ICELANDAIR: FINANCIAL RESULTS Q2 2025

- Net profit USD 13 million, up by USD 12 million year on year
- Revenue increase of 13%, total revenue USD 463 million
- Record passenger revenue of USD 393 million, up by 11% from last year
- EBIT was negatively impacted by the strengthening of the Icelandic Krona and softer via demand due to the geopolitical environment
- Unit cost (CASK) remained unchanged compared to last year and unit revenue (RASK) decreased by 2% year on year
- The most punctual airline among larger airlines in Europe in April and June with on-time performance of 87.2% according to Cirium.
- Cash flow from operations USD 118 million, up by USD 8 million between years
- Record liquidity position of USD 572 million at the end of the quarter
- Transformation initiatives that have already been implemented expected to generate more than USD 90 million annually
- Change in the capacity to and from Iceland strengthening Icelandair's leading hub position
- Bookings for the third quarter are ahead of last year, while long-term bookings are slower
- EBIT for the full year expected near breakeven

BOGI NILS BOGASON, PRESIDENT & CEO

"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 the current geopolitical environment and by the strengthening of the Icelandic Krona.

The real exchange rate of the ISK is now near historical high. This level of appreciation has historically proven unsustainable and poses challenges for export-driven sectors. It is therefore critical that economic policy reflects these realities – especially in light of the Icelandic Government's announced plans to increase taxation on the tourism sector.

In this environment, our continued focus on areas that are in our control, such as strict cost management, operational efficiency, prudent capacity allocation and strengthened revenue generation, is more important than ever. At the end of the second quarter, we had already carried out initiatives that are expected to deliver USD 90 million in annual impact when fully implemented. We continue to turn every stone with the aim of ensuring that all our cost items are competitive. In the third quarter, we will enter into negotiations of our collective bargaining agreements with pilots and cabin crew. I am confident that we will reach the joint goals of all parties to ensure the Company's long-term competitiveness in our ever-changing dynamic industry and at the same time continue to offer attractive compensation and a great workplace.

Bookings in the third quarter are ahead of last year and we expect profitability to improve year on year in the quarter. Longer-term bookings into the fall and winter continue to be slower than at the same time last year. Looking ahead, we are optimistic as consumers continue to prioritize travel, although they are booking closer to departure. With a more favorable capacity environment to and from Iceland and an ambitious transformation plan well underway, we are well positioned to manage near-term uncertainty, strengthen our market position, and drive long-term value for shareholders, customers, and the Icelandic economy."

INVESTOR PRESENTATION 18 JULY 2025

An investor presentation will be webcast in relation to the publication of Q2 2025 results at 8:30 GMT on Friday, 18 July 2025, at https://icelandairgroup.com. Bogi Nils Bogason, President & CEO of Icelandair, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. The presentation will take place in English and will be accessible after the meeting on the Company's website and under Corporate News on the Nasdaq Nordic website:
http://www.nasdaqomxnordic.com/news/companynews

INFORMATION

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FINANCIAL CALENDAR

- Q3 2025, 23 October 2025
- Q4 2025, 29 January 2025

KEY INDICATORS

		Q2 2025	Q2 2024	Change	6M 2025	6M 2024	Change
Operating results							
Total income	USDk	462,697	409,383	53,314	749,148	668,344	80,804
of which passenger revenue	USDk	393,047	353,183	39,864	607,074	552,045	55,029
Total operating cost	USDk	418,495	368,813	49,682	727,759	663,105	64,654
EBIT	USDk	775	3,309	-2,534	-61,496	-65,583	4,087
EBT	USDk	6,999	524	6,475	-52,268	-72,131	19,863
Net profit/loss	USDk	12,921	622	12,299	-31,164	-58,795	27,631
Balance sheet[1] and cash flow							
Total assets	USDk	-	-	-	2,057,156	1.637.870	257,533
Total equity	USDk	-	-	-	283,276	269.067	14,209
Interest-bearing financial liabilities[2]	USDk	-	-	-	729,912	637.687	92,225
Net financial liabilities[3]	USDk	-	-	-	249,697	382.890	-133,193
Total liquidity position	USDk	-	-	-	572,215	346,797	225,418
Net cash from operating activities	USDk	118,021	110,243	7,778	322,735	257,345	65,390
CAPEX, gross	USDk	20,885	32,258	-11,373	39,999	64,332	-24,333
CAPEX, net	USDk	19,105	32,203	-13,098	38,186	64,231	-26,045
Key Ratios							
Equity ratio[1]	%	-	-	-	13.8	16.4	-2.6 ppt
EPS	US Cent	0.03	0.00	-	-0.08	-0.14	43%
EBIT ratio	%	0.2	0.8	-0.6 ppt	-8.2	-9.8	1.6 ppt
RASK[4]	US Cent	7.77	7.90	-2%	7.59	7.70	-1%
Yield	US Cent	8.94	9.10	-2%	8.63	8.90	-3%
CASK[4]	US Cent	7.98	8.00	0%	8.59	8.70	-1%
CASK less fuel[4]	US Cent	6.22	6.00	4%	6.83	6.70	2%
Traffic figures							
Passengers total	no.	1,380,951	1,218,091	13%	2,208,671	1,975,054	12%
To Iceland	no.	429,324	352,146	22%	723,584	636,493	14%
From Iceland	no.	236,618	194,494	22%	395,888	343,815	15%
Via Iceland	no.	647,726	603,680	7%	963,987	866,062	11%
Within Iceland	no.	67,283	67,770	-1%	125,212	128,685	-3%
Passenger load factor	%	82.1	81.6	0.5 ppt	81.5	79.7	1.8 ppt
Available seat km (ASK)	mill	5,170.6	4,562.6	13%	8,225	7,422	11%
Revenue passenger km (RPK)	mill	4,248	3,722	14%	6,699	5,914	13%
Passenger flights	no.	5,310	4,834	10%	8,819	8,201	8%
On-Time-Performance	%	87.2	86.0	1.2 ppt	84.7	85.3	-0.6 ppt
Freight ton kilometers (FTK'000)	k	32,772	29,871	10%	71,279	69,273	3%
Sold charter block hours	no.	6,865	4,798	43%	13,138	8,861	48%
CO2 emissions per OTK	no.	0.71	0.74	-4%	0.71	0.76	-7%
Employees							
Av. no. of full-time employees	no.	3,720	3,708	0%	3,447	3,573	-4%

[1] Comparison figures for the balance sheet are 31.12.2024
[2] Interest-bearing financial liabilities: Interest-bearing debt + net lease liabilities
[3] Net financial liabilities: Interest-bearing debt + net lease liabilities – cash and marketable securities
[4] RASK/CASK: Revenue and cost per available seat KM (ASK) in the passenger network

Q2 TRAFFIC DATA

- Number of passengers 1.4 million in Q2, up by 13% year-on-year
- Strong market demand to and from Iceland
- On-Time-Performance 87.2%

Icelandair's capacity in the passenger network grew by 13% year-over-year. The second connection bank in Keflavik started early April this year, compared to mid-May last year, as part of Icelandair's strategy to grow outside the peak season, balance seasonality, and better utilize the company's infrastructure year-round. Flights were introduced to Nashville and Gothenburg, and additional frequencies were added to several popular destinations.

Passenger traffic, measured in Revenue Passenger Kilometers (RPK), grew by 14%, with the total number of passengers reaching 1.4 million, up from 1.2 million last year. During the quarter, 31% of passengers traveled to Iceland, 17% from Iceland, 47% were connecting passengers, and 5% 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.

The load factor increased to 82.1% compared to 81.6% in the previous year despite the large capacity increase. On-time performance was 87%, up 1.2 percentage points from the second quarter last year, placing Icelandair number one in April and June on the Cirium Analytics report ranking list.

Freight Ton-Kilometers (FTK) increased by 10% year-on-year, and the number of block hours sold in the Leasing operation increased by 43%. CO_2 emissions per Operational Ton-Kilometer (OTK) decreased by 4% year-on-year, driven by an increase in flights operated by the fuel-efficient B737 MAX and A321 LR aircraft and a higher load factor.

INCOME AND EXPENSES

- Net profit USD 12.9 million improved by 12.3 million from last year
- EBIT negatively impacted by strengthening of the ISK and softer demand in the transatlantic market
- Improved EBIT in the cargo and leasing business
- Labor cost efficiency significantly improved year on year

Net profit for the second quarter improved significantly compared to last year. However, the operating results, EBIT, were negatively impacted by softer travel demand in the via market due to the current geopolitical environment and by the strengthening of the Icelandic Krona. The strengthening of the ISK had a negative net impact of around USD 12.6 million for the quarter. Additionally, the softness in demand on the via market resulted in weaker yields. The cargo operation continued to show improvement, and the leasing business maintained a robust 18% EBIT margin on 46% higher revenue compared to last year.

Total income amounted to USD 462.7 million, representing a 13% increase from the previous year. Passenger revenue was USD 393.0 million, compared to USD 353.2 million in the same quarter last year, a record for the second quarter. Passenger revenue increased in all markets, with the largest growth in the market to Iceland, where passenger numbers rose by 22%. The market via Iceland was the Company's largest market with 47% of total passengers. Cargo revenue totaled USD 19.1 million, 13% increase from the previous year, driven by strong imports. Leasing revenue totaled USD 30.3

million, representing a notable 46% increase from the prior year. Other income amounted to USD 20.3 million, up 9% compared to the same period last year.

Operating expenses, excluding depreciation, totaled USD 418.5 million, representing a 13% year-over-year increase. Salaries and salary-related costs increased by 16%, from USD 107.0 million in Q2 last year to USD 124.1 million this year. This increase was due to contractual wage increases and the negative impact of the strengthening of the ISK. On a fixed exchange rate, the salary cost grew by 5%, which reflects a significant improvement in labor efficiency considering 13% capacity increase and contractual wage increases. Full-time equivalent positions (FTEs) averaged 3,720 during the quarter, remaining similar year-on-year. Aircraft fuel expenses amounted to USD 95.5 million during the quarter, down 1% from the previous year despite a 13% increase in the route network capacity. The decrease results from a more fuel-efficient fleet and lower fuel prices. The weighted effective fuel price of the Company, including add-ons and hedges, was USD 807 per metric ton, down 14% year-over-year. The price of carbon emission credits decreased by 2%. Other aviation expenses totaled USD 94.3 million, representing a 28% increase, primarily driven by increased production and higher landing and handling fee charges. Other operating expenses totaled USD 104.6 million, an increase of USD 13.1 million, primarily due to a larger scope of business and the negative impact of currency rates. Depreciation and amortization totaled USD 43.4 million, compared to USD 37.3 million in the same period last year, with the increase attributed to higher depreciation of own and leased aircraft assets.

Unit revenue (RASK)[5] in Q2 2025 was 7.8 US cents and decreased by 2%. The average yield was 8.9 US cents, a 2% decrease year-over-year, driven by lower yields on the competitive Transatlantic market. Unit cost (CASK)[6] was 8.0 US cents and remained on the same level year-on-year. The weakening of the USD against ISK and EUR, increased charges and fees, and contractual salary increases resulted in 4% increase in CASK ex-fuel between years.

Net finance income totaled USD 5.2 million in Q2, representing a 7.3 million increase compared to the same period last year. Total interest income amounted to USD 8.9 million and remained unchanged. Interest expenses totaled USD 11.5 million, an increase of USD 0.8 million. A foreign exchange gain of USD 7.7 million was recognized in Q2 this year, compared to an exchange loss of USD 0.5 million last year.

FINANCIAL POSITION

- Equity USD 283 million and equity ratio 14%
- Strong cash flow with cash from operations of USD 118 million
- Total liquidity USD 572 million

Balance sheet

Total assets amounted to USD 2.1 billion at the end of Q2 2025, increasing by USD 419.3 million from the beginning of the year, primarily driven by a seasonal increase in bookings for the high season and three additional A321LR. Operating assets totaled USD 557.8 million, and the right-of-use assets USD 510.0 million. Total equity amounted to USD 283.3 million, the equity ratio at the end of the quarter was 14%. Financial liabilities[7] amounted to USD 730.0 million and increased by USD 92.2 million from the beginning of the year, primarily due to aircraft-related investments with the addition of three A321LR aircraft since the start of the year. Net financial liabilities[8] amounted to USD 250.0 million, a decrease

[5] Unit revenue (RASK): Revenue per available seat km in the passenger network
[6] Unit cost (CASK): Cost per available seat km in the passenger network
[7] Financial liabilities: Interest-bearing debt + net lease liabilities
[8] Net financial liabilities: Interest-bearing debt + net lease liabilities - cash and marketable securities

of USD 133.2 million from the beginning of the year, due to a higher cash and marketable securities position.

Liquidity

Cash and marketable securities totaled USD 480.2 million at the end of Q2 2025, increasing by USD 62.7 million in the quarter. Net cash from operations totaled USD 118.0 million, while cash used in investing activities amounted to USD 74.6 million, of which net capex was USD 19.1 million. Net cash used in financing activities was USD 29.5 million due to the repayment of interest-bearing loans and operational lease liabilities. The Company had available undrawn committed credit lines in the amount of USD 92.0 million at the end of June, bringing total liquid funds to USD 572.2 million.

PROSPECTS

- Significant change in the capacity to and from Iceland
- Annualized impact of the transformation journey estimated at USD 90 million
- The EBIT for the full year is expected to be near breakeven

Growth focused on shoulder seasons

In the second half of the year, Icelandair's flight schedule is expected to be around 6% larger than at the same time in 2024, with the growth focused outside of the peak season, with continued improvement in resource utilization. This year, Icelandair will serve over 60 destinations, including seven new ones: Nashville, Miami, Istanbul, Gothenburg, Malaga, Edinburgh, and Höfn in Iceland. Additionally, frequencies will increase on several routes, providing customers with greater flexibility and choice. This summer, Icelandair will operate 42 aircraft in its route network, the same number as last year, including 21 Boeing 737 MAX aircraft and four new A321LRs.

Change in the capacity to and from Iceland strengthens the leading hub position of Icelandair

Ahead is a decline in capacity to and from Iceland, where the total seat capacity is expected to be down ~5% for the remainder of the year, compared to a 4% increase in Q2, as other airlines continue to reduce their presence or exit markets. Icelandair is selectively adjusting its capacity to these changes, which are expected to strengthen both yields and Icelandair's market position in its core markets.

Continued yield pressure on the via market

On the transatlantic market, the geopolitical environment, tariff negotiations, and macroeconomic softness have led to yield pressure on economy fares, a segment in which Icelandair has a meaningful exposure. Overall transatlantic capacity is unlikely to adjust significantly in the near term, underscoring the importance of Icelandair's ongoing efforts to manage exposure and protect profitability through strategic capacity and market mix adjustments.

The strong ISK poses challenges for export sectors

The appreciation of the Icelandic Krona presents a headwind by negatively impacting the competitiveness of Iceland as a destination, further compounded by underinvestment in destination marketing by the Icelandic authorities. The Krona has appreciated significantly since the start of last year, or by 5% against the Euro and 11% against the US dollar as of 14 July. At the same time, domestic inflation has proven more persistent than elsewhere. Therefore, the real exchange rate is now near historical highs that have historically proven unsustainable and poses challenges for the export sectors.

Late booking trend continues, but consumers still prioritize travel

Icelandair's bookings for the peak summer period are ahead of last year, while bookings into the fall and winter are currently trending softer. This situation is expected to improve as the travel period approaches, both because of the decrease in capacity from other airlines in the markets to and from

Iceland and the fact that while consumers show caution when it comes to longer-term bookings, they continue to prioritize travel.

New strategic partnerships strengthen Icelandair's network reach and revenue generation

In 2025 Icelandair has continued to expand its passenger network through strategic partnerships, including a new codeshare with Air India for seamless connections between India and Iceland via Europe, a partnership with Southwest Airlines launched earlier this year linking its transatlantic routes to Southwest's US network, and upcoming operations to Istanbul this fall to build on the partnership with Turkish Airlines for greater connectivity into Asia. Additional partner airlines include JetBlue, Alaska Airlines, Finnair, Air Baltic, Air Greenland, Atlantic Airways, Tap Air Portugal, and Emirates.

Favorable prospects in the Cargo and Leasing segments

Building on the strong turnaround in cargo operations in 2024, performance continues to improve, with a positive outlook for the coming months. The leasing business is also expected to maintain its strong performance.

The ONE transformation program is progressing well

The transformation program focuses on driving efficiencies, reducing costs, and unlocking new revenue opportunities. To date, over 400 initiatives have been identified, with 170 initiatives successfully implemented by the end of Q2 2025, which are expected to deliver USD 90 million annually when fully realized. While it will take some time to realize the full annual impact of the initiatives implemented, the program has delivered an actual impact of USD 17 million year to date. Examples of initiatives include a comprehensive revenue sprint, aimed at driving revenue growth through more agile and responsive processes within existing pricing and revenue management systems, a strategic shift in ground handling procurement at selected outstations, resulting in average cost reductions of over 20%, and changes in onboard beverage service on European routes, which have reduced costs and increased revenue while enabling a broader menu offering.

Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q2 2025. As demonstrated, 39% of the projected use in the route network over the next 12 months has been hedged at a weighted average price of 710 USD per metric ton.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)	Av. Weighted price USD
Q3 2025	122,393	61,000	50%	730
Q4 2025	79,293	35,350	45%	702
6 months	201,685	96,350	48%	720
Q1 2026	62,033	20,700	33%	698
Q2 2026	101,171	27,000	27%	684
12 months	364,890	144,050	39%	710
Q3 2026	122,393	24,900	20%	672
Q4 2026	79,293	6,000	8%	644
13-18 months	201,685	30,900	15%	666

FINANCIAL GUIDANCE FOR 2025

As mentioned above, Icelandair's bookings for the peak summer period are ahead of last year, while bookings into the fall and winter are currently trending softer. For Q3, the Company expects profitability to improve year-over-year, while performance in Q4 is currently forecasted to be at a similar level to last year. The EBIT for the full year is expected to be near breakeven. This projection is based on the average market price of jet fuel at around USD 720 per metric ton and the ISK/USD exchange rate at 123. The projection assumes improved booking trends in the winter compared to last year. This guidance is subject to change due to various risks and uncertainties in the environment.