ICELANDAIR

Condensed Consolidated Interim Financial Statements

2 1 January - 30 June 2026

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

Contents

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 2026 have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 Income Statement, the loss for the second quarter of 2026 amounted to USD 32.3 million and comprehensive loss was USD 73.6 million. Equity as of 30 June 2026 amounted to USD 229.8 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 six months ended 30 June 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.

Icelandair delivered record revenue of USD 496.2 million in the second quarter, an increase of 7% year-on-year. EBIT amounted to negative USD 29.6 million, compared to positive EBIT of USD 0.8 million in the same period last year. The decline was primarily driven by a significant increase in fuel costs, with fuel expenses up by USD 41.0 million year-on-year. Excluding the fuel price increase, underlying profitability improved year-on-year, supported by strong yield development, a high load factor and a continued focus on the most profitable markets to and from Iceland.

Icelandair's passenger network capacity decreased by 1% year-on-year, while passenger traffic measured in revenue passenger kilometers increased by 1%. Total passenger numbers reached 1.4 million, up by 2% from the same period last year. During the quarter, 31% of passengers travelled to Iceland, 20% from Iceland, 44% via Iceland and 5% within Iceland. Passenger numbers to and from Iceland increased by 3% and 17%, respectively, while connecting passengers decreased by 4% year-on-year. Yields improved by 5% and the passenger load factor reached 84.0%, up by 1.9 percentage points.

On-time performance remained robust at 82.8% for the quarter and improved during the period, reaching 84.9% in June. Freight volumes, measured in freight ton-kilometers, increased by 1% year-on-year, and the Leasing business continued to grow, with sold charter block hours up by 4%. CO_2 emissions per operational ton-kilometer decreased by 5%, supported by increased utilization of more efficient new-generation aircraft, a continued focus on operational efficiency and a high load factor.

Icelandair's transformation journey is progressing well. Since the launch of the ONE transformation program, more than 550 initiatives have been identified, of which 317 have been implemented to date. These initiatives are expected to deliver approximately USD 123 million in annualized impact when fully realized, of which USD 29 million was realized in the second quarter of 2026.

Icelandair employed an average of 3,704 full-time employees in the second quarter of 2026, broadly in line with the same period last year.

Equity amounted to USD 229.8 million, with an equity ratio of 10.5% at the end of June 2026. Cash and marketable securities amounted to USD 511.6 million, and the Company had undrawn committed credit lines of USD 92.0 million, bringing total liquidity to USD 603.6 million at quarter-end.

The revenue outlook for the third quarter is strong, with unit revenues expected to be the highest the Company has recorded, supported by robust demand to and from Iceland and exceptionally high demand for travel to Iceland around the total solar eclipse in August. EBIT in the third quarter is expected to improve year-on-year. The financial outlook for the fourth quarter and full year remains subject to considerable uncertainty, primarily driven by volatility in jet fuel prices. Icelandair continues to focus on cost control, capacity discipline, fleet renewal and initiatives aimed at strengthening its hub and operations in Iceland.

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

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

To the best of our 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 2026, its assets and liabilities, its consolidated financial position as at 30 June 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 30 June 2026 and confirm them with their signatures.

Hafnarfjörður, 21 July 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 1 January to 30 June 2026

	Notes	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Operating income					
Passenger revenue	7	421,318	393,047	679,626	607,074
Cargo revenue		20,550	19,124	43,164	40,177
Leasing revenue		29,045	30,252	60,370	58,847
Other operating revenue	7	25,239	20,274	59,534	43,050
		496,152	462,697	842,694	749,148
Operating expenses					
Salaries and salary-related expenses		132,443	124,146	241,427	216,352
Aircraft fuel		136,464	95,504	208,653	157,569
Other aviation expenses		101,049	94,259	180,604	154,848
Other operating expenses		110,818	104,586	208,228	198,990
	8	480,774	418,495	838,912	727,759
Operating profit before depreciation and amortization (EBITDA)		15,378	44,202	3,782	21,389
Depreciation and amortization	9	(45,025)	(43,427)	(86,765)	(82,885)
Operating (loss) profit (EBIT)		(29,647)	775	(82,983)	(61,496)
Finance income		6,311	16,642	13,425	29,010
Finance cost		(16,361)	(11,467)	(27,254)	(21,141)
Net finance (cost) income	10	(10,050)	5,175	(13,829)	7,869
Share of profit (loss) of associates		118	1,049	(29)	1,359
(Loss) profit before tax (EBT)		(39,579)	6,999	(96,841)	(52,268)
Income tax		7,232	5,922	19,172	21,104
(Loss) profit for the period		(32,347)	12,921	(77,669)	(31,164)
Other comprehensive (loss) income					
Currency translation differences		(1,984)	16,949	(1,087)	24,410
Net profit (loss) on hedge of investment, net of tax		(649)	5,181	(320)	7,483
Cash flow hedges - effective portion of changes in fair value, net of tax		(68,527)	5,049	(13,099)	11,831
Cash flow hedges - reclassified to profit or loss		29,858	1,467	35,188	1,027
Other comprehensive (loss) income for the period		(41,302)	28,646	20,682	44,751
Total comprehensive (loss) profit for the period		(73,649)	41,567	(56,987)	13,587
(Loss) profit attributable to:					
Owners of the Company		(32,415)	13,060	(77,842)	(31,083)
Non-controlling interest		68	(139)	173	(81)
(Loss) profit for the period		(32,347)	12,921	(77,669)	(31,164)
Total comprehensive (loss) profit attributable to:					
Owners of the Company		(73,705)	41,706	(57,098)	13,668
Non-controlling interest		56	(139)	111	(81)
Total comprehensive (loss) profit for the period		(73,649)	41,567	(56,987)	13,587
Earnings per share					
Basic earnings per share in US cents		(0.08)	0.03	(0.19)	(0.08)
Diluted earnings per share in US cents per share		(0.08)	0.03	(0.18)	(0.08)

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

Interim Financial Statements of Icelandair Group hf. 30 June 2026 4 Amounts are in USD thousands

Consolidated Statement of Financial Position as at 30 June 2026

	Notes	30.06.2026	31.12.2025
Assets			
Aircraft, property and equipment		547,624	563,544
Right-of-use assets		550,736	483,140
Intangible assets and goodwill		58,255	57,811
Investments in associates		36,675	36,995
Receivables and deposits		75,786	71,959
Deferred tax assets		87,532	73,510
Non-current assets		1,356,608	1,286,959
Inventories		31,092	28,138
Derivatives used for hedging		28,009	3,967
Trade and other receivables		266,107	178,835
Marketable securities		113,673	170,369
Cash and cash equivalents		397,939	195,466
Current assets		836,820	576,775
Total assets		2,193,428	1,863,734
Equity			
Share capital		310,973	310,973
Reserves		99,268	68,785
Accumulated deficit		(182,886)	(95,707)
Equity attributable to equity holders of the Company		227,355	284,051
Non-controlling interest		2,482	2,371
Total equity		229,837	286,422
Liabilities			
Loans and borrowings	11	128,684	138,243
Lease liabilities	12	520,330	461,570
Provisions and other liabilities		151,707	146,809
Non-current liabilities		800,721	746,622
Loans and borrowings	11	26,436	39,123
Lease liabilities	12	86,956	77,987
Derivatives used for hedging		0	3,570
Trade and other payables		457,161	318,712
Deferred income	13	592,317	391,298
Current liabilities		1,162,870	830,690
Total liabilities		1,963,591	1,577,312
Total equity and liabilities		2,193,428	1,863,734

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

Interim Financial Statements of Icelandair Group hf. 30 June 2026 5 Amounts are in USD thousands

Consolidated Statement of Changes in Equity
for the period 1 January to 30 June 2026

	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 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 profit 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
1 January to 30 June 2026								
Equity 1 January 2026	310,973	317	18,467	50,001	(95,707)	284,051	2,371	286,422
(Loss) profit for the period					(77,842)	(77,842)	173	(77,669)
Currency translation differences			(1,087)			(1,087)	(62)	(1,149)
Net loss on hedge of investment, net of tax			(320)			(320)		(320)
Effective portion of changes in fair value of cash flow hedges, net of tax		(13,099)				(13,099)		(13,099)
Cash flow hedges, reclassified to profit or loss		35,188				35,188		35,188
Stock options					464	464		464
Effects of profit or loss of subsidiaries and associates				9,801	(9,801)	0		0
Equity 30 June 2026	310,973	22,406	17,060	59,802	(182,886)	227,355	2,482	229,837

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

Interim Financial Statements of Icelandair Group hf. 30 June 2026 6 Amounts are in USD thousands

Consolidated Statement of Cash Flows
for the six months ended 30 June 2026

	Notes	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Cash flows to operating activities					
(Loss) profit for the period		(32,347)	12,921	(77,669)	(31,164)
Adjustments for:					
Depreciation and amortization	9	45,025	43,427	86,765	82,885
Expensed deferred cost		16,404	17,042	28,527	29,108
Net finance cost	10	10,050	(5,175)	13,829	(7,869)
Gain on sale of operating assets		(36)	(93)	(8,213)	(107)
Share of (profit) loss of associates		(118)	(1,049)	29	(1,359)
Income tax		(7,232)	(5,922)	(19,172)	(21,104)
		31,746	61,151	24,096	50,390
Changes in:					
Inventories		(434)	(71)	(2,953)	(990)
Trade and other receivables		5,096	31,584	(75,485)	(15,707)
Trade and other payables		36,259	52,976	105,555	116,630
Deferred income		(23,762)	(23,413)	201,034	181,453
		17,159	61,076	228,151	281,386
Interest received		5,127	6,844	9,031	10,977
Interest paid		(11,634)	(11,050)	(21,622)	(20,018)
Net cash from operating activities		42,398	118,021	239,656	322,735
Cash flows to investing activities					
Acquisition of operating assets		(14,301)	(18,993)	(38,240)	(34,898)
Proceeds from sale of operating assets		60	1,780	15,708	1,813
Deferred cost, change		(1,179)	(1,162)	(2,016)	(2,992)
Acquisition of intangible assets		(1,013)	(730)	(1,310)	(2,109)
Investment in associates		284	230	111	985
Non-current receivables, change		(6,324)	(8,280)	(5,606)	(6,760)
Marketable securities, change		43,562	(47,421)	56,696	(58,481)
Net cash used in investing activities		21,089	(74,576)	25,343	(102,442)
Cash flows to financing activities					
Repayment of loans and borrowings		(12,006)	(11,725)	(21,700)	(21,104)
Repayment of lease liabilities		(21,696)	(17,811)	(41,210)	(34,254)
Net cash used in financing activities		(33,702)	(29,536)	(62,910)	(55,358)
Change in cash and cash equivalents		29,785	13,909	202,089	164,935
Effect of exchange rate fluctuations on cash held		1,095	1,366	384	2,002
Cash and cash equivalents at beginning of the period		367,059	301,897	195,466	150,235
Cash and cash equivalents at period end		397,939	317,172	397,939	317,172
Marketable securities		113,673	163,043	113,673	163,043
Cash, cash equivalents and marketable securities at period end		511,612	480,215	511,612	480,215

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.

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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 Flugvellir 1 in Hafnarfjörður, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 June 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

a. Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 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 21 July 2026.

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 judgments

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgments, 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 judgments 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.

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 Iceeignir 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

1 January - 30 June 2026	**Route network**	**Cargo operation**	**Leasing operation**	**Adjust-ments**	**Total**
External revenue	738,362	44,209	60,123	0	842,694
Inter-segment revenue	34,019	695	103	(34,817)	0
Total segment revenue	772,381	44,904	60,226	(34,817)	842,694
External operating cost	(790,929)	(26,048)	(21,935)	0	(838,912)
Internal operating cost	(798)	(16,648)	(17,371)	34,817	0
Total operating cost	(791,727)	(42,696)	(39,306)	34,817	(838,912)
Depreciation and amortization	(73,209)	(1,985)	(11,571)	0	(86,765)
Segment EBIT	(92,555)	223	9,349	0	(82,983)
Net finance (cost) income	(12,647)	(1,507)	325	0	(13,829)
Share of loss of associates	(29)	0	0	0	(29)
Income tax	20,813	257	(1,898)	0	19,172
(Loss) profit	(84,418)	(1,027)	7,776	0	(77,669)
Capital expenditures	39,533	0	2,230	(197)	41,566

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6. Operating segments, contd.

Reporting segments for the six months, contd.

1 January - 30 June 2025	Route network	Cargo operation	Leasing operation	Adjust- ments	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 income (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)
Capital expenditures	28,486	0	13,120	(1,607)	39,999

Geographic information

The geographic analysis presents the Group's revenue, as the majority of the Group's clients are outside 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 the point of sale.

Geographic segments for the six months

1 January - 30 June	North America	Europe	Iceland	Other	Total
Passenger revenue	338,923	157,215	168,562	14,926	679,626
Cargo revenue	2,339	17,443	23,382	0	43,164
Leasing revenue	13,885	6,037	3,622	36,826	60,370
Other operating revenue	2,150	2,341	54,517	526	59,534
Total revenue	357,297	183,036	250,083	52,278	842,694
Total revenue %	42%	22%	30%	6%	100%

1 January - 30 June	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%

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Notes, contd.

7. Operating income

Passenger revenue is specified as follows:	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Passenger revenue	411,818	386,000	662,603	593,988
Ancillary revenue	9,500	7,047	17,023	13,086
Total passenger revenue	421,318	393,047	679,626	607,074
Other operating revenue is specified as follows:				
Revenue from tourism	14,222	11,165	30,074	25,594
Sales at airports	1,662	945	3,070	2,351
Aircraft handling	3,331	2,601	5,407	4,245
Gain on sale of operating assets	36	93	8,185	107
Other operating revenue	5,988	5,470	12,798	10,753
Total other operating revenue	25,239	20,274	59,534	43,050

8. Operating expenses

	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Salaries and salary-related expenses are specified as follows:				
Salaries	103,843	95,721	189,645	167,218
Contributions to pension funds	17,083	15,862	32,277	28,064
Other salary-related expenses	11,517	12,563	19,505	21,070
Total salaries and salary-related expenses	132,443	124,146	241,427	216,352
Average number of full time equivalents	3,704	3,720	3,485	3,447
Aircraft fuel is specified as follows:				
Aircraft fuel	151,548	82,813	217,515	137,384
Emissions Trading System (ETS)	10,330	6,874	17,322	11,626
Corsia Carbon Credits	804	460	1,350	714
Sustainable Aviation Fuel charges (SAF)	1,264	1,263	2,217	1,901
Fuel hedges	(27,482)	4,094	(29,751)	5,944
Total aircraft fuel cost	136,464	95,504	208,653	157,569
Other aviation expenses are specified as follows:				
Aircraft and engine lease	839	327	1,762	669
Aircraft handling, landing and navigation	52,727	52,235	91,103	82,839
Aircraft maintenance expenses	47,483	41,697	87,739	71,340
Total other aviation expenses	101,049	94,259	180,604	154,848
Other operating expenses are specified as follows:				
Travel and other employee expenses	21,306	22,050	39,338	40,442
Tourism expenses	12,080	8,642	24,918	19,309
IT expenses	10,437	9,207	20,277	17,358
Advertising	4,612	7,560	10,733	14,762
Booking fees and commission expenses	21,092	18,366	35,935	31,803
Customer services	29,004	25,045	51,966	45,993
Operating cost of real estate and fixtures	2,321	2,623	4,490	4,795
Allowance for bad debt	120	183	257	373
Other operating expenses	9,846	10,910	20,314	24,155
Total other operating expenses	110,818	104,586	208,228	198,990

9. Depreciation and amortization

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

	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Depreciation of operating assets	23,160	25,348	45,249	48,632
Depreciation of right-of-use assets	21,375	17,689	40,650	33,603
Amortization of intangible assets	490	390	866	650
Depreciation and amortization recognized in profit or loss	45,025	43,427	86,765	82,885

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Notes, contd.

10. Finance income and (finance cost)

Finance income and (finance cost) are specified as follows:	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Interest income on cash and cash equivalents and marketable securities	5,276	7,277	10,490	13,388
Interest income on lease receivables	359	478	737	931
Other interest income	1,213	1,188	2,198	1,834
Net currency exchange gain	0	7,699	0	12,857
Finance income total	6,848	16,642	13,425	29,010
Interest expenses on loans and borrowings	(1,974)	(2,684)	(4,157)	(5,699)
Interest on lease liabilities	(9,254)	(7,773)	(17,267)	(14,159)
Other interest expenses	(3,119)	(1,010)	(3,816)	(1,283)
Net currency exchange loss	(2,551)	0	(2,014)	0
Finance cost total	(16,898)	(11,467)	(27,254)	(21,141)
Net finance (cost) income	(10,050)	5,175	(13,829)	7,869

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:	30.6.2026	31.12.2025
Non-current loans and borrowings:		
Secured bank loans	153,268	172,930
Unsecured loans	1,852	4,436
Total loans and borrowings	155,120	177,366
Current maturities	(26,436)	(39,123)
Total non-current loans and borrowings	128,684	138,243
Current loans and borrowings:		
Current maturities	26,436	39,123
Total current loans and borrowings	26,436	39,123
Total loans and borrowings	155,120	177,366

Terms and debt repayment schedule:	Currency	Nominal interest rates	Year of maturity	Total remaining balance 30.6.2026	31.12.2025
Secured bank loans	USD	4.69%	2026-2034	117,263	131,727
Secured bank loans	EUR	4.23%	2028-2030	36,005	41,203
Unsecured loans	ISK	3.65%	2030	1,852	4,436
Total interest-bearing liabilities				155,120	177,366

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 2026.

Repayments of loans and borrowings are specified as follows:	30.6.2026	31.12.2025
Repayments in 2026 (6 months)(2025:12 months)	17,464	39,123
Repayments in 2027	17,635	17,875
Repayments in 2028	55,165	55,155
Repayments in 2029	11,656	11,714
Repayments in 2030	20,864	21,193
Subsequent repayments	32,336	32,306
Total loans and borrowings	155,120	177,366

The Group was not in breach of any financial covenants at 30 June 2026.

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12. Lease liabilities

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

	Interest rates	Year of maturity	Total remaining balance 30.6.2026	31.12.2025
Lease liabilities in USD	6.07%	2026-2038	601,676	534,342
Lease liabilities in ISK, indexed	6.84%	2026-2059	4,482	3,728
Lease liabilities in other currencies	5.42%	2026-2030	1,128	1,487
Current maturity			(86,956)	(77,987)
Total lease liabilities			520,330	461,570

Repayments of lease liabilities are specified as follows:

	30.6.2026	31.12.2025
Repayments in 2026 (6 months)(2025:12 months)	44,146	77,987
Repayments in 2027	85,550	76,532
Repayments in 2028	80,211	70,851
Repayments in 2029	78,472	70,384
Repayments in 2030	75,653	68,464
Subsequent repayments	243,254	175,339
Total lease liabilities	607,286	539,557

Further lease commitments are in place for three A321LR aircraft and four A320neo, scheduled for delivery to the Route network as shown in the table below. The total lease liability for these seven aircraft is estimated to be around USD 217 million.

	Q4 2026	Q1 2027	Q2 2027	Total
A321LR	3	0	0	3
A320neo	0	3	1	4
Total	3	3	1	7

13. Deferred income

Sold unused tickets, the 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:	30.6.2026	31.12.2025
Sold unused tickets and vouchers	524,993	323,136
Frequent flyer points	42,477	37,686
Other prepayments	24,847	30,476
Total deferred income	592,317	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 to provide to passengers. Of this amount, sold tickets with future travel dates amounted to USD 509.9 million (2025: USD 304.3 million) and vouchers amounted to USD 15.1 million (2025: USD 18.8 million). When issued, the vouchers are generally valid for five 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.

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Notes, contd.

14. Financial instruments and fair value

The fair values 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:

	30.6.2026		31.12.2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	28,009	28,009	397	397
Unsecured loans	(1,852)	(1,775)	(4,436)	(2,305)
Secured loans	(153,268)	(158,946)	(172,930)	(181,390)
Lease liabilities	(607,286)	(607,286)	(539,557)	(539,557)
Total	(734,397)	(739,998)	(716,526)	(722,855)

Fair value hierarchy:

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

30 June 2026	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives used for hedging		28,009		28,009
	0	28,009	0	28,009
Financial liabilities:				
Unsecured loans			(1,775)	(1,775)
Secured loans			(158,946)	(158,946)
Lease liabilities			(607,286)	(607,286)
	0	0	(768,007)	(768,007)
31 December 2025				
Financial assets:				
Derivatives used for hedging		3,967		3,967
	0	3,967	0	3,967
Financial liabilities:				
Unsecured loans			(2,305)	(2,305)
Secured loans			(181,390)	(181,390)
Lease liabilities			(539,557)	(539,557)
Derivatives used for hedging		(3,570)		(3,570)
	0	(3,570)	(645,265)	(726,822)

15. Capital commitments

In 2023, the Group finalized a purchase agreement for up to 25 A321XLR aircraft from Airbus (including 13 firm orders and 12 options) and related spare engine agreements with Pratt & Whitney with deliveries expected to commence in 2029. In addition, the Group has concluded lease agreements for 9 new A321LR aircraft. As at 30 June 2026, 6 of these aircraft had been delivered, including 2 delivered during the first quarter of 2026. The remaining 3 aircraft are scheduled for delivery to the Route network in the third and fourth quarters of 2026, as shown in Note 12. In the second quarter of 2026 the Group also secured one aircraft on a lease to support the fleet due to delays in the delivery of one A321LR aircraft. In addition, the Group has further signed lease agreements for 4 A320neo aircraft, which are scheduled for delivery in the first and second quarters of 2027. The Group is currently working on further acquisitions for 2028 and beyond.

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16. Group entities

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

	Ownership interest	
	30.6.2026	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%
Loftleiðir - Icelandic ehf.	100%	100%

The subsidiaries further own eight 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 cash flows in the current period.

Investment and financing without cash flow effect:	2026 Q2	2025 Q2	2026 YTD	2025 YTD
New or renewed leases	12,414	91,389	109,031	137,346
Acquisition of right-of-use assets	(11,726)	(91,389)	(108,343)	(137,346)
Non-current receivables	(688)	0	(688)	0
Trade and other receivables Carbon forward contract	(3,105)	0	(12,091)	0
Trade and other payables Carbon forward contract	3,105	0	12,091	0

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Alternative performance measures (APMs)

Traffic	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Available seat-kilometers ASK (m.)	5,105	5,171	8,547	8,225
Yield (USD cents)	9.42	8.94	9.18	8.63
Passenger load factor	84.0%	82.1%	82.5%	81.5%
TRASK (US cents)	7.91	7.35	7.59	7.03
RASK (US cents)	8.44	7.78	8.18	7.60
CASK (US cents)	9.11	7.93	9.31	8.55
CASK less fuel (US cents)	6.59	6.16	7.04	6.76
Revenue Passenger Kilometers (RPK m.)	4,289	4,248	7,054	6,699
Passenger total ('000)	1,411	1,381	2,343	2,209
On-Time-Performance OTP	82.8%	87.2%	82.5%	84.7%
Passenger flights	5,446	5,311	9,308	8,819
Stage length (KM)	3,017	3,071	2,981	3,003
Sold Block Hours - Leasing	7,168	6,865	14,813	13,138
Freight ton kilometers (FTK '000)	32,974	32,772	72,269	71,279
Total CO2 emissions tons ('000)	311	337	540	542
CO2 emissions per OTK	0.71	0.75	0.74	0.76
Passenger mix ('000)				
To	442	429	787	724
From	277	237	478	396
Via	621	648	945	964
Within	71	67	133	125

Capital structure	30.6.2026	31.12.2025
Total cash and marketable securities (USD '000)	511,612	365,835
Liquidity (USD '000)	603,612	457,835
Net interest-bearing debt (USD '000)	(356,492)	(188,470)
Net lease liabilities (USD '000)	587,648	516,496
Net financial liabilities (USD '000)	231,156	328,026
Current ratio	0.72	0.69
Equity ratio	0.10	0.15
Intrinsic value of share capital	0.74	0.92

Other	2026 Q2	2025 Q2	2026 YTD	2025 YTD
Effective fuel price (USD pr. metric ton)	1,224	807	1,083	827
CAPEX, gross (USD '000)	16,493	20,885	41,566	39,999
CAPEX, net (USD '000)	16,433	19,105	25,858	38,186
Average FTE	3,704	3,720	3,485	3,447
Average rate ISK	0.0081	0.0078	0.0081	0.0075
Average rate EUR	1.1672	1.1329	1.1706	1.0926
Period-end spot rate ISK	0.0079	0.0082	0.0079	0.0082
Period-end spot rate EUR	1.1426	1.1767	1.1426	1.1767

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 dividing by total available seat kilometers (ASK)
Revenue Passenger Kilometers (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 by the total number of arrivals.
Passenger flights	A 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 emissions 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).
Net financial liabilities	The sum of net interest-bearing debt and net lease liabilities.
Current ratio	Indicates how many times over current assets can cover current liabilities and is calculated by dividing current assets by current liabilities.
Equity ratio	Indicates the ratio of how leveraged the Company is and is calculated by dividing total equity by total assets.
Intrinsic value of share capital	Indicates the book value of each share and is calculated by dividing total equity by 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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