



Condensed

Consolidated Interim

Financial Statements



2 1 April—30 June 2025

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 30 June 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". All amounts are stated in thousands of USD.

According to the Consolidated Statement of Comprehensive Income, the loss for the period from 1 January to 30 June 2025 amounted to USD 31 million. Total comprehensive profit for the period was USD 14 million. Equity as of 30 June 2025 amounted to USD 283 million, according to the Consolidated Statement of Financial Position, and share capital amounted to USD 311 million. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. The Condensed Consolidated Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

The second quarter resulted in improved profitability, with net profit stronger than last year. The continued focus on efficiency and resilient route network was reflected in outstanding on-time performance, placing us as the most punctual airline among larger European airlines in April and June, which is a testament to our team's commitment to reliable service. However, the operating results, EBIT, were negatively impacted by softer travel demand in the via market due to geopolitical uncertainty and by the strengthening of the Icelandic Krona. The cargo operation continued to show improvement, and the leasing business maintained a robust 18% EBIT margin.

Icelandair carried 1.4 million, up from 1.2 million last year. During the quarter, 35% of passengers traveled to Iceland, 17% from Iceland, 44% were connecting passengers, and 4% traveled within Iceland. Nearly 20% of the connecting passengers took advantage of Icelandair's stopover offer, thereby positively contributing to tourism in Iceland. The passenger growth was notable in the markets to and from Iceland, which saw a 22% rise in passenger numbers, aligning with the focus on these markets.

Icelandair's transformation journey, launched last year, is progressing well. The program focuses on driving efficiencies, reducing costs and unlocking new revenue opportunities. To date over 400 initiatives are scheduled for implementation, with 170 successfully implemented by the end of Q2 2025. These efforts are expected to have an estimated annualized financial impact of USD 95 million upon full implementation.

Icelandair employed an average of 3,720 full-time employees in Q2, remaining similar year-on-year.

Equity amounted to USD 283 million, with an equity ratio of 14% at the end of the quarter. The total liquidity position is strong, with cash and marketable securities amounting to USD 572 million, of which USD 92 million is in the form of committed undrawn revolving facilities.

Bookings in the third quarter are ahead of last year and profitability is expected to improve year on year in that quarter. Longer-term bookings into the fall and winter are slower and the fourth quarter is currently forecasted to be at a similar level to last year. The EBIT margin for the full year is expected to be near breakeven.

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

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

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the six month period ended 30 June 2025, its assets, liabilities and consolidated financial position as at 30 June 2025 and its consolidated cash flows for the period then ended.

Further, in our opinion, the Condensed Consolidated Interim 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 describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period 1 January to 30 June 2025 and confirm them by means of their signatures.

Reykjavík, 17 July 2025

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason

Consolidated Income Statement and other Comprehensive Income for the period from 1 January to 30 June 2025

	Notes	2025 Q2	2024 Q2	2025 YTD	2024 YTD
Operating income					
Passenger revenue	7	393,047	353,183	607,074	552,045
Cargo revenue		19,124	16,885	40,177	37,581
Leasing revenue		30,252	20,654	58,847	39,982
Other operating revenue	7	20,274	18,661	43,050	38,736
		462,697	409,383	749,148	668,344
Operating expenses					
Salaries and salary-related expenses		124,146	106,968	216,352	201,460
Aircraft fuel		95,504	96,531	157,569	160,619
Other aviation expenses		94,259	73,846	154,848	128,418
Other operating expenses		104,586	91,468	198,990	172,608
	8	418,495	368,813	727,759	663,105
Operating profit before depreciation and amortization (EBITDA)					
		44,202	40,570	21,389	5,239
Depreciation and amortization	9	(43,427)	(37,261)	(82,885)	(70,822)
Operating profit (loss) (EBIT)		775	3,309	(61,496)	(65,583)
Finance income		16,642	8,968	29,010	17,015
Finance cost		(11,467)	(11,107)	(21,141)	(22,460)
Net finance income (cost)	10	5,175	(2,139)	7,869	(5,445)
Share of profit (loss) of associates		1,049	(646)	1,359	(1,103)
Profit (loss) before tax (EBT)		6,999	524	(52,268)	(72,131)
Income tax		5,922	98	21,104	13,336
Profit (loss) for the period		12,921	622	(31,164)	(58,795)
Other comprehensive (loss) income					
Currency translation differences		16,949	(73)	24,410	(2,959)
Net profit (loss) on hedge of investment, net of tax		5,181	31	7,483	(1,093)
Cash flow hedges - effective portion of changes in fair value, net of tax		5,049	(1,035)	11,831	5,630
Cash flow hedges - reclassified to profit or loss		1,467	(403)	1,027	1,162
Other comprehensive income (loss) for the period		28,646	(1,480)	44,751	2,740
Total comprehensive profit (loss) for the period		41,567	(858)	13,587	(56,055)
Profit (loss) attributable to:					
Owners of the Company		13,060	531	(31,083)	(59,037)
Non-controlling interest		(139)	91	(81)	242
Profit (loss) profit for the period		12,921	622	(31,164)	(58,795)
Total comprehensive profit (loss) attributable to:					
Owners of the Company		41,706	(949)	13,668	(56,297)
Non-controlling interest		(139)	91	(81)	242
Total comprehensive profit (loss) for the period		41,567	(858)	13,587	(56,055)
Earnings per share					
Basic and diluted earnings per share in US cent		0.03	0.00	(0.08)	(0.14)
Diluted earnings per share in US cent per share		0.03	0.00	(0.07)	(0.14)

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 30 June 2025

	Notes	30.06.2025	31.12.2024
Assets			
Operating assets		557,818	559,890
Right-of-use assets		509,995	406,035
Intangible assets and goodwill		57,848	56,385
Investments in associates		36,722	31,741
Receivables and deposits		81,487	76,494
Deferred tax assets		80,565	63,794
Non-current assets		<u>1,324,435</u>	<u>1,194,339</u>
Inventories		26,549	24,488
Derivatives used for hedging		17,244	4,416
Trade and other receivables		208,713	159,830
Marketable securities		163,043	104,562
Cash and cash equivalents		317,172	150,235
Current assets		<u>732,721</u>	<u>443,531</u>
Total assets		<u>2,057,156</u>	<u>1,637,870</u>
Equity			
Share capital		310,973	310,973
Reserves		99,424	37,206
Accumulated deficit		(128,708)	(80,780)
Equity attributable to equity holders of the Company		<u>281,689</u>	<u>267,399</u>
Non-controlling interest		1,587	1,668
Total equity		<u>283,276</u>	<u>269,067</u>
Liabilities			
Loans and borrowings	11	147,270	164,708
Lease liabilities	12	493,346	398,802
Provisions and other liabilities		124,940	99,548
Non-current liabilities		<u>765,556</u>	<u>663,058</u>
Loans and borrowings	11	42,739	41,046
Lease liabilities	12	73,639	66,302
Derivatives used for hedging		3,454	5,615
Trade and other payables		355,325	241,207
Deferred income	13	533,167	351,575
Current liabilities		<u>1,008,324</u>	<u>705,745</u>
Total liabilities		<u>1,773,880</u>	<u>1,368,803</u>
Total equity and liabilities		<u>2,057,156</u>	<u>1,637,870</u>

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 30 June 2025

	Attributable to equity holders of the Company							
	Reserves							
	Share capital	Hedging	Translation reserve	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
1 January to 30 June 2024								
Equity 1 January 2024	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347
(Loss) profit for the period					(59,037)	(59,037)	242	(58,795)
Currency translation differences			(2,959)			(2,959)	0	(2,959)
Net profit on hedge of investment, net of tax			(1,093)			(1,093)		(1,093)
Effective portion of changes in fair value of cash flow hedges, net of tax		5,630				5,630		5,630
Cash flow hedges, reclassified to profit or loss		1,162				1,162		1,162
Stock options					420	420		420
Effects of profit or loss and of subsidiaries and associates				7,657	(7,657)	0		0
Equity 30 June 2024	310,973	2,137	(5,656)	34,028	(110,289)	231,193	1,519	232,712
1 January to 30 June 2025								
Equity 1 January 2025	310,973	(1,582)	(4,668)	43,456	(80,780)	267,399	1,668	269,067
Loss for the period					(31,083)	(31,083)	(81)	(31,164)
Currency translation differences			24,410			24,410		24,410
Net loss on hedge of investment, net of tax			7,483			7,483		7,483
Effective portion of changes in fair value of cash flow hedges, net of tax		11,831				11,831		11,831
Cash flow hedges, reclassified to profit or loss		1,027				1,027		1,027
Stock options					622	622		622
Effects of profit or loss of subsidiaries and associates				17,467	(17,467)	0		0
Equity 30 June 2025	310,973	11,276	27,225	60,923	(128,708)	281,689	1,587	283,276

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the six months ended 30 June 2025

	Notes	2025 Q2	2024 Q2	2025 YTD	2024 YTD
Cash flows to operating activities					
Profit (loss) for the period		12,921	622	(31,164)	(58,795)
Adjustments for:					
Depreciation and amortization	9	43,427	37,261	82,885	70,822
Expensed deferred cost		17,042	12,923	29,108	23,132
Net finance cost	10	(5,175)	2,139	(7,869)	5,445
Gain on sale of operating assets		(93)	(42)	(107)	(73)
Share of (profit) loss of associates		(1,049)	646	(1,359)	1,103
Income tax		(5,922)	(98)	(21,104)	(13,336)
		61,151	53,451	50,390	28,298
Changes in:					
Inventories		(71)	820	(990)	306
Trade and other receivables		31,584	6,165	(15,707)	(38,279)
Trade and other payables		52,976	42,226	116,630	69,060
Deferred income		(23,413)	7,484	181,453	202,810
		61,076	56,695	281,386	233,897
Interest received		6,844	10,176	10,977	14,160
Interest paid		(11,050)	(10,079)	(20,018)	(19,010)
Net cash from operating activities		118,021	110,243	322,735	257,345
Cash flows to investing activities					
Acquisition of operating assets		(18,993)	(30,881)	(34,898)	(59,792)
Proceeds from sale of operating assets		1,780	55	1,813	101
Deferred cost, change		(1,162)	(1,229)	(2,992)	(3,870)
Acquisition of intangible assets		(730)	(148)	(2,109)	(670)
Investment in associates		230	212	985	212
Non-current receivables, change		(8,280)	1,727	(6,760)	2,202
Marketable securities, change		(47,421)	(72,020)	(58,481)	(51,004)
Net cash used in investing activities		(74,576)	(102,284)	(102,442)	(112,821)
Cash flows to financing activities					
Repayment of loans and borrowings		(11,725)	(11,307)	(21,104)	(24,362)
Repayment of lease liabilities		(17,811)	(14,793)	(34,254)	(28,240)
Net cash used in financing activities		(29,536)	(26,100)	(55,358)	(52,602)
Change in cash and cash equivalents		13,909	(18,141)	164,935	91,922
Effect of exchange rate fluctuations on cash held		1,366	(3)	2,002	(275)
Cash and cash equivalents at beginning of the period		301,897	309,305	150,235	199,514
Cash and cash equivalents at period end		317,172	291,161	317,172	291,161
Marketable securities		163,043	122,013	163,043	122,013
Cash, cash equivalents and marketable securities at period end ..		480,215	413,174	480,215	413,174

Investment and financing without cash flow effect, see note 17.

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

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 Flugvelli in Hafnarfjörður, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 June 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.

The Group's audited Consolidated Financial Statements as at and for the year ended 31 December 2024 are available at its website address, www.icelandairgroup.com and at the Nasdaq Main Market Iceland website address, www.nasdaqomxnordic.com.

2. Basis of accounting

a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2025 have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated Financial Statements as at and for the year ended 31 December 2024.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 17 July 2025.

b. Basis of measurement

The Condensed Consolidated Interim 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.

c. Going concern

The Condensed Consolidated Interim Financial Statements are prepared on a going concern basis.

3. Functional and presentation currency

The Company's functional currency is U.S. dollars (USD). These Condensed Consolidated Interim Financial Statements are presented in 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 Condensed Consolidated Interim 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimations of uncertainty were the same as those that applied to the audited Consolidated Financial Statements as at and for the year ended 31 December 2024.

5. Changes in accounting policies

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2024. 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 new or amended standards in preparing these Condensed Consolidated Interim Financial Statements and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, contd.

6. Operating segments

Segment information is presented in the Condensed Consolidated Interim 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.

Route network

The Route Network business unit is the main reporting segment, providing passenger air travel to, from, via, and within Iceland through the entities Icelandair ehf. and Flugfélag Íslands ehf. The segment also consists of the parent company, Icelandair Group hf., which serves as the holding company, as well as other entities such as Iceignir ehf., a real estate entity; IceCap, a captive insurance entity; CAE Icelandair Flight Training ehf., which operates flight simulators; and FERIA ehf., a travel agency. These entities function as platform services that primarily support the Group's operations within this segment and are therefore classified accordingly.

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 one 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.

Reporting segments for the six months ended 30 June 2025

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	649,043	41,040	59,065	0	749,148
Inter-segment revenue	31,776	1,089	185	(33,050)	0
Total segment revenue	680,819	42,129	59,250	(33,050)	749,148
External operating cost	(683,304)	(21,459)	(22,996)	0	(727,759)
Internal operating cost	(1,274)	(15,750)	(16,026)	33,050	0
Total operating cost	(684,578)	(37,209)	(39,022)	33,050	(727,759)
Depreciation and amortization	(71,874)	(1,999)	(9,012)	0	(82,885)
Segment EBIT	(75,633)	2,921	11,216	0	(61,496)
Net finance cost	8,411	(1,159)	617	0	7,869
Share of loss of associates	1,359	0	0	0	1,359
Income tax	23,812	(352)	(2,356)	0	21,104
(Loss) profit	(42,051)	1,410	9,477	0	(31,164)
Segment assets	1,943,879	85,357	103,008	(75,088)	2,057,156
Capital expenditures	28,486	0	13,120	(1,607)	39,999
Segment liabilities	1,724,213	66,854	57,901	(75,088)	1,773,880

6. Operating segments, contd.

Notes, contd.

Reporting segments for the six months ended 30 June 2024

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	588,845	38,070	41,429	0	668,344
Inter-segment revenue	31,399	1,820	651	(33,870)	0
Total segment revenue	620,244	39,890	42,080	(33,870)	668,344
External operating cost	(627,782)	(21,801)	(13,522)	0	(663,105)
Internal operating cost	(1,866)	(16,268)	(15,736)	33,870	0
Total operating cost	(629,648)	(38,069)	(29,258)	33,870	(663,105)
Depreciation and amortization	(61,914)	(2,502)	(6,406)	0	(70,822)
Segment EBIT	(71,318)	(681)	6,416	0	(65,583)
Net finance cost	(4,713)	(1,123)	391	0	(5,445)
Share of loss of associates	(1,103)	0	0	0	(1,103)
Income tax	14,336	361	(1,361)	0	13,336
(Loss) profit	(62,798)	(1,443)	5,446	0	(58,795)
Segment assets	1,706,038	88,371	100,790	(95,576)	1,799,623
Capital expenditures	53,817	1,898	12,978	(4,361)	64,332
Segment liabilities	1,517,958	71,392	73,137	(95,576)	1,566,911

Geographic information

The geographic 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 six months ended 30 June 2025

	North America	Europe	Iceland	Other	Total
Passenger revenue	340,497	137,793	116,815	11,969	607,074
Cargo revenue	21,474	2,437	15,066	1,200	40,177
Leasing revenue	18,243	2,354	2,942	35,308	58,847
Other operating revenue	1,555	1,693	39,422	380	43,050
Total revenue	381,769	144,277	174,245	48,857	749,148
Total revenue %	51%	19%	23%	7%	100%

Geographic segments for the six months ended 30 June 2024

Passenger revenue	313,953	125,300	101,902	10,889	552,045
Cargo revenue	3,104	13,232	19,343	1,903	37,581
Leasing revenue	17,434	0	1,585	20,963	39,982
Other operating revenue	1,399	1,523	35,472	342	38,736
Total revenue	335,890	140,055	158,302	34,097	668,344
Total revenue %	50%	21%	24%	5%	100%

Notes, contd.

7. Operating income

	2025 Q2	2024 Q2	2025 YTD	2024 YTD
Passenger revenue is specified as follows:				
Passenger revenue	386,000	346,591	593,988	540,800
Ancillary revenue	7,047	6,592	13,086	11,245
Total passenger revenue	393,047	353,183	607,074	552,045
Other operating revenue is specified as follows:				
Revenue from tourism	11,165	10,376	25,594	22,423
Sale at airports	945	1,218	2,351	2,577
Aircraft handling	2,601	2,483	4,245	3,684
Gain on sale of operating assets	93	42	107	73
Other operating revenue	5,470	4,542	10,753	9,979
Total other operating revenue	20,274	18,661	43,050	38,736

8. Operating expenses

Salaries and salary-related expenses are specified as follows:

Salaries	95,721	83,129	167,218	155,462
Contributions to pension funds	15,862	13,466	28,064	25,430
Other salary-related expenses	12,563	10,373	21,070	20,568
Total salaries and salary-related expenses	124,146	106,968	216,352	201,460
Average number of full time equivalents	3,720	3,708	3,447	3,573

Aircraft fuel is specified as follows:

Aircraft fuel	84,076	89,926	139,285	152,082
Emission charges	7,334	5,602	12,340	8,689
Fuel hedges	4,094	1,003	5,944	(152)
Total aircraft fuel cost	95,504	96,531	157,569	160,619

Other aviation expenses are specified as follows:

Aircraft and engine lease	327	529	669	1,651
Aircraft handling, landing and navigation	52,235	42,181	82,839	71,258
Aircraft maintenance expenses	41,697	31,136	71,340	55,509
Total other aviation expenses	94,259	73,846	154,848	128,418

Other operating expenses are specified as follows:

Travel and other employee expenses	22,050	19,689	40,442	35,311
Tourism expenses	8,642	7,990	19,309	17,321
IT expenses	9,207	7,942	17,358	16,868
Advertising	7,560	5,710	14,762	13,449
Booking fees and commission expenses	18,366	17,018	31,803	29,003
Customer services	25,045	21,401	45,993	36,472
Operating cost of real estate and fixtures	2,623	2,314	4,795	5,015
Allowance for bad debt	183	33	373	547
Other operating expenses	10,910	9,371	24,155	18,622
Total other operating expenses	104,586	91,468	198,990	172,608

9. Depreciation and amortization

The depreciation and amortization charge in profit or loss is specified as follows:

Depreciation of operating assets	25,348	23,632	48,632	44,179
Depreciation of right-of-use assets	17,689	13,506	33,603	26,381
Amortization of intangible assets	390	123	650	262
Depreciation and amortization recognized in profit or loss	43,427	37,261	82,885	70,822

Notes, contd.

10. Finance income and (finance cost)

	2025 Q2	2024 Q2	2025 YTD	2024 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and marketable securities	7,277	6,884	13,388	13,131
Interest income on lease receivables	478	818	931	1,156
Other interest income	1,188	1,266	1,834	2,728
Net currency exchange gain	7,699	0	12,857	0
Finance income total	16,642	8,968	29,010	17,015
Interest expenses on loans and borrowings	(2,684)	(4,008)	(5,699)	(8,132)
Interest on lease liabilities	(7,773)	(5,980)	(14,159)	(10,732)
Other interest expenses	(1,010)	(631)	(1,283)	(2,027)
Net currency exchange loss	0	(488)	0	(1,569)
Finance cost total	(11,467)	(11,107)	(21,141)	(22,460)
Net finance cost	5,175	(2,139)	7,869	(5,445)

11. 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.

Loans and borrowings are specified as follows:	30.6.2025	31.12.2024
<i>Non-current loans and borrowings:</i>		
Secured bank loans	182,800	197,210
Unsecured loans	7,209	8,544
Total loans and borrowings	190,009	205,754
Current maturities	(42,739)	(41,046)
Total non-current loans and borrowings	147,270	164,708
<i>Current loans and borrowings:</i>		
Current maturities	42,739	41,046
Total current loans and borrowings	42,739	41,046
Total loans and borrowings	190,009	205,754

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance 30.6.2025	31.12.2024
Secured bank loans	USD	5.7%	2026-2034	151,319	166,123
Secured bank loans	EUR	3.3%	2028	31,481	31,087
Unsecured loans	ISK	4.3%	2026-2030	7,209	8,544
Total interest-bearing liabilities				190,009	205,754

The Company has three committed credit lines in place with local banks in the total amount of USD 92 million. The lines were undrawn at 30 June 2025.

Repayments of loans and borrowings are specified as follows:	30.6.2025	31.12.2024
Repayments in 2025 (6 months)(2024:12 months)	21,336	41,046
Repayments in 2026	39,096	37,911
Repayments in 2027	21,891	20,485
Repayments in 2028	56,264	54,971
Repayments in 2029	9,764	9,699
Subsequent repayments	41,658	41,642
Total loans and borrowings	190,009	205,754

The Group was not in breach of any financial covenants at 30 June 2025.

Notes, contd.

12. Lease liabilities

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

	Currency	Interest rates	Year of maturity	Total remaining balance	
				30.6.2025	31.12.2024
Lease liabilities	USD	5.8%	2024-2033	561,120	459,500
Lease liabilities indexed	ISK	5.6%	2024-2038	4,603	4,849
Lease liabilities	GBP	2.6%	2024-2026	75	196
Lease liabilities	other	5.5%	2024-2028	1,187	559
Current maturity				(73,639)	(66,302)
Total lease liabilities				493,346	398,802

Repayments of lease liabilities are specified as follows:

Repayments in 2025 (6 months)(2024:12 months)	36,682	66,302
Repayments in 2026	74,110	66,620
Repayments in 2027	72,346	63,642
Repayments in 2028	68,691	59,218
Repayments in 2029	70,367	60,250
Repayments in 2030	68,460	59,959
Subsequent repayments	176,329	89,113
Total loans and borrowings	566,985	465,104

Further lease commitments are in place for three A321LR aircraft scheduled for delivery to the Route network as demonstrated in the table below. The total lease liability for these three aircraft is estimated to be around USD 145 million.

	Q4 2025	Q1 2026	Total
A321LR	2	1	3
Total	2	1	3

13. 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:	30.6.2025	31.12.2024
Sold unused tickets and vouchers	479,100	295,981
Frequent flyer points	33,205	28,781
Other prepayments	20,862	26,813
Total deferred income	533,167	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 461.2 million (2024: USD 274.2 million) and vouchers amounted to USD 17.9 million (2024: USD 21.8 million). When issued the vouchers are generally valid for 5 years.

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.

Notes, contd.

14. Financial instruments and fair value

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

	30.6.2025		31.12.2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	13,790	13,790	(1,199)	(1,199)
Unsecured bond issue	(7,209)	(6,991)	(8,544)	(8,182)
Secured loans	(182,800)	(187,257)	(197,210)	(202,186)
Lease liabilities	(566,985)	(566,985)	(465,104)	(465,104)
Total	(743,204)	(747,443)	(672,057)	(676,671)

15. Capital commitments

In 2023, the Group finalized the purchase agreement for up to 25 A321XLR aircraft from Airbus and spare engine agreements with Pratt & Whitney. The order consists of 13 firm orders and purchase rights for up to 12 additional aircraft. The aircraft deliveries will commence in 2029. In addition, the Group has also concluded long-term lease agreements for seven new A321LR aircraft, five with SMBC Aviation Capital Limited and two with CDB Aviation. Of these seven new A321LRs, the first four have been delivered. The remaining three are scheduled for delivery to the Route network as shown in the table in note 12.

16. Group entities

The Company held the following significant subsidiaries at the end of June 2025:

	Ownership interest	
	Q2 2025	2024
IceCap Insurance PCC Ltd.	100%	100%
Icceignir 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%
Lofleiðir - Icelandic ehf.	100%	100%

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

17. 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 Statement 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.

	2025	2024	2025	2024
	Q2	Q2	YTD	YTD
Investment and financing without cash flow effect:				
New or renewed leases	91,389	51,613	137,346	87,476
Acquisition of right-of-use assets	(91,389)	(48,790)	(137,346)	(59,213)
Non-current receivables	0	(2,823)	0	(28,263)
Investment in associates	0	(22,917)	0	(22,917)
Trade and other receivables	0	22,917	0	22,917
Non-current receivables, pre delivery payments	0	(9,938)	0	(9,938)
Trade and other payables	0	9,938	0	9,938

Alternative performance measures (APMs)

	2025	2024	2025	2024
	Q2	Q2	YTD	YTD
Traffic				
Available seat-kilometers ASK (m.)	5,171	4,563	8,225	7,422
Yield (USD cents)	8.94	9.10	8.63	8.90
Passenger load factor	82.1%	81.6%	81.5%	79.7%
TRASK (US cents)	7.35	7.42	7.03	7.08
RASK (US cents)	7.77	7.90	7.59	7.70
CASK (US cents)	7.98	8.00	8.59	8.70
CASK less fuel (US cents)	6.22	6.00	6.83	6.70
Revenue Passenger Kilometer (RPK m.)	4,248	3,722	6,699	5,914
Passenger total ('000)	1,381	1,218	2,209	1,975
On-Time-Performance OTP	87.2%	86.0%	84.7%	85.3%
Passenger flights	5,310	4,834	8,819	8,201
Stage length (KM)	3,071	3,030	3,004	2,952
Sold Block Hours - Leasing	6,865	4,798	13,138	8,861
Freight ton kilometers (FTK '000)	32,772	29,871	71,279	69,273
Total CO2 emissions tons ('000)	336	306	540	504
CO2 emissions per OTK	0.71	0.74	0.71	0.76
Passenger mix ('000)				
To	429	352	724	636
From	237	194	396	344
Via	648	604	964	866
Within	67	68	125	129
Capital structure			30.6.2025	31.12.2024
Total cash and marketable securities (USD '000)			480,215	254,797
Liquidity (USD '000)			572,215	346,797
Net interest-bearing debt (USD '000)			(290,206)	(49,042)
Net lease liabilities (USD '000)			539,903	431,932
Net financial liabilities (USD '000)			249,697	382,890
Current ratio			0.73	0.63
Equity ratio			0.14	0.16
Intrinsic value of share capital			0.91	0.87
Other				
	2025	2024	2025	2024
	Q2	Q2	YTD	YTD
Effective fuel price (USD pr. metric ton)	807	936	827	943
CAPEX, gross (USD '000)	20,885	32,258	39,999	64,332
CAPEX, net (USD '000)	19,105	32,203	38,186	64,231
Average FTE	3,720	3,708	3,447	3,573
Average rate ISK	0.0078	0.0072	0.0075	0.0072
Average rate EUR	1.1326	1.0792	1.0907	1.0799
Period-end spot rate ISK	0.0082	0.0072	0.0082	0.0072
Period-end spot rate EUR	1.1767	1.0712	1.1767	1.0415

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 structure

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.

