

ICELANDAIR



Condensed

Consolidated Interim

Financial Statements



1 1 January—31 March 2026

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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 31 March 2026 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, loss for the period from 1 January to 31 March 2026 amounted to USD 45.3 million. Total comprehensive income for the period amounted to USD 16.7 million. Equity at 31 March 2026 amounted to USD 303.4 million according to the Consolidated Statement of Financial Position and share capital amounted to USD 311.0 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 Board of Directors and the CEO confirm that the Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2026 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable Icelandic disclosure requirements for listed companies. The Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

Operating performance improved with EBIT loss in the first quarter totaling USD 53.3 million, an improvement of USD 9.0 million year-on-year, with a significant EBIT margin improvement of 6.3 ppt. 9% yield improvement and record load factor of 80.3% delivered record revenue of USD 346.5 million in the first quarter. Costs were adversely affected by the depreciation of the USD and salary increases. EBIT in the Cargo segment decreased slightly, while the Leasing segment delivered a robust 19% EBIT margin. The sharp increase in oil prices in recent weeks had only a limited impact in the first quarter, as the increases started at the end of February. More than half of the Company's fuel consumption in March was priced based on February market prices, with the impact expected to materialize from the second quarter onwards.

Icelandair passenger network capacity grew by 13% year-over-year, with passenger numbers reaching 930 thousand, up by 13%. During the quarter, 39% of passengers travelled to Iceland, 22% from Iceland, 32% were connecting passengers, and 7% traveled within Iceland. The number of passengers to and from Iceland increased by 17% and 26% respectively, while connecting passengers increased by 3% year-on-year. Yields improved 9% compared to last year.

Icelandair had an outstanding on-time performance of 82% during the first quarter, placing Icelandair among the most punctual airlines in Europe, thanks to robust planning and the collective effort of the entire Icelandair team.

Icelandair's transformation journey, launched in 2024, is progressing well. The program focuses on driving efficiency, reducing costs, and unlocking new revenue opportunities. At the end of the first quarter of 2026, 283 initiatives have been implemented. Overall, initiatives implemented since the start of the program are estimated to deliver a total annualized impact of approximately USD 117 million when fully realized.

Ongoing conflict in the Middle East and the closure of the Strait of Hormuz have resulted in a sharp increase in fuel prices. The financial outlook of Icelandair is subject to a high level of uncertainty, driven by volatility in jet fuel prices that may materially impact fuel expenses from Q2 2026 onwards and could pressure margins. At the same time, demand is strong, and yields are improving, offsetting some of the negative profitability impact. However, the net effect for the full year will depend on the duration and magnitude of fuel price movements and their impact on demand.

Icelandair employed an average of 3,267 full-time employees in Q1, an increase of 3% from last year.

Equity amounted to USD 303.4 million, with an equity ratio of 13% at the end of March. The total liquidity position is strong, with cash and marketable securities amounting to USD 524.0 million. In addition, USD 92 million are in the form of committed undrawn revolving facilities.

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 three-month period ended 31 March 2026, its assets, liabilities and consolidated financial position as at 31 March 2026 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 describe 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 31 March 2026 and confirm them by means of their signatures.

Hafnarfjörður, 28 April 2026

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 31 March 2026

	Notes	2026 Q1	2025 Q1
Operating income			
Passenger revenue	7	258,308	214,027
Cargo revenue		22,614	21,053
Leasing revenue		31,325	28,595
Other operating revenue	7	34,295	22,776
		346,542	286,451
Operating expenses			
Salaries and salary-related expenses		108,984	92,206
Aircraft fuel		72,189	62,065
Other aviation expenses		79,555	60,589
Other operating expenses		97,410	94,404
	8	358,138	309,264
Operating loss before depreciation and amortization (EBITDA)		(11,596)	(22,813)
Depreciation and amortization	9	(41,740)	(39,458)
Operating loss (EBIT)		(53,336)	(62,271)
Finance income		7,114	12,368
Finance cost		(10,893)	(9,674)
Net finance (cost) income	10	(3,779)	2,694
Share of loss of associates		(147)	310
Loss before tax (EBT)		(57,262)	(59,267)
Income tax		11,940	15,182
Loss for the period		(45,322)	(44,085)
Other comprehensive income			
Currency translation differences		897	7,461
Net (loss) profit on hedge of investment, net of tax		329	2,302
Cash flow hedges - effective portion of changes in fair value, net of tax		55,428	6,782
Cash flow hedges - reclassified to profit or loss		5,330	(440)
Other comprehensive income for the period		61,984	16,105
Total comprehensive profit (loss) for the period		16,662	(27,980)
Loss attributable to			
Owners of the Company		(45,427)	(44,143)
Non-controlling interest		105	58
Loss for the period		(45,322)	(44,085)
Total comprehensive income (loss) attributable to			
Owners of the Company		16,607	(28,038)
Non-controlling interest		55	58
Total comprehensive income (loss) for the period		16,662	(27,980)
Earnings per share			
Basic and diluted earnings per share in US cent		(0.11)	(0.11)

The notes on pages 8 to 15 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 31 March 2026

	Notes	31.03.2026	31.12.2025
Assets			
Property, plant and equipment		557,862	563,544
Right-of-use assets		560,553	483,140
Intangible assets and goodwill		57,732	57,811
Investments in associates		37,231	36,995
Receivables and deposits		71,051	71,959
Deferred tax assets		70,385	73,510
Non-current assets		<u>1,354,814</u>	<u>1,286,959</u>
Inventories		30,657	28,138
Derivatives used for hedging		71,925	3,967
Trade and other receivables		272,296	178,835
Marketable securities		157,235	170,369
Cash and cash equivalents		367,059	195,466
Current assets		<u>899,172</u>	<u>576,775</u>
Total assets		<u>2,253,986</u>	<u>1,863,734</u>
Equity			
Share capital		310,973	310,973
Reserves		136,500	68,785
Accumulated deficit		(146,501)	(95,707)
Equity attributable to equity holders of the Company		<u>300,972</u>	<u>284,051</u>
Non-controlling interest		2,426	2,371
Total equity		<u>303,398</u>	<u>286,422</u>
Liabilities			
Loans and borrowings	11	133,250	138,243
Lease liabilities	12	536,394	461,570
Provisions and other liabilities		155,907	146,809
Non-current liabilities		<u>825,551</u>	<u>746,622</u>
Loans and borrowings	11	33,798	39,123
Lease liabilities	12	80,339	77,987
Derivatives used for hedging		0	3,570
Trade and other payables		394,828	318,712
Deferred income	13	616,072	391,298
Current liabilities		<u>1,125,037</u>	<u>830,690</u>
Total liabilities		<u>1,950,588</u>	<u>1,577,312</u>
Total equity and liabilities		<u>2,253,986</u>	<u>1,863,734</u>

The notes on pages 8 to 15 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 31 March 2026

	Attributable to equity holders of the Company							Non-controlling interest	Total equity
	Share capital	Reserves				Accumulated deficit	Total		
		Hedging	Translation reserve	Other reserves					
1 January to 31 March 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					(44,143)	(44,143)	58	(44,085)	
Currency translation differences			7,461		0	7,461		7,461	
Net profit on hedge of investment, net of tax			2,302			2,302		2,302	
Effective portion of changes in fair value									
of cash flow hedges, net of tax		6,782				6,782		6,782	
Cash flow hedges, reclassified to profit or loss		(440)				(440)		(440)	
Stock options					272	272		272	
Effects of profit or loss of subsidiaries and associates				7,855	(7,855)	0		0	
Equity 31 March 2025	310,973	4,760	5,095	51,311	(132,506)	239,633	1,726	241,359	
1 January to 31 March 2026									
Equity 1 January 2026	310,973	317	18,467	50,001	(95,707)	284,051	2,371	286,422	
Loss for the period					(45,427)	(45,427)	105	(45,322)	
Currency translation differences			897			897		897	
Net profit on hedge of investment, net of tax			379			379	(50)	329	
Effective portion of changes in fair value									
of cash flow hedges, net of tax		55,428				55,428		55,428	
Cash flow hedges, reclassified to profit or loss		5,330				5,330		5,330	
Stock options					314	314		314	
Effects of profit or loss of subsidiaries and associates				5,681	(5,681)	0		0	
Equity 31 March 2026	310,973	61,075	19,743	55,682	(146,501)	300,972	2,426	303,398	

The notes on pages 8 to 15 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the three months ended 31 March 2026

	Notes	2026 Q1	2025 Q1
Cash flows from operating activities			
Loss for the period		(45,322)	(44,085)
Adjustments for:			
Depreciation and amortization	9	41,740	39,458
Expensed deferred cost		12,123	12,066
Net finance (cost) income	10	3,779	(2,694)
Gain on sale of operating assets		(8,177)	(14)
Share in loss (profit) of associates		147	(310)
Income tax		(11,940)	(15,182)
		(7,650)	(10,761)
Changes in:			
Inventories		(2,519)	(919)
Trade and other receivables		(80,581)	(47,291)
Trade and other payables		69,296	63,654
Deferred income		224,796	204,866
		210,992	220,310
Interest received		3,904	4,133
Interest paid		(9,988)	(8,968)
Net cash from operating activities		197,258	204,714
Cash flows to investing activities			
Acquisition of operating assets		(23,939)	(15,905)
Proceeds from sale of operating assets		15,648	33
Deferred cost, change		(837)	(1,830)
Acquisition of intangible assets		(297)	(1,379)
Investment in associates		(173)	755
Non-current receivables, change		718	1,520
Marketable securities, change		13,134	(11,060)
Net cash used in investing activities		4,254	(27,866)
Cash flows to financing activities			
Repayment of loans and borrowings		(9,694)	(9,379)
Repayment of lease liabilities		(19,514)	(16,443)
Net cash used in financing activities		(29,208)	(25,822)
Change in cash and cash equivalents		172,304	151,026
Effect of exchange rate fluctuations on cash equivalents held		(711)	636
Cash and cash equivalents at beginning of the period		195,466	150,235
Cash and cash equivalents at period end		367,059	301,897
Marketable securities		157,235	115,622
Cash, cash equivalents and marketable securities at period end		524,294	417,519

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

The notes on pages 8 to 15 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 three months ended 31 March 2026 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 2025 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

Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2026 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 2025.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 28 April 2026.

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.

Going concern

These Consolidated 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 2025.

5. Changes in accounting policies

A number of new and amended standards become effective for annual periods beginning on or after 1 January 2026, with early application permitted. The Group has not early adopted these standards in the preparation of these Condensed Consolidated Interim Financial Statements and they are not expected to have a material impact, with the exception of IFRS 18 *Presentation and Disclosure in Financial Statements*, which will affect the presentation of the financial statements. The impact of IFRS 18 has not yet been assessed.

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, which provides passenger air travel to, from, via and within Iceland by the entities Icelandair ehf. and Flugfélag Íslands ehf.

The segment also consists of the parent company Icelandair Group hf., the holding company, and other entities such as Icc eignir 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.

Reporting segments for the three months ended 31 March 2026

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	292,741	22,861	30,940	0	346,542
Inter-segment revenue	16,695	604	103	(17,402)	0
Total segment revenue	309,436	23,465	31,043	(17,402)	346,542
External operating cost	(333,604)	(13,366)	(11,168)	0	(358,138)
Internal operating cost	(707)	(8,253)	(8,442)	17,402	0
Total operating cost	(334,311)	(21,619)	(19,610)	17,402	(358,138)
Depreciation and amortization	(35,045)	(990)	(5,705)	0	(41,740)
Segment EBIT	(59,920)	856	5,728	0	(53,336)
Net finance cost	(3,085)	(881)	187	0	(3,779)
Share of loss of associates	(147)	0	0	0	(147)
Income tax	13,111	5	(1,176)	0	11,940
(Loss) profit	(50,041)	(20)	4,739	0	(45,322)
Capital expenditures	24,553	0	717	(197)	25,073

Notes, contd.

6. Operating segments, contd.

Reporting segments for the three months ended 31 March 2025

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	236,051	21,394	29,006	0	286,451
Inter-segment revenue	15,330	434	0	(15,764)	0
Total segment revenue	251,381	21,828	29,006	(15,764)	286,451
External operating cost	(286,347)	(12,099)	(10,818)	0	(309,264)
Internal operating cost	(434)	(7,417)	(7,913)	15,764	0
Total operating cost	(286,781)	(19,516)	(18,731)	15,764	(309,264)
Depreciation and amortization	(33,516)	(1,021)	(4,921)	0	(39,458)
Segment EBIT	(68,916)	1,291	5,354	0	(62,271)
					0
Net finance cost	2,942	(692)	444	0	2,694
Share of loss of associates	310	0	0	0	310
Income tax	16,450	(120)	(1,148)	0	15,182
(Loss) profit	(49,214)	479	4,650	0	(44,085)
Capital expenditures	16,554	0	3,113	(553)	19,114

Geographic information

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 three months

	North America	Europe	Iceland	Other	Total
1 January - 31 March 2026:					
Passenger revenue	113,438	63,548	74,812	6,510	258,308
Cargo revenue	1,153	8,758	12,648	55	22,614
Leasing revenue	6,259	3,352	2,349	19,365	31,325
Other operating revenue	1,065	926	32,168	136	34,295
Total revenue	121,915	76,584	121,977	26,066	346,542
Total revenue %	35%	22%	35%	8%	100%
1 January - 31 March 2025:					
Passenger revenue	108,198	51,319	49,361	5,149	214,027
Cargo revenue	1,294	7,815	11,908	36	21,053
Leasing revenue	7,006	1,435	343	19,811	28,595
Other operating revenue	707	615	21,363	91	22,776
Total revenue	117,205	61,184	82,975	25,087	286,451
Total revenue %	41%	21%	30%	9%	101%

Notes, contd.

7. Operating income

	2026 Q1	2025 Q1
Passenger revenue is specified as follows:		
Passenger revenue	250,785	207,988
Ancillary revenue	7,523	6,039
Total passenger revenue	258,308	214,027
Other operating revenue is specified as follows:		
Revenue from tourism	15,852	14,429
Sale at airports	1,408	1,406
Aircraft handling	2,076	1,644
Gain on sale of operating assets	8,149	14
Other operating revenue	6,810	5,283
Total other operating revenue	34,295	22,776

8. Operating expenses

Salaries and salary-related expenses are specified as follows:		
Salaries	85,802	71,497
Contributions to pension funds	15,194	12,202
Other salary-related expenses	7,988	8,507
Total salaries and salary-related expenses	108,984	92,206
Average number of full time equivalents	3,267	3,175
Aircraft fuel is specified as follows:		
Aircraft fuel	65,967	54,571
Emissions Trading System (ETS)	6,992	4,752
Corsia Carbon Credits	546	254
Sustainable Aviation Fuel charges (SAF)	953	638
Fuel hedges	(2,269)	1,850
Total aircraft fuel cost	72,189	62,065
Other aviation expenses is specified as follows:		
Aircraft and engine lease	923	342
Aircraft handling, landing and navigation	38,376	30,604
Aircraft maintenance expenses	40,256	29,643
Total other aviation expenses	79,555	60,589
Other operating expenses are specified as follows:		
Travel and other employee expenses	18,032	18,392
Tourism expenses	12,838	10,667
IT expenses	9,840	8,151
Advertising	6,121	7,202
Booking fees and commission expenses	14,843	13,437
Customer services	22,962	20,948
Operating cost of real estate and fixtures	2,169	2,172
Allowance for bad debt	137	190
Other operating expenses	10,468	13,245
Total other operating expenses	97,410	94,404

9. Depreciation and amortization

The depreciation and amortization charge in profit or loss is specified as follows:		
Depreciation of operating assets	22,089	23,284
Depreciation of right-of-use assets	19,275	15,914
Amortization of intangible assets	376	260
Depreciation and amortization recognized in profit or loss	41,740	39,458

Notes, contd.

10. Finance income and (finance cost)

	2026 Q1	2025 Q1
Finance income and (finance cost) are specified as follows:		
Interest income on cash and cash equivalents and marketable securities	5,214	6,111
Interest income on lease receivables	378	453
Other interest income	985	646
Net currency exchange gain	537	5,158
Finance income total	<u>7,114</u>	<u>12,368</u>
Interest expenses on loans and borrowings	(2,183)	(3,015)
Interest on lease liabilities	(8,013)	(6,386)
Other interest expenses	(697)	(273)
Finance cost total	<u>(10,893)</u>	<u>(9,674)</u>
Net finance (cost) income	<u>(3,779)</u>	<u>2,694</u>

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.

	31.3.2026	31.12.2025
Loans and borrowings are specified as follows:		
<i>Non-current loans and borrowings:</i>		
Secured bank loans	163,875	172,930
Unsecured loans	3,173	4,436
Total loans and borrowings	167,048	177,366
Current maturities	(33,798)	(39,123)
Total non-current loans and borrowings	<u>133,250</u>	<u>138,243</u>
<i>Current loans and borrowings:</i>		
Current maturities	33,798	39,123
Total current loans and borrowings	<u>33,798</u>	<u>39,123</u>
Total loans and borrowings	<u>167,048</u>	<u>177,366</u>

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				31.3.2026	31.12.2025
Secured bank loans	USD	4.90%	2026-2034	125,730	131,727
Secured bank loans	EUR	4.14%	2027-2028	38,145	41,203
Unsecured loans	ISK	3.99%	2026-2030	3,173	4,436
Total interest-bearing liabilities				<u>167,048</u>	<u>177,366</u>

The Company has three committed credit lines in place with local banks in total amount of USD 92 million. The lines were undrawn at 31 March 2026.

Repayments of loans and borrowings are specified as follows:

Repayments in 2026 (9 months)(2025: 12 months)	29,890	39,123
Repayments in 2027	18,343	17,875
Repayments in 2028	52,265	51,935
Repayments in 2029	12,176	14,934
Repayments in 2030	21,454	21,193
Subsequent repayments	32,920	32,306
Total loans and borrowings	<u>167,048</u>	<u>177,366</u>

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.

	Average rate	Year of maturity	Total remaining balance	
			31.3.2026	31.12.2025
Lease liabilities in USD	5.96%	2025-2037	609,812	534,342
Lease liabilities in ISK, indexed	9.77%	2025-2038	5,677	3,728
Lease liabilities in other currencies	5.45%	2025-2026	1,244	1,487
Current maturity			(80,339)	(77,987)
Total lease liabilities			536,394	461,570

Repayments of lease liabilities are specified as follows:

Repayments in 2026 (9 months)(2025: 12 months)	64,599	77,987
Repayments in 2027	84,168	76,532
Repayments in 2028	78,815	70,851
Repayments in 2029	78,374	70,384
Repayments in 2030	76,357	68,464
Subsequent repayments	234,420	175,339
Total loans and borrowings	616,733	539,557

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 148 million.

	Q3 2026	Q4 2026	Total
A321LR	1	2	3
Total	1	2	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:	31.3.2026	31.12.2025
Sold unused tickets and vouchers	545,524	323,136
Frequent flyer points	38,768	37,686
Other prepayments	31,780	30,476
Total deferred income	616,072	391,298

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 passengers. 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:

	Carrying amount 31.3.2026	Fair value	Carrying amount 31.12.2025	Fair value
Derivatives used for hedging	71,925	71,925	397	397
Unsecured bond issue	(3,173)	(3,078)	(4,436)	(4,461)
Secured loans	(163,875)	(169,544)	(172,930)	(176,887)
Lease liabilities	(616,733)	(616,733)	(539,557)	(539,557)
Total	(711,856)	(717,430)	(716,526)	(720,508)

Fair value hierarchy

The Group measures certain assets and liabilities at fair value using valuation techniques that maximize observable market inputs. Derivatives used for hedging are classified within Level 2 of the fair value hierarchy, while unsecured and secured loans and lease liabilities are classified within Level 3 and are measured using significant unobservable inputs. Transfers between levels are recognized at the end of the reporting period.

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

	Level 1	Level 2	Level 3	Total
31 March 2026				
<i>Financial assets</i>				
Derivatives used for hedging		71,925		71,925
	0	71,925	0	71,925
<i>Financial liabilities</i>				
Unsecured loans			(3,078)	(3,078)
Secured loans			(169,544)	(169,544)
Lease liabilities			(616,733)	(616,733)
Derivatives used for hedging				0
	0	0	(789,355)	(789,355)
31 December 2025				
<i>Financial assets</i>				
Derivatives used for hedging		3,967		3,967
	0	3,967	0	3,967
<i>Financial liabilities</i>				
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)

15. Capital commitments

In 2023, Icelandair 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 firm A321XLR's and includes purchase rights for additional aircraft. The deliveries will commence in 2029. In addition, Icelandair has concluded long-term lease agreements for nine new A321LR aircraft. Of these nine new A321LR's, six have been delivered, thereof two in Q1-2026. The remaining three aircraft are scheduled for delivery to the Route network in Q3 and Q4 of 2026 as demonstrated in the table in note 12. In addition, the Company is working on securing one aircraft on short term lease that will enter the fleet in Q2-2026 due to delays in delivery of one A321LR aircraft.

Notes, contd.

16. Group entities

The Company held the following significant subsidiaries at the end of March 2026:

	Ownership interest	
	31.3.2026	31.12.2025
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%
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. Non-cash transactions are excluded from the Statement of Cash Flows as these items do not involve current-period cash flows.

	2026 Q1	2025 Q1
Investment and financing without cash flow effect:		
New or renewed leases	96,617	45,957
Acquisition of right-of-use assets	(96,617)	(45,957)
Trade and other receivables Carbon forward contract	(8,986)	0
Trade and other payable Carbon forward contract	8,986	0

Alternative performance measures (APMs)

	2026	2025
	Q1	Q1
Traffic		
Available seat-kilometers (ASKm.)	3,443	3,055
Yield (USD cents)	8.82	8.08
Passenger load factor	80.3%	80.3%
TRASK (US cents)	7.31	6.49
RASK (USD cents)	7.79	7.30
CASK (USD cents)	9.60	9.61
CASK less fuel (USD cents)	7.71	7.78
Revenue Passenger Kilometer (RPKm.)	2,766	2,452
Passengers total ('000)	931,544	827,720
On-Time-Performance (OTP)	82.0%	80.9%
Passenger flights	3,862	3,509
Stage length (KM)	2,930	2,896
Sold Block Hours - Leasing	7,645	6,273
Freight ton kilometers (FTK '000)	39,295	38,506
Total CO2 emissions tons ('000)	224,216	203,629
CO2 emissions per OTK	0.76	0.73
Passenger mix		
To	344,650	294,260
From	200,826	159,270
Via	324,245	316,261
Within	61,823	57,929
Capital structure		
	31.3.2026	31.12.2025
Total cash and marketable securities (USD '000)	524,294	365,835
Liquidity (USD '000)	616,294	457,835
Interest-bearing debt (USD '000)	(167,048)	(177,365)
Lease liabilities, net (USD '000)	(595,611)	(516,496)
Financial liabilities (USD '000)	(762,659)	(693,861)
Net financial liabilities (USD '000)	(238,365)	(328,026)
Current ratio	0.80	0.69
Equity ratio	0.13	0.15
Intrinsic value of share capital	0.98	0.92
Other		
	2026	2025
	Q1	Q1
Effective fuel price (USD pr. Metric ton)	877	862
CAPEX, gross (USD '000)	25,073	19,114
CAPEX, net (USD '000)	9,425	19,081
Average FTE	3,267	3,175
Average rate ISK	0.0081	0.0072
Average rate EUR	1.1740	1.0520
Period-end spot rate ISK	0.0080	0.0075
Period-end spot rate EUR	1.1517	1.0801

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.



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