

ICELANDAIR: FINANCIAL RESULTS Q3 2026

- Record revenue of USD 655.0 million, up 12% year-on-year
- EBIT of USD 120.3 million, improving by USD 45.9 million year-on-year, with the EBIT margin rising to 18.4% from 12.7%
- Profitability improved despite fuel expenses, increasing by USD 12.9 million, net of hedging gains
- Strong commercial performance drove an 18% increase in unit revenue, reflecting a 17% increase in yield and a 0.6 percentage-point improvement in load factor
- Unit cost (CASK) up 10%, primarily driven by higher fuel prices
- Negative EBIT impact of USD 4.0 million due to the strike led by the Association of Aircraft Maintenance Technicians in September
- Net profit of USD 96.7 million compared to USD 57.3 million last year
- Liquidity position of USD 550.3 million at quarter-end, a USD 47.5 million improvement year on year
- The outlook for the fourth quarter is challenging, with profitability expected to be impacted by continued cost pressures, particularly high fuel prices
- For the full-year of 2026, EBIT is expected to be in the range of negative USD 20-30 million

BOGI NILS BOGASON, PRESIDENT & CEO

"Our operations in the quarter were strong and performance in our core business was good despite historically high fuel prices, unfavorable currency developments and industrial actions that negatively affected the results. EBIT improvement, record revenues and a strong liquidity position show that the Company is on the right path. At the same time, our company-wide transformation journey is yielding real results and we can see its effects in many parts of the business.

Given persisting challenges in the operating environment, high fuel prices and unfavorable currency development for Icelandic export companies, we are expecting a loss in the fourth quarter and for the full year. This reinforces the importance of our ongoing actions to reduce costs, simplify the business and improve efficiency. Reaching sustainable collective bargaining agreements is a crucial part of ensuring the Company's long-term competitiveness and thereby attractive aviation jobs in Iceland.

Parallel to driving efficiencies in our operations, we continue to make structural improvements to the business, including our focus on fleet renewal and preparations for the arrival of the Airbus A321XLR. Our goal is clear: to build a simpler and more efficient Icelandair that is well positioned to capitalize on new opportunities when external conditions improve. A robust financial position, with stronger liquidity position than at the same time last year, gives us a solid financial foundation to build on.

Finally, I would like to thank our employees for their hard work and dedication during the high season and our customers for choosing Icelandair".

INVESTOR PRESENTATION 23 OCTOBER 2026

An investor presentation will be webcast in relation to the publication of Q3 results 2026 at 8:30 GMT on Friday, 23 October 2026, 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

- Q4 2026 Results and Consolidated Financial Statement 2026, 4 February 2027
- AGM, 11 March 2027

KEY INDICATORS

		Q3 2026	Q3 2025	Change	9M 2026	9M 2025	Change
Operating results							
Total income	USDk	654,959	585,260	69,699	1,497,653	1,334,408	163,245
of which passenger revenue	USDk	578,986	522,103	56,883	1,258,612	1,129,177	129,435
Total operating cost	USDk	489,281	464,600	24,681	1,328,193	1,192,359	135,834
EBIT	USDk	120,282	74,354	45,928	37,299	12,858	24,441
EBT	USDk	116,376	72,085	44,291	19,535	19,817	-282
Net profit	USDk	96,729	57,282	39,447	19,060	26,118	-7,058
Balance sheet¹ and cash flow							
Total assets	USDk	-	-	-	2,057,679	1,863,734	193,945
Total equity	USDk	-	-	-	361,046	286,422	74,624
Interest-bearing financial liabilities ²	USDk	-	-	-	717,135	693,861	23,274
Net financial liabilities ³	USDk	-	-	-	258,852	328,026	-69,174
Total cash and marketable securities	USDk	-	-	-	458,283	365,835	92,448
Net cash from operating activities	USDk	-20,827	-26,155	5,328	218,829	296,580	-77,751
CAPEX, gross	USDk	12,931	17,946	-5,015	54,497	57,945	-3,448
CAPEX, net	USDk	7,775	15,691	-7,916	33,633	53,877	-20,244
Key Ratios							
Equity ratio ¹	%	-	-	-	17.5	15.4	2.2 ppt
EPS	US Cent	0.24	0.14	-	0.05	0.06	-
EBIT ratio	%	18.4	12.7	5.7 ppt	2.5	1.0	1.5 ppt
RASK ⁴	US Cent	10.21	8.69	18%	9.00	8.07	12%
Yield	US Cent	11.25	9.63	17%	10.04	9.07	11%
CASK ⁴	US Cent	8.32	7.57	10%	8.91	8.13	10%
CASK less fuel ⁴	US Cent	6.15	5.68	8%	6.68	6.30	6%
Traffic figures							
Passenger flights	no.	6,143	6,246	-2%	15,451	15,065	3%
Passengers total	no.	1,641,426	1,697,596	-3%	3,984,087	3,906,267	2%
To Iceland	no.	696,017	641,768	8%	1,483,129	1,365,352	9%
From Iceland	no.	299,471	269,473	11%	777,495	665,361	17%
Via Iceland	no.	574,423	715,846	-20%	1,518,658	1,679,833	-10%
Within Iceland	no.	71,514	70,508	1%	204,806	195,720	5%
Available seat km (ASK)	mill	5,765	6,120	-6%	14,312	14,347	0%
Revenue passenger km (RPK)	mill	4,986	5,254	-5%	12,040	11,954	1%
Passenger load factor	%	86.5	85.9	0.6 ppt	84.1	83.3	0.8 ppt
On-Time-Performance	%	81.2	83.1	-1.9 ppt	82.0	84.0	-2.0 ppt
Freight ton kilometers (FTK'000)	k	34,275	29,391	17%	106,544	100,670	6%
Sold charter block hours	no.	6,804	7,127	-5%	21,617	20,265	7%
CO2 emissions per OTK	no.	0.70	0.72	-3%	0.72	0.75	-4%
Employees							
Av. no. of full-time employees	no.	3,797	3,833	-1%	3,589	3,576	0%

¹ Comparison figures for the balance sheet are 31.12.2025

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

Q3 TRAFFIC DATA

- 1.6 million passengers carried, down 3% year-on-year
- Strong demand to and from Iceland supported a higher share of to/from passengers and a 17% increase in average yield, primarily driven by the improved passenger mix and a favorable pricing environment
- Capacity was actively adjusted to align with market demand and improve network profitability, decreasing by 6% year-on-year.
- Load factor improved by 0.6 percentage points to 86.5%, including a record September
- On-time performance strengthened during the quarter, reaching 85.4% in September

The passenger network capacity decreased by 6% year-over-year. Passenger traffic, measured in revenue passenger kilometers (RPK), decreased by 5%, with total passenger numbers reaching 1.6 million. During the quarter, Icelandair continued to adjust capacity in line with market demand, with increased focus on the markets to and from Iceland.

During the quarter, 42% of passengers traveled to Iceland, 18% from Iceland, 35% via Iceland, and 4% within Iceland. Demand in the markets to and from Iceland remained strong throughout the quarter, with passenger numbers increasing by 8% and 11%, respectively, while the number of connecting passengers decreased by 20% year-on-year. This deliberate rebalancing increased the share of higher-yielding point-to-point traffic and was the primary driver of the 17% increase in average yield. The yield increase primarily reflects this change in passenger and network mix, supported by a favorable pricing environment in the markets to and from Iceland. Demand to Iceland was particularly strong in August, supported by the Solar Eclipse.

Passenger mix '000	Q3 2026	Q3 2025	Change	% of total '26	% of total '25
To Iceland	696,017	641,768	8%	42%	38%
From Iceland	299,471	269,473	11%	18%	16%
Via Iceland	574,423	715,846	-20%	35%	42%
Within Iceland	71,514	70,508	1%	4%	4%
Total	1,641,426	1,697,596	-3%	100%	100%

The load factor reached 86.5%, up by 0.6 percentage points year-over-year. Load factor remained strong throughout the quarter, reaching 88.8% in July and a record 84.9% for September. On-time performance was 81.2% in the third quarter, compared to 83.1% in the same period last year.

Freight volumes, measured in freight ton kilometers (FTK), increased by 17% year-on-year in the third quarter. In the leasing business, sold block hours decreased by 5% year-on-year. CO₂ emissions per operational ton-kilometer (OTK) decreased by 3% year-on-year, supported by increased utilization of new-generation aircraft and continued operational efficiencies.

Q3 EBIT, INCOME, AND EXPENSES

- EBIT reached USD 120.3 million, driven by 12% revenue growth that significantly outpaced the 5% increase in operating expenses
- Revenue reached a record USD 655.0 million, supported by record passenger revenue and strong growth in the markets to and from Iceland
- Fuel costs before hedging increased by USD 46 million, or 45%, while hedging mitigated the net increase to 11%

EBIT

Revenue performance remained strong in the third quarter, resulting in record quarterly revenue of USD 655.0 million. EBIT was USD 120.3 million, compared with USD 74.4 million in the same period last year. The year-on-year improvement was mainly driven by strong demand and a clear strategy of prioritizing the most profitable markets to and from Iceland, supported by exceptionally high demand around the total solar eclipse in August. Fuel expenses increased by USD 12.9 million, or 11%, net of hedges. Fuel costs before hedging rose by 45%, but USD 28.1 million of the increase was offset by hedging. Total operating expenses increased by 5% against revenue growth of 12%, lifting the EBIT ratio to 18.4% from 12.7% in the same quarter last year. Cargo recorded an EBIT loss of USD 0.2 million, as higher fuel costs offset the benefit of 11% revenue growth. The Leasing segment continued to perform strongly, delivering EBIT of USD 5.5 million and an EBIT margin of 19%. Overall, the quarter demonstrated the strength of the underlying business, with strong commercial performance, improved passenger mix and record revenue more than offsetting higher fuel costs.

Income

Total income amounted to USD 655.0 million, up 12% from the same period last year. Passenger revenue reached USD 579.0 million, up from USD 522.1 million, setting a third-quarter record. Passenger revenue increased across all markets except the Via market, led by the market from Iceland, where revenue grew by 35% and passenger volume by 11%. Cargo revenue totaled USD 20.2 million, an 11% increase year-on-year, driven by strong transit volumes and higher yields. Leasing revenue totaled USD 28.7 million, up 30% year over year. Other income totaled USD 27.1 million, up by USD 4.2 million compared to the same period last year.

Operating expenses

Operating expenses, excluding depreciation, totaled USD 489.3 million, up 5% year-on-year. The net negative effect on costs from depreciation of the USD against other currencies, including hedges, is estimated at around USD 6.5 million.

Salaries and salary-related costs increased by 5%, to USD 120.7 million. This increase was due to contractual wage increases and the negative impact of the ISK's strong real exchange rate. At a fixed exchange rate, salary costs decreased by 1%. Full-time equivalent positions (FTEs) averaged 3,797 during the quarter, 1% decrease compared to last year. FTEs decreased less than capacity, as shorter average sector length meant trips declined by only 2% compared with a 6% capacity reduction. In addition, some capacity was reduced at short notice in response to elevated fuel prices, leaving limited scope to adjust FTE levels accordingly.

Aircraft fuel expenses amounted to USD 131.5 million in the quarter, increasing by USD 12.9 million year-on-year despite a 6% reduction in production. Before hedging, fuel costs were USD 148.8 million, up 45%, but hedging gains of USD 28.1 million offset most of the increase. The weighted effective fuel price, including add-ons and hedging, was USD 1,244 per metric ton. Emission charges amounted to USD 9.9 million, compared to USD 11.6 million in Q3 last year. At the same time, CO₂ emissions per Operational Ton-Kilometer (OTK) decreased by 3%. Fuel prices rose sharply towards the end of the quarter and have remained close to peak levels since.

Other aviation expenses totaled USD 111.2 million, up 4% year-on-year. Handling, landing, and navigation costs increased by 3% and amounted to USD 62.7 million. Aircraft maintenance expenses amounted to USD 46.7 million, a 12% year-over-year increase, driven by increases in engine repair costs and increased engine reserve costs associated with the newer leased aircraft.

Other operating expenses totaled USD 126.0 million, up 2% year-on-year. The increase was mainly due to higher booking fees and commissions, which rose to USD 31.3 million in line with higher passenger revenue. Disruption-related expenses also spiked in September due to strike-related cancellations.

These cancellations increased costs by USD 1.2 million in Q3 and resulted in approximately USD 2.8 million of lost revenue, for a total financial impact of USD 4.0 million.

Depreciation and amortization totaled USD 45.4 million, down from USD 46.3 million in the same period last year.

Net finance costs

Net finance cost totaled USD 4.6 million, representing a USD 2.1 million increase between years. Interest income amounted to USD 6.8 million, decreasing by USD 1.7 million year-on-year. Interest expenses totaled USD 13.1 million, up by USD 2.0 million. A foreign exchange gain of USD 1.6 million was recognized compared to USD 0.6 million last year.

Unit revenue and unit cost

Unit revenue (RASK) in Q3 2026 was 10.2 US cents, up from 8.7 US cents last year. The average yield was 11.3 US cents, up 17% year-on-year, and the load factor improved to 86.5% from 85.9% last year. The deliberate rebalancing of the network, together with the higher load factor and a favorable pricing environment, drove the increase in RASK. Unit cost (CASK) was 8.3 US cents, increasing from 7.6 US cents last year, with increased fuel expenses being the main contributor. CASK excluding fuel was 6.2 US cents, up 8% year-on-year, reflecting continued fleet renewal, higher maintenance costs and increased disruption-related expenses, mainly due to industrial actions in September.

FINANCIAL POSITION

- Equity USD 361 million and equity ratio 17.5%
- Total liquidity USD 550 million, up by 48 million compared to the end of Q3 last year

Balance sheet

Total assets amounted to USD 2.1 billion at the end of the third quarter 2026, up USD 193.9 million since the beginning of the year. Operating assets totaled USD 539.4 million, and the right-of-use assets USD 528.3 million. Total equity amounted to USD 361.0 million, with an equity ratio of 17.5%, compared to 17.6% at the same time last year.

Liquidity

Cash and marketable securities totaled USD 458.3 million at the end of the third quarter 2026, increasing by USD 47.5 million compared to the end of Q3 last year. Net cash used in operating activities totaled USD 20.8 million, an improvement of USD 5.3 million from the prior year. Cash from investing activities amounted to USD 12.3 million, of which net CAPEX was USD 7.8 million. Net cash used in financing activities was USD 27.3 million. The Company had undrawn committed credit lines available in the amount of USD 92.0 million at the end of September, bringing total liquid funds to USD 550.3 million.

PROSPECTS

- Challenging winter outlook, with elevated fuel prices and the strong ISK continuing to weigh on profitability
- Winter revenue performance remains ahead of last year, although booking patterns are later and competitive pressure has increased in selected European markets
- The ONE transformation and fleet renewal continue to strengthen efficiency, with USD 40 million of the impact realized in Q3 and almost 100% latest-generation narrowbody aircraft expected in the fleet next year

Challenging external environment heading into the winter

The operating environment heading into the winter remains challenging. Jet fuel prices have remained elevated: after easing to around USD 910 per ton in late June, they have risen again to above USD 1,600 per ton in October, more than twice the 2025 average and close to the peak reached in April. At the same time, foreign exchange market development remains unfavorable with the Icelandic krona at historically high levels. The krona has appreciated by around 15% against the US dollar since the first quarter of 2025. As most of Icelandair's revenue is generated in foreign currencies while a large share of costs, including wages, is in Icelandic krona, the strong krona weighs significantly on profitability.

Continued revenue and yield strength

The higher yield levels achieved over the past year are largely holding across the route network, and revenue performance for the winter season continues to compare favorably with last year despite some pressure on select gateways in Europe. Booking patterns remain later than in previous years, with demand materializing closer to departure. Partnerships remain a key strategic lever broadening the reach of Icelandair's network without requiring corresponding growth in operated capacity.

Competition is strong between Europe and Iceland with winter capacity increasing year-on-year, driven by additional services from European and Asian network and low-cost carriers, and is now exceeding the European capacity that exited the market last year. This capacity increase is however concentrated in a limited number of European gateways, where competition is intensifying, while several of Icelandair's largest European markets, including London, Paris and Frankfurt, see stable or lower capacity year-on-year. The capacity environment between North America and Keflavík remains relatively balanced. Icelandair continues to actively manage the network through targeted frequency, aircraft-gauge and seasonal adjustments, reallocating capacity towards markets with stronger demand and expected contribution. The Company will maintain this disciplined approach and make further targeted adjustments if market conditions or route economics change.

Disciplined capacity and continued network development in summer 2027

Overall capacity at Keflavík Airport in summer 2027 is currently expected to remain broadly stable year-on-year. Other airlines are adding capacity, while Icelandair's seat capacity will decrease slightly following the accelerated phase-out of the Boeing 757 and 767 fleets. The transition to smaller Airbus and Boeing 737 MAX aircraft will nevertheless enable more frequent services, greater customer choice and broader connectivity.

The summer schedule continues Icelandair's current focus on increasing the share of traffic to and from Iceland while utilizing the Keflavík hub where it creates the greatest value. It includes new services to St. Louis and Madrid, increased frequency in Scandinavia, further development of selected Southern European markets and continued growth in Greenland.

Outlook for Cargo and Leasing operations remains positive despite rising fuel prices

The Leasing business delivered a very positive result in Q3 2026 and is expected to maintain its strong performance throughout the remainder of the year. The business currently operates a fleet of 11 aircraft across multiple continents, with the South Pole operation commencing in October for its sixth consecutive year. Cargo operation is expected to continue delivering good performance; however, elevated fuel prices are anticipated to adversely affect results. In response, the Company has increased fuel surcharges and will continue to pursue operational efficiency initiatives.

Continued development of Saga Premium

Demand for Icelandair's premium cabin remains strong. Icelandair added Saga seats to four of its Boeing 737 MAX 9 aircraft ahead of the summer, which delivered strong results and higher revenue. The Company is now evaluating additional premium seats across the rest of the fleet, including the cabin configuration of the Airbus A321XLR. In August, the Saga Premium product was de-bundled to give

customers more choice, with one checked bag included and a fee for advance seat selection, while Saga Premium Flex remains fully inclusive and flexible. Icelandair is also looking into further Saga fare options to increase customer choice.

[Icelandair continues fleet modernization](#)

Icelandair is continuing its fleet renewal with three brand-new Airbus A321LR aircraft scheduled for delivery directly from Airbus around the turn of the year. By early 2027, Icelandair will operate nine A321LRs, strengthening its long-haul narrowbody capabilities and supporting network development. As announced in the third quarter, Icelandair has also entered into long-term lease agreements for ten Airbus A320neo aircraft. Four will enter service ahead of summer 2027, followed by six during the subsequent winter. The aircraft will have 154 seats in Icelandair's two-class configuration and support the phase-out of the Boeing 757 and 767 fleets from January 2027. Together with the Boeing 737 MAX fleet, the growing A320 family fleet marks a significant step in Icelandair's fleet transformation. Latest-generation narrowbody aircraft are expected to account for almost 100% of the fleet next year, improving fuel efficiency, reducing emissions and strengthening operating performance. The renewal will also reduce the average fleet age to 5.5 years, placing Icelandair among the youngest fleets worldwide.

[Negotiations of new collective bargaining agreements ongoing](#)

The collective bargaining agreements with the unions of pilots, cabin crew and aircraft maintenance technicians are ongoing. The negotiations with the Icelandic Airline Pilot's Association and the Association of Aircraft Maintenance Technicians are being conducted through the State Conciliation and Mediation Officer. The discussions with the Icelandic Cabin Crew Association are progressing without the involvement of the State Mediator.

[Icelandair's ONE transformation](#)

Since the launch of the ONE transformation program, more than 700 initiatives have been identified, of which 347 have been implemented to date. These initiatives are expected to deliver approximately USD 138 million in annualized impact when fully realized, of which USD 40 million was realized in Q3 2026.

[Acquisition of a 49% stake in a Maltese AOC completed](#)

Icelandair's acquisition of a stake in Fly Play Europe is a part of the Company's long-term strategy to strengthen and simplify Icelandair's operations in Iceland. An additional European Air Operator Certificate will provide Icelandair with increased operational flexibility and new business opportunities, as well as reduce the seasonal fluctuations of its operations. Although Icelandair has several business units outside of Iceland, which this operation will be added to, Icelandair's core operations remain in Iceland. The Company's roots, basis of its business model, expertise and future development are and will remain in Iceland.

[Fuel hedge position](#)

The table below highlights the Company's fuel hedging position at the end of Q3 2026. As demonstrated, 23% of projected use in the route network over the next 12 months has been hedged at a weighted average price of USD 766 per metric ton.

Period	Estimated usage	Hedged tons	% of estimated usage (tons) ¹	Av. weighted price USD
Q4 2026	75,703	34,000	45%	722
Q1 2027	64,566	15,300	24%	900
6 months	140,269	49,300	35%	777
Q2 2027	89,130	15,800	18%	731
Q3 2027	104,975	12,100	12%	764
12 months	334,374	77,200	23%	766

¹Hedged volume and hedged fuel cost percentages may differ slightly, as hedge settlements are based on current market prices, while fuel costs are largely recognized using previous month's fuel prices.

FINANCIAL OUTLOOK

For the full-year of 2026, the Company expects its full-year EBIT to be in the range of negative USD 20-30 million. The outlook assumes an average jet fuel price of USD 1,500 per metric ton in the fourth quarter and an ISK/USD exchange rate of 122. While more fuel-efficient aircraft are expected to reduce fuel costs, the fleet renewal and changes in the network mix are expected to put upward pressure on unit cost ex-fuel in the fourth quarter, reflecting a higher share of flights to Europe and fewer seats in the new aircraft. However, these changes have a positive impact on revenue generation and profitability for the long-term.

The following table provides guidance for the expected development of key metrics in Q4 2026.

Q426 vs. Q425	
Capacity (ASK)	-3%
Unit revenue	+6-9%
Unit cost ex-fuel	+7-9%
FX: USD/ISK	122
Fuel (USD/ton):	~1,500

The guidance is subject to change due to various risks and uncertainties in the environment.