out by the Company's Board of Directors. Day-to-day operation does not include measures which are unusual or extraordinary. Such measures can only be taken by the President and CEO with specific authorization of the Board of Directors unless it is impossible to await the decision of the Board without seriously disadvantaging the operation of the Company. In such instances, the President and CEO is required to consult with the Chairman of the Board, if possible, after which the Board of Directors must immediately be notified of the measures. The President and CEO shall ensure that the accounts and finances of the Company conform to law and accepted practices and that all assets belonging to the Company are securely safeguarded. The President and CEO is required to provide the members of the Board of Directors and Company auditors with any information pertaining to the operation of the Company which they may request, as required by law.

The Company's Board of Directors consists of five members elected at the Annual General Meeting for a term of one year. Those who intend to stand for election to the Board of Directors must inform the Board in writing of their intention at least seven days before the AGM, or extraordinary shareholders' meeting at which elections are scheduled. Only those who have formally informed the Board of their candidacy are eligible.

The Board of Directors elects a Chairman and Vice Chairman from its members and otherwise allocates its obligations among its members as needed. The Chairman calls Board meetings. A meeting must also be held if requested by a member of the Board of Directors or the President and CEO. Meetings of the Board are valid if attended by a majority of its members. However, important decisions shall not be made unless all members of the Board have an opportunity to discuss the matter, if possible. The outcome of issues is decided by force of vote, and in the event of equal votes, the issue is deemed as rejected. The President and CEO attends meetings of the Board of Directors, even if he or she is not a member of the Board and has the right to participate in discussions and submit proposals unless otherwise decided by the Board in individual cases. A book of Minutes is kept of proceedings at meetings and must be signed by participants in the meeting. A Board member who disagrees with a decision made by the Board of Directors is entitled to have his or her dissenting opinion entered in the book of Minutes. The same applies to the President and CEO. The Chairman is responsible for the Board's relations with shareholders and shall inform the Board on their views.

The Rules of Procedures are accessible to the Board of Directors and the management through the Board's intranet, Admin control. In accordance with article 14 of the Rules of Procedures the Board of Directors must annually evaluate its work, size, composition, and practices, and must also evaluate the performance of the CEO and others responsible for the day-to-day management of the Company and its development. The annual performance assessment is intended to improve working methods and increase the efficiency of the Board. The assessment entails e.g., evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components which the Board believes may be improved.

The Board of Directors elects the members of the Remuneration Committee and the Audit Committee. These sub-committees adhere to the Rules of Procedures. The Nomination and Audit Committees have their own Rules of Procedures which are approved by the Board. The Board of Directors convened twelve times during the year, and all Board Members attended almost all meetings. All current members of the Board of Directors are independent from the Company. All Board members were independent of the Company's major shareholders in 2025 apart from Matthew Evans who represents the largest shareholder.

Corporate Governance Statement, contd.

Executive committee

Bogi Nils Bogason, President & CEO

Bogi holds 23,625,000 shares and 72,100,000 share options and has no interests linked with the Company's main clients, competitors, or major shareholders. The eight other members of the Executive Committee hold a total of 271,100,000 share options.

Arnar Már Magnússon, Senior Vice President Flight Operations

Árni Hermannsson, Managing Director Loftleidir Icelandic

Elísabet Helgadóttir, Chief Human Resources Officer

Einar Már Guðmundsson, Managing Director Icelandair Cargo

Ívar S. Kristinsson, Chief Financial Officer

Leifur Guðmundsson, Senior Vice President Technical Operations

Rakel Óttarsdottir, Chief Digital Officer

Tómas Ingason, Chief Commercial Officer

The Executive Committee held 86 meetings in 2025. In September Sylvía Kristín Ólafsdóttir who held the position of Chief Operating Officer left the Company. In October changes to the organizational structure were announced when Leifur Guðmundsson took on the role of Senior Vice President of Technical Operations and Arnar Már Magnússon joined the company as Senior Vice President Flight Operations and the position of COO was discontinued. The Committee now consists of 9 members. Further information on the Executive Committee members can be found on the Icelandair Group website

Non-Financial Reporting

General information

Basis for preparation

This section of the financial account 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.

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. 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.

Non-Financial Reporting, contd.

Governance of sustainability matters, contd.

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

Business model, value chain and strategy

Business model

Icelandair's business is built on Iceland's uniquely strategic location, with a route network that connects Europe, North America, and beyond, supports four key markets, to, from, via and within, and is strengthened by cargo, leasing, and consulting services that contribute to Iceland's global connectivity, tourism development, and broader economic growth. Supported by decades of commercial and operational expertise, a strong international brand, a commitment to sustainability, and an exceptionally experienced team, Icelandair leverages its position as Iceland's leading hub carrier to ensure efficient operations, deliver customer value, and open new opportunities through modern, fuel-efficient aircraft. Icelandair serves a diverse group of customers, both within the leisure and business segments, across its route network, cargo and leasing operations. The business model of Icelandair has an impact on a variety of sustainability-related matters across the Company's operations and value chain and is exposed to various sustainability-related risks as well as opportunities that can have positive or negative impacts on the Company.

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 like 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.

Corporate Strategy

Icelandair's corporate strategy provides a compass for the entire organization, articulating its vision, strategic priorities and the core values of the Company. Icelandair's vision, the guiding light of the organization, is to 'bring the spirit of Iceland to the world' and its mission is to 'offer smooth and enjoyable journeys to, from, via and within Iceland, our hub and home'. The values of 'passion', 'simplicity' and 'responsibility' represent the foundation of the Company culture, and the guiding principles that represent the keys to successful decision making and resource allocation in the day-to-day operation are:

- The way to fly to, from, via and within Iceland.
- Agile and financially sustainable.
- Embracing our people and the planet.

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

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

Non-Financial Reporting, contd.

Business model, value chain and strategy, contd.

Corporate Strategy, contd.

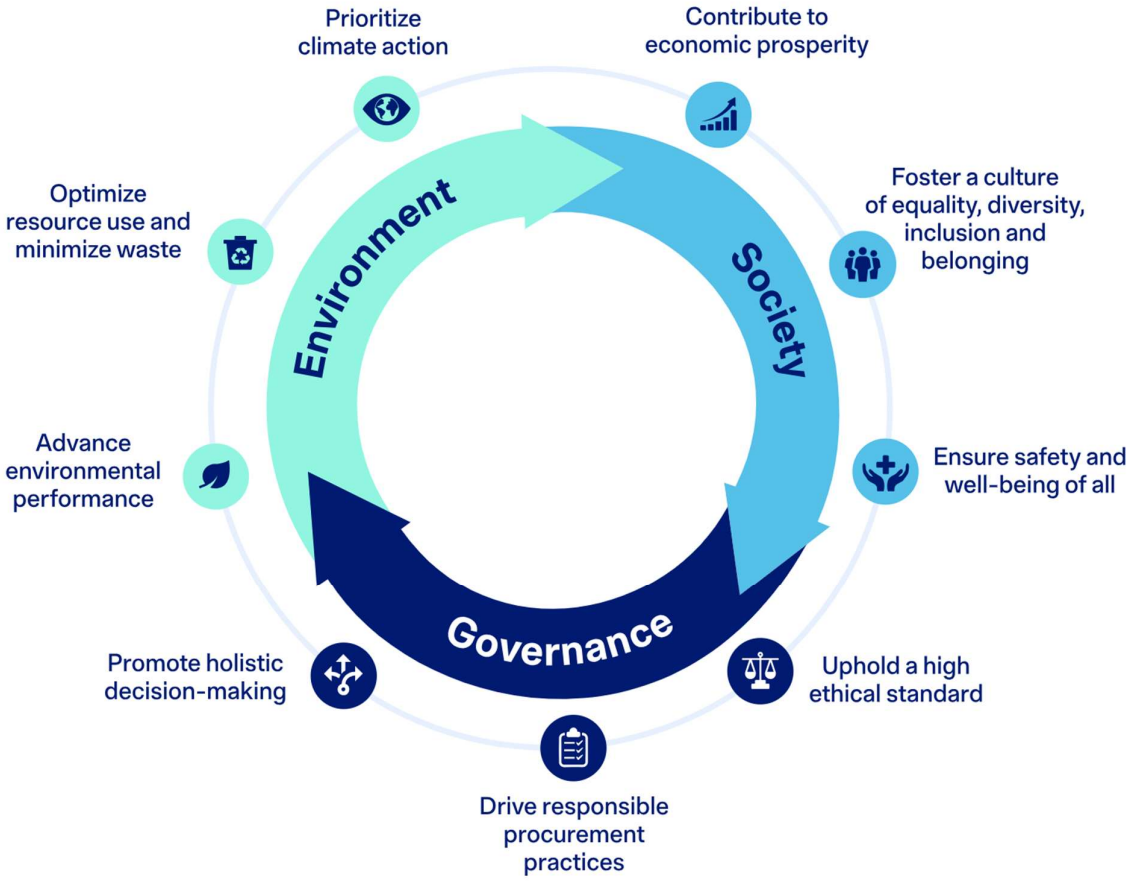
For 2026, Icelandair sharpens its focus even further with a single corporate objective:

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

Icelandair is simplifying its objectives to sharpen focus and strengthen alignment across the organization. Fewer, clearer priorities reduce confusion, enable faster decisions, and free up capacity for the work that matters most. This clarity also increases ownership, improves accountability, and ensures teams stay consistently focused on actions that drive sustainable performance and lasting transformation.

ESG Strategy

Rooted in Icelandair's core values, the ESG strategy serves as a guiding framework for how the Company embraces responsibility towards its people and the planet, which is one of the key principles of the overall corporate strategy. The ESG strategy is structured around Environment, Society and Governance where three focus areas have been identified and prioritized for each. The nine sustainability focus areas were developed during 2025 and will be supported by specific targets and measurable metrics to track progress on performance. Ultimately, the ESG strategy is designed to enable a strong integration of sustainability in the core business of Icelandair, in line with the overall Company strategy.



Non-Financial Reporting, contd.

Business model, value chain and strategy, contd.

Interest and views of stakeholders

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 most 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.

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 in 2023 and reviewed and updated it in 2025. The Double Materiality Assessment 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 Double Materiality assessment 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.

Material sustainability matters, contd.

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

4. Validation and reporting

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

Results of the Double Materiality Assessment

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

Topic	Impact materiality	Financial materiality
Climate change	Material	Material
Pollution	Material	Not Material
Water and marine resources	Not Material	Not Material
Biodiversity	Not Material	Not Material
Resource use and circular economy	Material	Material
Own workforce	Material	Material
Workers in the value chain	Material	Material
Affected communities	Material	Not Material
Consumers and end users	Material	Material
Business Conduct	Material	Material

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

Introduction

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.

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. 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 e.g. the EU 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.

Non-Financial Reporting, contd.

Climate change, contd.

Transition risk

As part of the European Green Deal and the “Fit for 55” legislative package, the European Union 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 implementation 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.

For further information see the Operational risk chapter.

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.

Non-Financial Reporting, contd.

Climate change, contd.

Policies related to climate change

Icelandair's Climate and Environmental Policy set 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 wholistically.

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 CO_2 by up to 80%.. Icelandair has started to integrate sustainable aviation fuel (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.

Targets related to climate change, contd.

The table below shows the progress made in the reduction of carbon emissions intensity 2019-2025.

	2019	2025	Status %	2030 target
tCO2e/OTK	0.895	0.70	-22%	0.448

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.

Climate and energy related metrics

Metrics for the Company's energy consumption and emissions are presented below. 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.

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**

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.

GHG emissions	Units	2025	2024	Change
Scope 1 GHG emissions				
Gross Scope 1 GHG emissions	tCO2e	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	tCO2e	152	168	-10%
Gross market-based Scope 2 GHG emissions	tCO2e	0	0	
Significant Scope 3 GHG emissions				
Total Gross indirect Scope 3 GHG emissions	tCO2e	56	89	-37%
5. Waste generated in operations		56	89	
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.

Pollution, contd.

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 are 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.

Non-Financial Reporting, contd.

Resource use and circularity, contd.

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 old generations, 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 onboard. The Company has also prioritized sustainable materials and reducing waste, for example when renewing the on-board textile concept, recycled materials were chosen. Icelandair is actively working to eliminate single-use plastics and consumables onboard. Icelandair launched a new amenity kit in October that highlights and celebrates Icelandic nature in collaboration with well-known local artist and ceramicist Inga Elín. To reduce waste, Icelandair will offer "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. The contents remain the same, but passengers now have the option to assemble their own amenity kits.

Targets related to resource use and circularity

Laws and regulations have always restricted waste separation on board, and Icelandair has for years called for changes in regulations in Iceland on recycling waste from international flights, which has until 2023 all been incinerated due to these regulations.

Icelandair has set goals related to efficient material use in line with the Company's policy commitments. The waste target for 2025 was to recycle at least 40% of on-board waste but only approximately 20% of on-board waste was recycled during the year due to a number of reasons that will be investigated further in 2026 to increase 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.

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.

The total amount of waste produced by Icelandair in Iceland, including at the Keflavík hub, was 623 tons in 2024, 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 on-board 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.

Non-Financial Reporting, contd.

Resource use and circularity, contd.

Resource use and circularity related metrics, contd.

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

Icelandair is eligible for four economic activities included in the amended Climate Delegated Act. Eligibility and alignment on turnover, capital expenditures and operating expenditures related to these activities are reported, 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.

3.21 Manufacturing of aircraft

Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to manufacturing of aircraft, specifically repair and maintenance.

Taxonomy-eligible turnover from this economic activity is generated in connection with maintenance, repair, overhaul services and the sale of spare parts. The turnover of USD 2 million represents 0.1% of Icelandair's overall turnover. The expenditure of USD 35 million accounts for 30.1% of the capital expenditure for the reporting year. The economic activity accounts for USD 152 million and 9.6% of Icelandair's total Operating expenses.

6.18 Leasing of aircraft

Description of the activity: Renting and leasing of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to leasing of aircraft. Through its leasing business, Loftleidir Icelandic, Icelandair is involved in the leasing of aircraft for airlines and tour operators.

The Taxonomy-eligible turnover of USD 110 million represents 6.3% of Icelandair's overall turnover. The expenditure of USD 27 million accounts for 22.7% of the capital expenditure for the reporting year. The economic activity accounts for USD 74 million and 4.6% of Icelandair's total Operating expenses.

EU Taxonomy, contd.

Icelandair's Taxonomy-eligible activities, contd.

6.19 Passenger and freight air transport

Description of the activity: Purchase, financing, and operation of aircraft including transport of passengers and goods. The economic activity does not include leasing of aircraft referred to in Section 6.18.
Icelandair has financial streams relating to passenger and airfreight transport. Icelandair operates an international route network that connects Europe and North America, serving passengers to, from, via and within Iceland. The focus of Icelandair's airfreight and logistics operations is on freight services to, from and via Iceland, by leveraging the passenger route network, in addition to scheduled air freighter flights, operated on a designated cargo aircraft.

The Taxonomy-eligible turnover of USD 1,588 million represents 91.2% of Icelandair's overall turnover. The expenditure of USD 49 million accounts for 41.7% of the capital expenditure for the reporting year. The economic activity accounts for USD 1,202 million and 75.9% of Icelandair's total Operating expenses.

6.20 Air transport ground handling operations

Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade, purchase, financing, renting, leasing and operation of equipment and service activities, including ground services activities at airports and cargo handling, such as loading and unloading of goods.

Icelandair has financial streams relating to ground handling operation. Ground handling involves a range of services provided on the ground to aircraft, passengers and cargo.

The Taxonomy-eligible turnover of USD 25 million represents 1.4% of Icelandair's overall turnover. The CapEx for this economic activity includes expenditure on purchase and maintenance on ground handling equipment. The expenditure of USD 6 million accounts for 5.5% of the capital expenditure for the reporting year. The economic activity accounts for USD 157 million and 10% of Icelandair's total Operating expenses.

Taxonomy non-eligibility

Icelandair's business activities that are currently not included in the EU Taxonomy, and thus not assessed as Taxonomy eligible, comprise the Taxonomy non-eligible percentage (%).

Non-Financial Reporting, contd.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities for year 2025.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
		Millions, USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Air transport ground handling operations	6.20	25	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Leasing of aircraft	6.18	110	6.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Manufacturing of aircraft	3.21	2	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Passenger and freight air transport	6.19	1,588	91.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,725**	**99.0%**														–	–	–
Total (A.1+A.2)		**1,725**	**99.0%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**16**	**0.9%**																
Total (A+B)		**1,741**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.
** Taxonomy-aligned turnover of the activity/ Total turnover of undertaking

Legal Disclaimer

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Non-Financial Reporting, contd.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities for year 2025.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Air transport ground handling operations	6.20	6	5.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Leasing of aircraft	6.18	27	22.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Manufacturing of aircraft	3.21	35	30.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Passenger and freight air transport	6.19	49	41.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**117**	**100%**														–	–	–
Total (A.1+A.2)		**117**	**100%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**0.00**	**0%**																
Total (A+B)		**117**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

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Non-Financial Reporting, contd.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities for year 2025.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**100%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Air transport ground handling operations (OpEx A)		157	10.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Leasing of aircraft (OpEx A)		74	4.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Manufacturing of aircraft (OpEx A)		152	9.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
Passenger and freight air transport (OpEx A)		1,202	75.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	–	–
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,584**	**100%**														–	–	–
Total (A.1+A.2)		**1,584**	**100%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**0.00**	**0%**																
Total (A+B)		**1,584**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

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Non-Financial Reporting, contd.

Social

Introduction

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.

Own workforce

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 employee's 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 employees

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, irrespective 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 and includes various health-related programs and initiatives to further employees' health and wellbeing.

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.

Social, contd.

Own workforce, contd.

Engaging with employees

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, Tilkynna.is. The tool allows employees to submit reports anonymously. Reporters gain access to a secure communication channel to receive updates on their reports. To ensure effective use of this tool, all 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 take action 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 employees

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.

Last year, the practical training facilities were upgraded 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 to base 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 Hafnarfjordur. 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 following 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 the Icelandair House, and 81% agreed that the environment encourages collaboration among team members.

Social, contd.

Own workforce, contd.

Actions related to employees, contd.

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 wellbeing 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 continued 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 employees

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 its gender or to identify as other gender 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 per country (head count):

Country	2025	2024
Iceland	3,816	3,868
Estonia	56	52
Total employees	**3,872**	**3,920**

Non-Financial Reporting, contd.

Social, contd.

Own workforce, contd.

Employee related metrics, contd.

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	1,665	3,575
Number of permanent employees (FTE)	1,756	1,433	3,189
Number of permanent employees (FTE)	1,810	1,473	3,283
Number of temporary employees	104	209	314
Number of temporary employees	92	172	263
Number of non-guaranteed hours employees	10	7	17
Number of non-guaranteed hours employees	8	20	28

Collective bargaining coverage and workplace representation.

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

Gender distribution in management and top 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 at top 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 satety	2025	2024
Number of fatalities from recordable work-related accidents and work-related ill health	0	0
Number of recordable work-related accidents	325	254
Cases of recordable work-related ill health	7	0

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. Recognizing 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.

Non-Financial Reporting, contd.

Social, contd.

Own workforce, contd.

Employee related metrics, contd.

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

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	0
The 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.

Social, contd.

Value chain workers, contd.

Policies and engagement related to value chain workers, contd.

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 suspect 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.

Social, contd.

Affected communities, contd.

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 and 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

	Iceland	Other Countries	Total	Iceland	Other Countries	Total
		2025			2024	
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)	-	35,078	35,078	-	20,238	20,238
Corsia Carbon Credits	-	3,597	3,597	-	1,098	1,098
Sustainable Aviation Fuel charges (SAF)	-	4,399	4,399	-	-	-
Landing fees	25,742	35,108	60,850	22,103	32,989	55,091
Other taxes	7,420	1,201	8,621	4,784	-	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	181,004
Collected taxes	196,903	144,171	341,074	168,115	128,331	296,445
Deferred payments on payroll taxes	4,342	-	4,342	3,896	-	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.

Social, contd.

Consumers and end users, contd.

Materiality, contd.

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.

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 material impacts on customers

At the start of the year, Icelandair reaffirmed its commitment to safeguarding the wellbeing 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.

Social, contd.

Consumers and end users, contd.

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 is also material for Icelandair's operations, the Company is updating the Corruption and Bribery Policy, the Supplier Code of Conduct, and forming dedicated training programs to mitigate risks and ensure compliance. 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.

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 People and Culture managing initial reports and engaging relevant parties as needed. Investigators operate independently of the management chain to ensure objectivity.

Non-Financial Reporting, contd.

Governance and business conduct, contd.

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 assessing its suppliers based on risk country and category and covers Tier 1 suppliers. Further information on actions related to suppliers is described under Workers in the value chain.

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 SMEs. As of 2025, there were no outstanding legal proceedings related to late payments.

ESG Accounting

Environmental Metrics

	Units	2025	2024
E1 GhG Emissions			
Total amount, in CO2 equivalents, for Scope 1	tCO2e	1,211,974	1,167,660
Total amount, in CO2 equivalents, for Scope 2	tCO2e	152	168
Total amount, in CO2 equivalents, for Scope 3	tCO2e	56	89
E2 Emissions Intensity			
Total GhG emission per output scaling factor	tCO2e per FTEs	344	327
	tCO2e per passenger	0.24	0.25
Total CO2 emissions per scaling factor	CO2 per OTK	0.7	0.73
E3 Energy Usage			
Total amount of energy directly consumed (fossil fuels)	MWh	4,632,215	4,479,737
Total amount of energy indirectly consumed (electricity and heat)	MWh	17,448	21,519
E4 Energy Intensity			
Total direct energy usage per output scaling factor	MWh per FTEs	1,319.00	1,259.00
	MWh per passenger	0.920	0.960
E5 Energy Mix			
Non renewable energy (fossil fuels are the primary energy source)	%	99.6%	99.5%
Renewable energy	%	0.4%	0.5%
E6 Water Usage			
Total amount of water consumed	m3	227,527	302,770
Total amount of water reclaimed	m3	-	-

Non-Financial Reporting, contd.

ESG Accounting, contd.

Environmental Metrics, contd.

E7 Environmental Operations	Units	2025	2024
Does your company follow a formal Environmental Policy	Yes/No	Yes	Yes
Does your company follow specific waste, water, energy, and/or recycling policies	Yes/No	Yes	Yes
Does your company use a recognized energy management system	Yes/No	Yes	Yes
E8 Climate Oversight / Board			
Does your Board of Directors oversee and/or manage climate-related risks	Yes/No	No	No
E9 Climate Oversight / Management			
Does your Senior Management Team oversee and/or manage climate-related risks	Yes/No	Yes	Yes
E10 Climate Risk Mitigation			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development	ISK	-	-

Social data metrics

S1 CEO Pay ratio			
CEO total compensation to median FTE total compensation	ratio	8	8
Does your company report this metric in regulatory filings	Yes/No	Yes	Yes
S2 Gender Pay Ratio			
Median male compensation to median female compensation	ratio	1:1,27	1:1,28
S3 Employee Turnover			
Year-over-year change for full-time employees	%	-	7%
S4 Gender Diversity			
Total enterprise headcount held by men and women	men/women (%)	55/45	53/47
Entry- and mid- level positions held by men and women	men/women (%)	-	-
Senior- and executive-level positions held by men and women	men/women (%)	59/41	60/40
S5 Temporary Worker Ratio			
Total enterprise headcount held by part-time employees	women/men%	-	-
Total enterprise headcount held by contractors and/or consultants	women/men%	-	-
S6 Non-Discrimination			
Does your company follow a sexual harassment and/or non-discrimination policy	Yes/No	Yes	Yes
S7 Injury Rate			
Frequency of injury events relative to total workforce time		-	-
S8 Global Health & Safety			
Does your company follow an occupational health and/or global health & safety policy	Yes/No	Yes	Yes

Non-Financial Reporting, contd.

ESG Accounting, contd.

Social data metrics, contd.

	Units	2025	2024
S9 Child & Forced Labour			
Does your company follow a child and/or forced labour policy	Yes/No	Part of CoC	Part of CoC
If yes, does your child and/or forced labor policy also cover suppliers and vendors	Yes/No	Part of SCoC	Part of SCoC
S10 Human Rights			
Does your company follow a human rights policy	Yes/No	Yes	Yes
If yes, does your human rights policy also cover suppliers and vendors	Yes/No	Yes	Yes

Governance Metrics

G1 Board Diversity			
Total board seats occupied by women (as compared to men)	%	40%	40%
Committee chairs occupied by women (as compared to men)	%	25%	0%
G2 Board Independence			
Does company prohibit CEO from serving as board chair	Yes/No	Yes	Yes
Total board seats occupied by independants	%	80%	80%
G3 Incentivized Pay			
Are executives formally incentivized to perform on sustainability	Yes/No	No	No
G4 Collective Bargaining			
Total enterprise headcount covered by collective bargaining agreements	%	99%	99%
G5 Supplier Code of Conduct			
Are your vendors or suppliers required to follow a Code of Conduct	Yes/No	Yes	Yes
G6 Ethics & Anti-Corruption			
Does your company follow an Ethics and/or Anti-Corruption policy	Yes/No	Yes	Yes
If yes, what percentage of your workforce has formally certified its compliance with the policy	%	100% of new employees	100% of new employees
G7 Data Privacy			
Does your company follow a Data Privacy policy	Yes/No	Yes	Yes
Has your company taken steps to comply with GDPR rules	Yes/No	Yes	Yes
G8 ESG Reporting			
Does your company publish a sustainability report	Yes/No	Yes	Yes
Is sustainability data included in your regulatory filings	Yes/No	Yes	Yes
G9 Disclosure Practices			
Does your company provide sustainability data to sustainability reporting frameworks ?	Yes/No	Yes	Yes
Does your company focus on specific UN Sustainable Development Goals (SDGs)	Yes/No	Yes	Yes
Does your company set targets and report progress on the UN SDGs	Yes/No	Yes	Yes
G10 External Assurance			
Are your sustainability disclosures assured or validated by a third party	Yes/No	No	No

Operational Risk

Overview

The Group considers the following to be its main operational risks as at year-end 2025:

- macroeconomic and competition risk
- regulatory risk
- technical risk
- reputational risk
- safety and security risk
- environmental and sustainability risk
- labor market risk

Macroeconomic and competition risk

Icelandair Group operates an international passenger airline and route network as well as ground handling, maintenance, cargo, and charter operations. The Company's business, and demand for its services are therefore highly susceptible to general macroeconomic conditions in all its markets. A slowing economy, whether globally or locally, might decrease consumer spending e.g., in the event of lower employment levels, higher interest and/or inflation rates, diminished access to credit, or exchange rates fluctuations. All this can adversely affect the Company's operations and financial standing. The Company cannot guarantee that its liquidity and access to acceptably priced financing will always be sufficient or unaffected by external macroeconomic trends or financial market volatility, whether global or domestic. This in turn might have subsequent implications for loan covenants, the Company's financing costs, fair value of assets and overall financial condition.

Uncertain economic and, as a result financial market conditions, can affect jet fuel prices, interest rates and currency exchange rates as was the case in 2025 with continued geopolitical unrest and relatively high inflation. Financial markets were particularly volatile as international trade was put in a tailspin following announced tariffs changes by the U.S. government in early April. This in turn greatly impacted the EUR/USD exchange rate with a sharp weakening in the USD against all major currencies as well as the ISK. The latter was exacerbated by certain structural imbalances resulting in a substantially lower USD/ISK exchange rate, vis-à-vis 2024, throughout the year. Icelandair, as indeed all export companies, is particularly vulnerable to a strong ISK as the Group's functional currency is the USD while salaries are payable in ISK.

Oil markets were no less volatile were we saw crude drop to a four-year low within the year.

Competition amongst airlines is high which heavily influences pricing decisions. In general, the airline industry is susceptible to fare discounting due to the low marginal costs of adding passengers to otherwise empty seats. New market entrants, especially low-cost carriers, mergers, acquisitions, consolidations, new partnerships, and transparency of pricing in the air travel market are examples of factors influencing competition. Unless the Group can offer a competitive product, it stands the risk of not meeting its revenue and profit targets. 2025 saw a slight correction in capacity to and from Keflavík airport, Icelandair's hub and home. Most noteworthy in that respect was the discontinuation of the operations of Play airlines in late September.

The Group monitors trends and demand in its key markets closely through regular surveys and discussions with trade partners. The Company further imposes strict cost control in all its operations to stay competitive while safeguarding its ability to offer attractive value propositions to its customers.

Safety and security risk

The loss or grounding of an aircraft, such as due to an accident, design defects or operational malfunction would cause significant losses for the Group and impact its reputation and customer confidence. Such incidents and wreckages can be the result of various factors ranging from human error or misconduct to adverse or extreme weather to deferred maintenance. Should this risk materialize, it would bring about both direct costs such as repair or replacement costs and passenger claims as well as indirect costs such as the potentially poorer perception of the safety of the Company's chosen fleet.

Demand for airline travel is moreover highly vulnerable to events outside the Company's control such as natural disasters, terrorist attacks, armed conflicts, and pandemics. Such events could individually or collectively cause disruptions to flight schedules that in extreme cases can lead to prolonged suspension of certain routes and closure of airports as well as the future operational environment and regulatory burden of airlines. Seismic activity was ongoing on the Reykjanes Peninsula in 2025 which saw two eruptions within the year. Neither Keflavík airport nor the Company's flight schedule was affected by the events and their effect on the Company's revenue generation is estimated to have been immaterial.

It is worth mentioning that the acute nature of such events, should they materialize, may limit the Company's ability to mitigate the associated risks. In this respect it is important to note that the airport itself is not situated on an active volcanic system. Disruptions would therefore likely be limited to or associated with temporary loss of electricity or water supplies.

Operational Risk, contd.

Safety and security risk, contd.

The Company has in previous crisis demonstrated a high level of flexibility and resilience that has allowed the Company to withstand short to medium-term demand shocks. The Company has in place, and regularly reviews, safety measures, emergency response protocols and working procedures that prioritize the safety and security of its passengers and staff, which is at the heart of the Company's operations.

Regulatory risk

Regulatory risk refers to the potential financial and operational impacts that changes in government regulations can have on the airline industry. This can include changes in safety regulations, environmental and sustainability regulations, and rules surrounding air traffic control, among others. Airlines must constantly monitor and adapt to these regulatory changes, which can be costly and time-consuming. Additionally, non-compliance with regulations can result in fines and penalties, further adding to the financial risks faced by the industry.

An evolving and growing issue for airlines is government regulations aimed at environmental protection such as taxation on jet fuel, mandates on implementing SAF et.al. to reach goals of reducing carbon emissions. Icelandair has received free EU ETS carbon allowances since the scheme began in 2012, though these have been gradually phased out and the phase-out accelerated in 2024. Under a special agreement between Iceland and the EU, flights to and from Keflavík qualify for a slower reduction in free allowances due to Iceland's geographic position. Even so, Icelandair received 7% fewer free allowances in 2025 than in 2024, and 2026 is expected to be the final year it receives any.

Moreover, the industry is subject to various local restrictions around airports such as to reduce noise and pollution. This can concern opening hours of airports, availability of slots and the usage of airspace. Congestion and environmental restrictions can for example lead to delays or increase the complexity of departure and approach maneuvers which may act to reduce productivity and increase costs.

The airline and tourism industries are subject to numerous fees and charges as well as an everchanging tax environment, which can have a direct effect on ticket pricing and demand. Examples of airline specific costs are take-off, transit and landing fees, noise, navigation, and emission charges in addition to value added tax. Unless mitigated through higher pricing these taxes act to increase operating costs.

Icelandair is a member of IATA and Airlines for Europe (A4E) that guard the interests of airlines and provide input on their behalf to local, national, and supra-national governmental bodies on policy frameworks regarding the above issues. Icelandair further endeavors to maintain good relations with airport operators and the Icelandic government with the same objective.

The Company's shares are traded on Nasdaq Iceland's Regulated Market. The Company is therefore subject to the Icelandic Securities Transactions Act and subsequent regulations as well as Nasdaq Iceland's Rules for Issuers. Violation of these provisions, whether intended or unintentional, could have adverse financial impact on the Company. Serious breaches may result in penalties and Nasdaq Iceland halting trading in the shares. Icelandair has a Compliance Officer and compliance processes in place to mitigate the risk of any breaches. The Company further maintains a good relationship with its oversight authority, the Financial Supervisory Authority – Iceland.

Environmental and sustainability risk

Climate change poses significant financial risks to the aviation industry. The effects include both physical risks such as flight delays or airport closures and related costs, as well as contractual, regulatory, and legal compliance risks. In the shorter-term, risks are more likely to be associated with disruptive events, such as extreme weather events like storms or extreme heat, which can lead to delays, cancellations, and infrastructure damage. In the longer-term, gradual but persistent impacts, such as temperature change or sea level rise, may lead to business and wider macro-economic effects such as changes in tourist demand and damage or loss of infrastructure.

Rising costs of carbon offsetting, such as through the EU, UK and Swiss Emissions Trading System, and the bid for sustainable growth requires the Company to address its environmental impact, both globally and locally. As part of this effort, the Company participates in the work of various environmental working groups, such as with IATA and Airlines for Europe (A4E). A4E's goal is to ensure the sustainable growth of aviation and contribute positively to the socioeconomic development of European nations. Among actions taken by Icelandair are setting new medium- and long-term targets to reduce CO2 emissions from flight operations and setting up action plans to achieve those targets. Action plans relate to sustainable aviation fuels, operational improvements, fleet renewal, new technology and carbon compensation. Icelandair Group participates in the CORSIA emission mitigation scheme. 2026 marks the first year of procurement of CORSIA credits which will be retired by year-end 2027 to compensate for emissions for the years 2024-2026.

Operational Risk, contd.

Environmental and sustainability risk, contd.

The ultimate costs borne by airlines in respect of environmental and sustainability factors will be determined by the chosen methods imposed by governments and/or supra-national bodies to combat climate change. These are likely to include a mix of economic, political, and social measures. The pace of the demand for transition to more sustainable energy sources and other mitigating measures will determine the magnitude of impacts to the business.

Technical risk

The Company's operations are dependent on IT and other systems. Failure or disruption to IT, financial or management systems, whether internal or external, could affect the Company's ability to carry out its daily operations and services to its customers. Many factors that can cause such systems to fail are outside the Company's control.

Icelandair Group makes every effort to minimize the risk of disruption with the aim of securing the Company's business continuity. Among measures that the Company has in place are documented procedures regarding access to information and other systems, the back-up and storing of data, remote access via virtual private network clients and the disposal of confidential or otherwise sensitive material. Virus protection for all computers and servers is centrally managed, internet connectivity is secured by firewalls and web security gateways, and all services open for external usage are secured by an application firewall. The Company offers regular seminars to its employees to guard against fraud and phishing e-mail attempts.

The Company collects and retains personal information received from customers and is therefore subject to the EU's General Data Protection Regulation (EU) 2016/679 ("GDPR") aimed at protecting personal data held by businesses and other organizations. These requirements include but are not limited to implementing certain policies and processes, developing an effective internal data protection management system, and appointing a data protection officer. If found non-compliant to the GDPR regulators can, determined by the level of the infringement, levy fines of up to 4% of a company's annual worldwide turnover. The Executive Committee considers the Company to be GDPR compliant.

Labor market risk

The airline and tourism industries are inherently labor-intensive industries. Most of the Company's employees are unionized; and represented by several unions, each of which has its own collective agreement on salaries and benefits with the Group's companies. Each union's contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach an immediate agreement, resulting in a jeopardy of production disruptions through strikes. In 2020 the Company signed new long-term wage agreements with its cabin crew, pilots and aircraft mechanics' which collectively make up the vast majority of the Company's employees. These agreements were up for renewal in the second half of 2025. Negotiations are underway but no new agreements had been reached at year-end 2025. The Company seeks to maintain good relations with its union representatives through active dialogue and regular meetings to foster a culture of mutual respect and understanding.

Reputational risk

The Group is subject to various risks that can lead to disruptions and interruptions to flight schedules. These include computer faults, accidents, labor unrest, weather conditions, delays by service providers, congestion, and unexpected maintenance. Additionally, increased focus on sustainability factors requires the Company to address its environmental and social impact, both globally and locally.

Serious or repeated interruptions to services, or a perception that the Company is not conducting itself in a socially or environmentally responsible manner, can result in a decline in demand for the Company's products and services thus hurting revenue generation. It further brings on the risk of tarnishing the Company's reputation and/or its individual brand names that might take a long time to repair.

Quarterly Statement

Unaudited summary of the Group's operating results by quarters:

Year 2025	Q1	Q2	Q3	Q4	Total
Operating income					
Passenger revenue	207,988	386,000	513,589	315,817	1,423,394
Ancillary revenue	6,039	7,047	8,514	8,132	29,732
Total Passanger revenue	214,027	393,047	522,103	323,949	1,453,126
Cargo revenue	21,053	19,124	18,201	21,352	79,730
Leasing revenue	28,595	30,252	22,120	30,285	111,252
Revenue from tourism	14,429	11,165	9,628	12,483	47,705
Sale at airport	1,406	945	1,509	1,626	5,486
Aircraft handling	1,644	2,601	3,915	2,377	10,537
Gain on sale of operating assets	14	93	370	9,632	10,109
Other operating revenue	5,283	5,471	7,414	4,773	22,941
Total other operating revenue	22,776	20,275	22,836	30,891	96,778
Total operating income	286,451	462,698	585,260	406,477	1,740,886
Operating expenses					
Salaries	71,497	95,721	93,665	96,814	357,697
Contributions to pension funds	12,202	15,862	15,799	15,944	59,807
Other salary-related expenses	8,507	12,563	5,264	11,561	37,895
Total salaries and salary related expenses	92,206	124,146	114,728	124,319	455,399
Aircraft fuel	55,209	84,076	104,306	68,487	312,078
Emissions Trading System (ETS)	4,114	5,611	12,006	13,347	35,078
Corsia Carbon Credits	254	460	554	2,329	3,597
Sustainable Aviation Fuel chargers (SAF)	638	1,263	1,437	1,061	4,399
Fuel hedges	1,850	4,094	321	(1,070)	5,195
Total aircraft fuel cost	62,065	95,503	118,624	84,155	360,347
Aircraft and engine lease	342	327	4,363	(118)	4,914
Aircraft handling, landing and navigation	30,604	52,235	60,975	40,456	184,270
Aircraft maintenance expenses	29,643	41,697	41,821	38,959	152,120
Total other aviation expenses	60,589	94,259	107,159	79,297	341,304
Travel and other employee expenses	18,392	22,050	23,327	19,987	83,756
Tourism expenses	10,667	8,642	7,791	8,730	35,830
IT expenses	8,151	9,207	11,525	10,551	39,434
Advertising	7,202	7,560	4,981	5,883	25,626
Booking fees and commission expenses	13,437	18,366	26,492	17,646	75,941
Customer services	20,948	25,045	32,950	25,824	104,767
Operating cost of real estate and fixtures	2,172	2,623	1,441	2,538	8,774
Allowance for bad debt	190	183	127	(222)	278
Other operating expenses	13,245	10,910	15,455	13,246	52,856
Total other operating expenses	94,404	104,586	124,089	104,183	427,262
Total operating expenses	309,264	418,494	464,600	391,954	1,584,312
Operating (loss) profit bef. depr. (EBITDA)	(22,813)	44,204	120,660	14,523	156,574

Quarterly Statement, contd.

Year 2025, contd.	Q1	Q2	Q3	Q4	Total
Depreciation of operating assets	23,284	25,348	27,146	25,277	101,055
Depreciation of right-of-use assets	15,914	17,689	18,847	19,006	71,456
Amortization of intangible assets	260	390	313	339	1,302
Depreciation and amortization	39,458	43,427	46,306	44,622	173,813
Operating (loss) profit (EBIT)	(62,271)	777	74,354	(30,099)	(17,239)
Interest income on cash and cash equivalents and marketable securities	6,111	7,277	6,917	7,405	27,710
Interest income on lease receivables	453	478	444	411	1,786
Other interest income	646	1,188	548	2,876	5,258
Net currency exchange (loss) gain	5,158	7,699	589	(6,527)	6,919
Finance income total	12,368	16,642	8,498	4,165	41,673
Interest expenses on loans and borrowings	(3,015)	(2,684)	(2,686)	(2,368)	(10,753)
Interest on lease liabilities	(6,386)	(7,773)	(8,138)	(7,946)	(30,243)
Other interest expenses	(273)	0	(243)	(6,887)	(7,403)
Finance costs total	(9,674)	(11,467)	(11,067)	(17,201)	(48,399)
Net finance cost	2,694	5,175	(2,569)	(13,036)	(6,726)
Share of profit of associates	310	1,049	300	1,946	3,605
(Loss) profit before tax (EBT)	(59,267)	7,001	72,085	(41,189)	(20,360)
Income tax	15,182	5,922	(14,803)	4,532	10,833
(Loss) profit for the period	(44,085)	12,923	57,282	(36,657)	(9,527)
Other comprehensive income (loss)	16,105	28,646	(2,340)	(17,377)	25,034
Total comprehensive (loss) income	(27,980)	41,569	54,942	(54,034)	15,507
Net cash from (used in) operating activities	204,714	118,021	(26,155)	8,432	305,012
Net cash (used in) from investing activities	(27,866)	(74,576)	(26,343)	(49,016)	(177,801)
Net cash used in financing activities	(25,822)	(29,536)	(28,629)	(21,716)	(105,703)

Quarterly Statement, contd.

Unaudited summary of the Group's operating results by quarters:

Year 2024	Q1	Q2	Q3	Q4	Total
Operating income					
Passenger revenue	183,960	330,178	466,431	318,394	1,298,963
Ancillary revenue	14,902	23,005	30,027	(41,814)	26,120
Total Passanger revenue	198,862	353,183	496,458	276,580	1,325,083
Cargo revenue	20,696	16,885	16,944	22,211	76,736
Leasing revenue	19,328	20,654	23,188	30,561	93,731
Revenue from tourism	12,047	10,376	6,287	11,452	40,162
Sale at airport	1,359	1,218	1,149	1,183	4,909
Aircraft handling	1,201	2,483	3,256	1,870	8,810
Gain on sale of operating assets	31	42	1,106	119	1,298
Other operating revenue	5,437	4,542	5,094	4,805	19,878
Total Other operating revenue	20,075	18,661	16,892	19,429	75,057
Total other operating income	258,961	409,383	553,482	348,781	1,570,607
Operating expenses					
Salaries	72,333	83,129	84,455	81,435	321,352
Contributions to pension funds	11,964	13,466	13,392	12,465	51,287
Other salary-related expenses	10,195	10,373	3,822	9,001	33,391
Total salaries and salary related expenses	94,492	106,968	101,669	102,901	406,030
Aircraft fuel	62,156	89,926	113,076	65,253	330,411
Emissions Trading System (ETS)	3,087	5,602	7,590	3,959	20,238
Corsia Carbon Credits	0	0	0	1,098	1,098
Fuel hedges	(1,155)	1,003	4,364	4,241	8,453
Total Aircraft fuel cost	64,088	96,531	125,030	74,551	360,200
Aircraft and engine lease	1,122	529	2,886	(45)	4,492
Aircraft handling, landing and navigation	29,077	42,181	56,773	37,371	165,402
Aircraft maintenance expenses	24,373	31,136	35,370	31,367	122,246
Total Other aviation expenses	54,572	73,846	95,029	68,693	292,140
Travel and other employee expenses	15,622	19,689	19,771	16,580	71,662
Tourism expenses	9,331	7,990	4,310	9,094	30,725
IT expenses	8,926	7,942	9,871	9,222	35,961
Advertising	7,739	5,710	4,761	5,893	24,103
Booking fees and commission expenses	11,985	17,018	25,513	14,332	68,848
Customer services	15,071	21,401	28,323	24,433	89,228
Operating cost of real estate and fixtures	2,701	2,314	1,965	2,564	9,544
Allowance for bad debt	514	33	615	254	1,416
Other Operating expenses	9,251	9,371	10,552	11,720	40,894
Total Other Operating expenses	81,140	91,468	105,681	94,092	372,381
Total operating expenses	294,292	368,813	427,409	340,237	1,430,751
Operating (loss) profit bef. depr. (EBITDA)	(35,331)	40,570	126,073	8,544	139,856

Quarterly Statement, contd.

Year 2024, contd.	Q1	Q2	Q3	Q4	Total
Depreciation of operating assets	20,547	23,632	27,829	24,503	96,511
Depreciation of right-of-use assets	12,875	13,506	14,630	15,959	56,970
Amortization of intangible assets	139	123	137	187	586
Depreciation and amortization	33,561	37,261	42,596	40,649	154,067
Operating (loss) profit (EBIT)	(68,892)	3,309	83,477	(32,105)	(14,211)
Interest income on cash and cash equivalents and marketable securities	6,247	6,884	5,779	4,937	23,847
Interest income on lease receivables	338	818	616	581	2,353
Other interest income	1,462	1,266	1,481	1,092	5,301
Finance income total	8,047	8,968	7,876	6,610	31,501
Interest expenses on loans and borrowings	(4,124)	(4,008)	(3,850)	(3,502)	(15,484)
Interest on lease liabilities	(4,752)	(5,980)	(5,724)	(5,979)	(22,435)
Other interest expenses	(1,396)	(631)	(347)	(768)	(3,142)
Net currency exchange (loss) gain	(1,081)	(488)	268	(408)	(1,709)
Finance costs total	(11,353)	(11,107)	(9,653)	(10,657)	(42,770)
Net finance cost	(3,306)	(2,139)	(1,777)	(4,047)	(11,269)
Share of loss of associates	(457)	(646)	1,370	406	673
(Loss) profit before tax (EBT)	(72,655)	524	83,070	(35,746)	(24,807)
Income tax	13,238	98	(13,869)	5,171	4,638
(Loss) profit for the period	(59,417)	622	69,201	(30,575)	(20,169)
Other comprehensive income (loss)	4,220	(1,480)	(5,025)	2,294	9
Total comprehensive (loss) income	(55,197)	(858)	64,176	(28,281)	(20,160)
Net cash from (used in) operating activities	147,102	110,243	(48,008)	11,820	221,157
Net cash (used in) from investing activities	(10,537)	(102,284)	(48,456)	(3,520)	(164,797)
Net cash used in financing activities	(26,502)	(26,100)	(24,715)	(28,073)	(105,390)

Quarterly Statement, contd.

Unaudited summary of the Group's operating results by quarters:

Q4 2025 vs. Q4 2024	2025 Q4	2024 Q4	2025 YTD	2024 YTD
Operating income				
Passenger revenue	315,817	255,219	1,423,394	1,298,963
Ancillary revenue	8,132	21,361	29,732	26,120
Total Passanger revenue	323,949	276,580	1,453,126	1,325,083
Cargo revenue	21,352	22,211	79,730	76,736
Leasing revenue	30,285	30,561	111,252	93,731
Revenue from tourism	12,483	11,452	47,705	40,162
Sale at airport	1,626	1,183	5,486	4,909
Aircraft handling	2,377	1,870	10,537	8,810
Gain on sale of operating assets	9,632	119	10,109	1,298
Other operating revenue	4,773	4,805	22,941	19,878
Total Other operating revenue	30,891	19,429	96,778	75,057
Total other operating income	406,477	348,781	1,740,886	1,570,607
Operating expenses				
Salaries	96,814	81,435	357,697	321,352
Contributions to pension funds	15,944	12,465	59,807	51,287
Other salary-related expenses	11,561	9,001	37,895	33,391
Total salaries and salary related expenses	124,319	102,901	455,399	406,030
Aircraft fuel	68,487	65,253	312,078	330,411
Emissions Trading System (ETS)	13,347	3,959	35,078	20,238
Corsia Carbon Credits	2,329	1,098	3,597	1,098
Sustainable Aviation Fuel charges (SAF)	1,061	0	4,399	0
Fuel hedges	(1,070)	4,241	5,195	8,453
Total Aircraft fuel cost	84,155	74,551	360,347	360,200
Aircraft and engine lease	(118)	(45)	4,914	4,492
Aircraft handling, landing and navigation	40,456	37,371	184,270	165,402
Aircraft maintenance expenses	38,959	31,367	152,120	122,246
Total Other aviation expenses	79,297	68,693	341,304	292,140
Travel and other employee expenses	19,987	16,580	83,756	71,662
Tourism expenses	8,730	9,094	35,830	30,725
IT expenses	10,551	9,222	39,434	35,961
Advertising	5,883	5,893	25,626	24,103
Booking fees and commission expenses	17,646	14,332	75,941	68,848
Customer services	25,824	24,433	104,767	89,228
Operating cost of real estate and fixtures	2,538	2,564	8,774	9,544
Allowance for bad debt	(222)	254	278	1,416
Other Operating expenses	13,246	11,720	52,856	40,894
Total Other Operating expenses	104,183	94,092	427,262	372,381
Total operating expenses	391,954	340,237	1,584,312	1,430,751
Operating profit (loss) bef. depr. (EBITDA)	14,523	8,544	156,574	139,856

Quarterly Statement, contd.

Q4 2025 vs. Q4 2024, contd.	2025 Q4	2024 Q4	2025 YTD	2024 YTD
Depreciation of operating assets	25,277	24,503	101,055	96,511
Depreciation of right-of-use assets	19,006	15,959	71,456	56,970
Amortization of intangible assets	339	187	1,302	586
Depreciation and amortization	44,622	40,649	173,813	154,067
Operating (loss) profit (EBIT)	(30,099)	(32,105)	(17,239)	(14,211)
Interest income on cash and cash equivalents and marketable securities	7,405	4,937	27,710	23,847
Interest income on lease receivables	411	581	1,786	2,353
Other interest income	2,876	1,092	5,258	5,301
Net currency exchange gain	(6,527)	0	6,919	0
Finance income total	4,165	6,610	41,673	31,501
Interest expenses on loans and borrowings	(2,368)	(3,502)	(10,753)	(15,484)
Interest on lease liabilities	(7,946)	(5,979)	(30,243)	(22,435)
Other interest expenses	(6,887)	(768)	(7,403)	(3,142)
Net currency exchange (loss) gain	0	(408)	0	(1,709)
Finance costs total	(17,201)	(10,657)	(48,399)	(42,770)
Net finance cost	(13,036)	(4,047)	(6,726)	(11,269)
Share of loss of associates	1,946	406	3,605	673
(Loss) profit before tax (EBT)	(41,189)	(35,746)	(20,360)	(24,807)
Income tax	4,532	5,171	10,833	4,638
(Loss) profit for the period	(36,657)	(30,575)	(9,527)	(20,169)
Other comprehensive income (loss)	(17,377)	2,294	25,034	9
Total comprehensive (loss) income	(54,034)	(28,281)	15,507	(20,160)
Net cash from (used in) operating activities	8,432	11,820	305,012	221,157
Net cash from (used in) investing activities	(49,016)	(3,520)	(177,801)	(164,797)
Net cash used in financing activities	(21,716)	(28,073)	(105,703)	(105,390)

Alternative performance measures (APMs)

Traffic	2025 Q4	2024 Q4	2025 YTD	2024 YTD
Available seat-kilometers ASK (m.)	4,173	3,730	18,520	17,159
Yield (USD cents)	8.78	8.43	9.01	8.94
Passenger load factor	84.3%	83.5%	83.5%	82.7%
TRASK (US cents)	7.41	7.03	7.53	7.40
RASK (US cents)	8.05	7.67	8.06	7.92
CASK (US cents)	9.02	8.81	8.33	8.18
CASK less fuel (US cents)	7.13	6.97	6.49	6.20
Revenue Passenger kilometers (RPK m.)	3,516	3,112	15,470	14,186
Passengers total ('000)	1,155	1,021	5,061	4,666
On-Time-Performance (OTP)	83.3%	76.0%	83.9%	82.7%
Passenger flights	4,390	3,964	19,455	18,331
Stage length (KM)	3,023	3,024	3,035	2,999
Sold Block Hours - Leasing	7,250	6,604	27,515	21,236
Freight ton kilometers (FTK'000)	37,629	41,766	138,298	140,665
Total CO2 emissions tons ('000)	273	256	1,210	1,166
CO2 emissions per OTK	0.68	0.70	0.70	0.73
Passenger mix ('000)				
To	371	331	1,737	1,518
From	230	187	896	773
Via	488	440	2,168	2,114
Within	65	63	260	261

Capital structure	2025 31.12	2024 31.12
Total cash and marketable securities (USD '000)	365,835	254,797
Liquidity (USD '000)	457,835	346,797
Net interest-bearing debt (USD '000)	(188,470)	(49,042)
Net lease liabilites (USD '000)	516,496	431,932
Net financial liabilities (USD '000)	328,026	382,890
Current ratio	0.69	0.63
Equity ratio	0.15	0.16
Intrinsic value of share capital	0.92	0.87

Other	2025 YTD	2024 YTD
Effective fuel price (USD pr. Metric ton)	821	911
CAPEX, gross (USD '000)	127,801	122,289
CAPEX, net (USD '000)	112,130	117,730
Average FTE	3,520	3,575
Average rate ISK	0.0078	0.007
Average rate EUR	1.1275	1.082
Period-end spot rate ISK	0.0080	0.007
Period-end spot rate EUR	1.1755	1.042

Alternative performance measures (APMs), contd.

Traffic

Available seat-kilometers (ASK)	The total number of seats available on scheduled flights multiplied by the number of kilometers these seats were flown.
Yield	The average amount of total passenger revenue received per paying passenger flown one kilometer. Total Yield is calculated as total passenger revenue/RPK. Total passenger revenue used for this calculation includes airfare, excess baggage, cabin upgrade and seat selection revenue.
Passenger load factor	Calculated by dividing RPK by ASK.
TRASK	Total uplift revenue including excess baggage, class up, and chargeable seating on a given flight divided by the ASK on that same flight
RASK	Total revenues on a given flight divided by the ASK on that same flight.
CASK	Total operating and depreciation cost per available seat kilometer is calculated by dividing total operating and depreciation cost on a given flight by available seat kilometers (ASK) on that flight.
CASK less fuel	Total operating and depreciation cost per available seat kilometer less fuel is calculated by deducting cost of fuel, fuel hedges, carbon emissions trading expenses and de-icing from total operating and depreciation cost and divide by total available seat kilometers (ASK).
Revenue Passenger Kilometer (RPK)	The number of revenue passengers carried on scheduled flights multiplied by the number of kilometers flown.
Passengers total	Each passenger is counted by the number of flight coupons his journey requires. A passenger flying KEF-CPH is counted as one passenger, a passenger flying NYC-KEF-CPH is counted as two passengers.
On-Time-Performance (OTP)	A measure of flights arriving within 15 minutes of scheduled arrival time. OTP is calculated by dividing the number of arrivals that arrive within 15 minutes of scheduled arrival time with the total number of arrivals.
Passenger flights	Flight flown by an airline for the purpose of carrying passengers, belly freight and mail according to a published timetable for which it receives commercial remuneration.
Stage length (KM)	The distance flown from takeoff to landing in a single leg.
Sold Block Hours - Leasing	Sold Block Hours in the leasing operation. Block Hours is the time computed from the moment the blocks are removed from the wheels of the aircraft until they are replaced at the next point of landing.
Freight ton kilometers (FTK)	The number of tons of freight carried, obtained by counting each ton of freight on a particular flight (with one flight number).
Total CO2 emissions tons	Carbon emission from all flights, measured in tons.
CO2 emissions per OTK	CO2 emitted by moving one payload tonne one kilometer for all international flights.

Passenger mix:

To	Passenger visiting Iceland
From	Passengers originating in Iceland visiting destinations outside of Iceland
VIA	Passengers traveling across the Atlantic connecting in Iceland
Within	Passengers traveling solely within Iceland

Alternative performance measures (APMs), contd.

Capital sturcture

Total cash and marketable securities	Cash and cash equivalents (including cash from assets held for sale) and marketable securities.
Liquidity	Total cash and cash equivalents (including cash from assets held for sale), marketable securities and undrawn revolving facilities.
Net interest-bearing debt	Loans and borrowings, net of total cash and marketable securities.
Net lease liabilities	Lease liabilities (including assets held for sale, net of lease receivables).
Current ratio	Indicates how many times over current assets can cover current liabilities and is calculated by dividing current assets with current liabilities.
Equity ratio	Indicates the ratio of how leveraged the Company is and is calculated by dividing total equity with total assets.
Intrinsic value of share capital	Indicates the book value of each share and is calculated by dividing total equity with share capital.

Other

Effective fuel price	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. ton).
CAPEX, gross	Capital expenditure of operating assets, intangible assets and deferred cost.
CAPEX, net	Capital expenditure of operating assets, intangible assets and deferred cost less proceeds from sale of operating assets.
Average FTE	Average full time employee equivalent.
Average rate	Average currency rate in the period.
Period-end spot rate	Currency rate at closing date.

