



Condensed

Consolidated Interim

Financial Statements



3 1 January - 30 September 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 30 September 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 profit for the third quarter of 2026 amounted to USD 96.7 million and total comprehensive income amounted to USD 131.0 million. For the nine-month period from 1 January to 30 September 2026, the profit amounted to USD 19.1 million and total comprehensive income amounted to USD 74.1 million. Equity as of 30 September 2026 amounted to USD 361.0 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 Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2026 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. The Condensed Consolidated Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

Icelandair delivered record revenue of USD 655.0 million in the third quarter, an increase of 12% year-on-year. EBIT amounted to USD 120.3 million, the strongest quarterly EBIT since the third quarter of 2017, improving by USD 45.9 million compared to the same period last year, with the EBIT margin rising to 18.4% from 12.7%. Revenue growth significantly outpaced the 5% increase in operating expenses. Passenger revenue increased by 11% and unit revenue (RASK) rose by 18% year-on-year. Fuel costs before hedging increased by USD 45.9 million, or 45%, year-on-year, but hedging gains of USD 28.1 million offset a large part of the increase, limiting the net increase in fuel expenses to USD 12.9 million, or 11%. Unit cost (CASK) increased by 10% and CASK excluding fuel by 8%. Industrial action by the Association of Aircraft Maintenance Technicians in September had a negative impact of USD 4.0 million on EBIT. For the first nine months of the year, revenue amounted to USD 1,497.7 million, up 12% year-on-year, and EBIT amounted to USD 37.3 million, compared to USD 12.9 million in the same period last year.

Icelandair's passenger network capacity, measured in available seat kilometers, decreased by 6% year-on-year, while passenger traffic measured in revenue passenger kilometers decreased by 5%. Total passenger numbers reached 1.6 million, down by 3% from the same period last year. During the quarter, 42% of passengers travelled to Iceland, 18% from Iceland, 35% via Iceland and 4% within Iceland. Passenger numbers to and from Iceland increased by 8% and 11%, respectively, while connecting passengers decreased by 20% year-on-year, shifting the passenger mix towards the markets to and from Iceland. Yields improved by 17% and the passenger load factor reached 86.5%, up by 0.6 percentage points.

On-time performance was 81.2% for the quarter, compared to 83.1% in the same period last year. Cargo revenue increased by 11% year-on-year to USD 20.2 million, with freight volumes, measured in freight ton-kilometers, up by 17%. Leasing revenue increased by 30% to USD 28.7 million, while sold charter block hours decreased by 5%. CO₂ emissions per operational ton-kilometer decreased by 3% year-on-year.

Icelandair's transformation journey continues to progress well. 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 138.3 million in annualized impact when fully realized, of which USD 40.2 million was realized in the third quarter of 2026.

Icelandair employed an average of 3,797 full-time employees in the third quarter of 2026, 36 fewer than in the same period last year.

Equity amounted to USD 361.0 million, with an equity ratio of 17.5% at the end of September 2026. Cash and marketable securities amounted to USD 458.3 million, and the Company had undrawn committed credit lines of USD 92.0 million, bringing total liquidity to USD 550.3 million at quarter-end. Interest-bearing loans and borrowings amounted to USD 150.2 million, down from USD 177.4 million at year-end 2025.

Icelandair continues the renewal of its fleet. Six of the nine new Airbus A321LR aircraft under lease agreements have entered service, with the remaining three scheduled for delivery in the fourth quarter of 2026 and the first half of 2027. In addition, lease agreements have been signed for ten Airbus A320neo aircraft scheduled to enter service in 2027 and 2028, and deliveries of the 13 Airbus A321XLR aircraft on firm order are scheduled to commence in 2029.

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

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

The Company expects full-year EBIT to be negative, in the range of USD 20-30 million, as the outlook for the fourth quarter is challenging, with profitability expected to be impacted by continued cost pressures, particularly high fuel prices. In the fourth quarter, capacity is expected to decrease by 3% year-on-year, while unit revenue is expected to increase by 6-9% and unit cost excluding fuel by 7-9%. Revenue performance for the winter season remains ahead of last year, although booking patterns are later than in previous years and competitive pressure has increased in selected European markets. The guidance 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, and remains subject to risks and uncertainties in the operating environment.

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 nine-month period ended 30 September 2026, its assets and liabilities, its consolidated financial position as at 30 September 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 September 2026 and confirm them with their signatures.

Reykjavík, 22 October 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 30 September 2026

	Notes	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Operating income					
Passenger revenue	8	578,986	522,103	1,258,612	1,129,177
Cargo revenue		20,161	18,201	63,325	58,378
Leasing revenue		28,745	22,120	89,115	80,967
Other operating revenue	8	27,067	22,836	86,601	65,886
		<u>654,959</u>	<u>585,260</u>	<u>1,497,653</u>	<u>1,334,408</u>
Operating expenses					
Salaries and salary-related expenses		120,651	114,728	362,078	331,080
Aircraft fuel		131,497	118,624	340,150	276,193
Other aviation expenses		111,168	107,159	291,772	262,007
Other operating expenses		125,965	124,089	334,193	323,079
	9	<u>489,281</u>	<u>464,600</u>	<u>1,328,193</u>	<u>1,192,359</u>
Operating profit before depreciation and amortization (EBITDA)		165,678	120,660	169,460	142,049
Depreciation and amortization	10	(45,396)	(46,306)	(132,161)	(129,191)
Operating profit (EBIT)		120,282	74,354	37,299	12,858
Finance income		6,784	8,498	20,209	37,508
Finance cost		(11,413)	(11,067)	(38,667)	(32,208)
Net finance (cost) income	11	(4,629)	(2,569)	(18,458)	5,300
Share of profit of associates		723	300	694	1,659
Profit before tax (EBT)		116,376	72,085	19,535	19,817
Income tax		(19,647)	(14,803)	(475)	6,301
Profit for the period		96,729	57,282	19,060	26,118
Other comprehensive income (loss)					
Currency translation differences		8,266	(810)	7,179	23,600
Net profit on hedge of investment, net of tax		2,611	(245)	2,291	7,238
Cash flow hedges - effective portion of changes in fair value, net of tax		(6,020)	(8,176)	(19,119)	3,655
Cash flow hedges - reclassified to profit or loss, net of tax		29,461	6,891	64,649	7,918
Other comprehensive income (loss) for the period		34,318	(2,340)	55,000	42,411
Total comprehensive profit for the period		131,047	54,942	74,060	68,529
Profit attributable to:					
Owners of the Company		96,746	57,503	18,904	26,420
Non-controlling interest		(17)	(221)	156	(302)
Profit for the period		96,729	57,282	19,060	26,118
Total comprehensive profit attributable to:					
Owners of the Company		131,079	55,163	73,981	68,831
Non-controlling interest		(32)	(221)	79	(302)
Total comprehensive profit for the period		131,047	54,942	74,060	68,529
Earnings per share					
Basic earnings per share in US cents		0.24	0.14	0.05	0.06
Diluted earnings per share in US cents		0.22	0.14	0.04	0.06

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

Consolidated Statement of Financial Position as at 30 September 2026

	Notes	30.09.2026	31.12.2025
Assets			
Operating assets		539,351	563,544
Right-of-use assets		528,296	483,140
Intangible assets and goodwill		58,364	57,811
Investments in associates		38,991	36,995
Receivables and deposits		80,850	71,959
Deferred tax assets		61,430	73,510
Non-current assets		1,307,282	1,286,959
Inventories		31,993	28,138
Derivatives used for hedging		57,351	3,967
Trade and other receivables		202,770	178,835
Marketable securities		88,482	170,369
Cash and cash equivalents		369,801	195,466
Current assets		750,397	576,775
Total assets		2,057,679	1,863,734
Equity			
Share capital		310,973	310,973
Reserves		143,405	68,785
Accumulated deficit		(95,782)	(95,707)
Equity attributable to equity holders of the Company		358,596	284,051
Non-controlling interest		2,450	2,371
Total equity		361,046	286,422
Liabilities			
Loans and borrowings	12	123,699	138,243
Lease liabilities	13	498,145	461,570
Provisions and other liabilities		151,272	146,809
Non-current liabilities		773,116	746,622
Loans and borrowings	12	26,464	39,123
Lease liabilities	13	86,355	77,987
Derivatives used for hedging		0	3,570
Trade and other payables		404,815	318,712
Deferred income	14	405,883	391,298
Current liabilities		923,517	830,690
Total liabilities		1,696,633	1,577,312
Total equity and liabilities		2,057,679	1,863,734

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 30 September 2026

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Hedging	Translation reserve	Other reserves	Accumulated deficit	Total		
1 January to 30 September 2025								
Equity 1 January 2025	310,973	(1,582)	(4,668)	43,456	(80,780)	267,399	1,668	269,067
Profit for the period					26,420	26,420	(302)	26,118
Currency translation differences			23,600			23,600		23,600
Net profit on hedge of investment, net of tax			7,238			7,238		7,238
Effective portion of changes in fair value of cash flow hedges, net of tax		3,655				3,655		3,655
Cash flow hedges, reclassified to profit or loss		7,918				7,918		7,918
Stock options					978	978		978
Effects of profit or loss of subsidiaries and associates				23,367	(23,367)	0		0
Equity 30 September 2025	310,973	9,991	26,170	66,823	(76,749)	337,208	1,366	338,574
1 January to 30 September 2026								
Equity 1 January 2026	310,973	317	18,467	50,001	(95,707)	284,051	2,371	286,422
Profit for the period					18,904	18,904	156	19,060
Currency translation differences			7,179			7,179	(77)	7,102
Net profit on hedge of investment, net of tax			2,291			2,291		2,291
Effective portion of changes in fair value of cash flow hedges, net of tax		(19,119)				(19,119)		(19,119)
Cash flow hedges, reclassified to profit or loss		64,649				64,649		64,649
Stock options					641	641		641
Effects of profit or loss of subsidiaries and associates				19,620	(19,620)	0		0
Equity 30 September 2026	310,973	45,847	27,937	69,621	(95,782)	358,596	2,450	361,046

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

Consolidated Statement of Cash Flows for the nine months ended 30 September 2026

	Notes	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Cash flows to operating activities					
Profit for the period		96,729	57,282	19,060	26,118
Adjustments for:					
Depreciation and amortization	10	45,396	46,306	132,161	129,191
Expensed deferred cost		17,476	17,676	46,003	46,784
Net finance cost (income)	11	4,629	2,569	18,458	(5,300)
Gain on sale of operating assets		(3,762)	(370)	(11,975)	(477)
Share of profit of associates		(723)	(300)	(694)	(1,659)
Income tax		19,647	14,803	475	(6,301)
		179,392	137,966	203,488	188,356
Changes in:					
Inventories		(901)	(45)	(3,854)	(1,035)
Trade and other receivables		15,705	19,508	(59,780)	3,801
Trade and other payables		(19,897)	(25,121)	85,658	91,509
Deferred income		(186,422)	(154,155)	14,612	27,298
		(191,515)	(159,813)	36,636	121,573
Interest received		2,127	6,369	11,158	17,346
Interest paid		(10,831)	(10,677)	(32,453)	(30,695)
		(20,827)	(26,155)	218,829	296,580
Cash flows from (to) investing activities					
Acquisition of operating assets		(11,692)	(15,118)	(49,932)	(50,016)
Proceeds from sale of operating assets		5,156	2,255	20,864	4,068
Deferred cost, change		(541)	(2,570)	(2,557)	(5,562)
Acquisition of intangible assets		(698)	(258)	(2,008)	(2,367)
Investment in associates		0	0	111	985
Non-current receivables, change		(5,150)	1,456	(10,756)	(5,304)
Marketable securities, change		25,192	(12,108)	81,888	(70,589)
		12,267	(26,343)	37,610	(128,785)
Cash flows used in financing activities					
Repayment of loans and borrowings		(5,110)	(9,733)	(26,810)	(30,837)
Repayment of lease liabilities		(22,201)	(18,896)	(63,411)	(53,150)
		(27,311)	(28,629)	(90,221)	(83,987)
Change in cash and cash equivalents		(35,871)	(81,127)	166,218	83,808
Effect of exchange rate fluctuations on cash held		7,733	(421)	8,117	1,581
Cash and cash equivalents at beginning of the period		397,939	317,172	195,466	150,235
Cash and cash equivalents at period end		369,801	235,624	369,801	235,624
Marketable securities		88,482	175,152	88,482	175,152
Cash, cash equivalents and marketable securities at period end		458,283	410,776	458,283	410,776

Investment and financing without cash flow effect, see note 18.

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 Flugvelli 1 in Hafnarfjörður, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 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 on the Group's website, www.icelandairgroup.com, and on the Nasdaq Main Market Iceland website, www.nasdaqomxnordic.com.

2. Basis of accounting

Statement of compliance

The Group's Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 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 22 October 2026.

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 measured at fair value.

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 estimation 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

The Group has applied the same accounting policies and methods of computation as in its 2025 Consolidated Financial Statements. New and amended IFRS Accounting Standards effective from 1 January 2026 did not have a material impact on these Condensed Consolidated Interim Financial Statements. IFRS 18 *Presentation and Disclosure in Financial Statements*, effective from 1 January 2027, has not been early adopted. The Group is currently assessing its impact.

Notes, contd.

6. Seasonality

The Group's operations are subject to seasonal variations in demand. The extent and timing of these variations may differ across the Route Network, Cargo and Leasing operations, affecting the Group's financial performance between interim reporting periods. Accordingly, results for individual quarters and interim periods are not necessarily indicative of results for the full year.

7. Operating segments

Segment information is presented in the Condensed Consolidated Interim Financial Statements in respect of the Group's business segments, which form 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 segments 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 nine months

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	1,356,503	59,689	81,461	0	1,497,653
Inter-segment revenue	50,132	2,027	303	(52,462)	0
Total segment revenue	1,406,635	61,716	81,764	(52,462)	1,497,653
External operating cost	(1,258,673)	(38,965)	(30,555)	0	(1,328,193)
Internal operating cost	(2,330)	(24,584)	(25,548)	52,462	0
Total operating cost	(1,261,003)	(63,549)	(56,103)	52,462	(1,328,193)
Depreciation and amortization	(115,739)	(2,985)	(13,437)	0	(132,161)
Segment EBIT	29,893	(4,818)	12,224	0	37,299
Net finance income (cost)	(17,363)	(1,870)	775	0	(18,458)
Share of profit of associates	694	0	0	0	694
Income tax	3,263	(300)	(3,438)	0	(475)
Profit	16,487	(6,988)	9,561	0	19,060
Capital expenditures	50,335	88	5,630	(1,556)	54,497

Notes, contd.

7. Operating segments, contd.

Reporting segments for the nine months, contd.

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	1,192,939	60,074	81,395	0	1,334,408
Inter-segment revenue	49,502	1,642	369	(51,513)	0
Total segment revenue	1,242,441	61,716	81,764	(51,513)	1,334,408
External operating cost	(1,134,058)	(31,249)	(27,052)	0	(1,192,359)
Internal operating cost	(2,011)	(24,113)	(25,389)	51,513	0
Total operating cost	(1,136,069)	(55,362)	(52,441)	51,513	(1,192,359)
Depreciation and amortization	(112,769)	(2,985)	(13,437)	0	(129,191)
Segment EBIT	(6,397)	3,369	15,886	0	12,858
Net finance income (cost)	6,395	(1,870)	775	0	5,300
Share of profit of associates	1,659	0	0	0	1,659
Income tax	10,039	(300)	(3,438)	0	6,301
Profit (loss)	11,696	1,199	13,223	0	26,118
Capital expenditures	47,493	1,550	18,754	(9,852)	57,945

Geographic information

The geographic analysis presents the Group's revenue by geographic market. The majority of the Group's customers are located outside Iceland, while the vast majority of the Group's non-current assets are located in Iceland. Revenue has been attributed to geographic markets based on the point of sale.

Geographic segments for the nine months are as follows:

	North America	Europe	Iceland	Other	Total
2026					
Passenger revenue	661,178	303,670	263,708	30,056	1,258,612
Cargo revenue	3,468	26,783	33,074	0	63,325
Leasing revenue	16,932	8,912	5,347	57,924	89,115
Other operating revenue	2,759	4,385	78,754	703	86,601
Total revenue	684,337	343,750	380,883	88,683	1,497,653
Total revenue %	46%	23%	25%	6%	100%
2025					
Passenger revenue	639,346	272,912	190,229	26,690	1,129,177
Cargo revenue	3,342	22,952	31,120	964	58,378
Leasing revenue	21,051	2,429	4,858	52,629	80,967
Other operating revenue	2,099	3,336	59,916	535	65,886
Total revenue	665,838	301,629	286,123	80,818	1,334,408
Total revenue %	50%	23%	21%	6%	100%

Notes, contd.

8. Operating income

	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Passenger revenue is specified as follows:				
Passenger revenue	569,621	513,589	1,232,224	1,107,577
Ancillary revenue	9,365	8,514	26,388	21,600
Total passenger revenue	578,986	522,103	1,258,612	1,129,177
Other operating revenue is specified as follows:				
Revenue from tourism	10,069	9,628	40,143	35,222
Sales at airports	1,383	1,509	4,453	3,860
Aircraft handling	3,788	3,915	9,195	8,160
Gain on sale of operating assets	3,790	370	11,975	477
Other operating revenue	8,037	7,414	20,835	18,167
Total other operating revenue	27,067	22,836	86,601	65,886

9. Operating expenses

Salaries and salary-related expenses are specified as follows:

Salaries	101,313	93,665	290,958	260,883
Contributions to pension funds	15,914	15,799	48,191	43,863
Other salary-related expenses	3,424	5,264	22,929	26,334
Total salaries and salary-related expenses	120,651	114,728	362,078	331,080
Average number of full-time equivalents	3,797	3,833	3,589	3,576

Aircraft fuel is specified as follows:

Aircraft fuel	148,766	102,869	366,281	240,253
Emissions Trading System (ETS)	9,919	11,559	27,241	23,181
CORSIA Carbon Credits	937	2,438	2,287	3,156
Sustainable Aviation Fuel charges (SAF)	(75)	1,437	2,142	3,338
Fuel hedges	(28,050)	321	(57,801)	6,265
Total aircraft fuel cost	131,497	118,624	340,150	276,193

Other aviation expenses are specified as follows:

Aircraft and engine leases	1,853	4,363	3,615	5,032
Aircraft handling, landing and navigation	62,656	60,975	153,759	143,814
Aircraft maintenance expenses	46,659	41,821	134,398	113,161
Total other aviation expenses	111,168	107,159	291,772	262,007

Other operating expenses are specified as follows:

Travel and other employee expenses	22,619	23,327	61,957	63,769
Tourism expenses	7,817	7,791	32,735	27,100
IT expenses	11,925	11,525	32,202	28,883
Advertising	5,709	4,981	16,442	19,743
Booking fees and commission expenses	31,337	26,492	67,272	58,295
Customer services	33,094	32,950	85,060	78,943
Operating cost of real estate and fixtures	2,236	1,441	6,726	6,236
Allowance for bad debt	370	127	627	500
Other operating expenses	10,858	15,455	31,172	39,610
Total other operating expenses	125,965	124,089	334,193	323,079

10. Depreciation and amortization

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

Depreciation of operating assets	23,067	27,146	68,316	75,778
Depreciation of right-of-use assets	21,739	18,847	62,389	52,450
Amortization of intangible assets	590	313	1,456	963
Depreciation and amortization recognized in profit or loss	45,396	46,306	132,161	129,191

Notes, contd.

11. Finance income and (finance cost)

	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and fair value on marketable securities	5,018	6,917	15,508	20,305
Interest income on lease receivables	317	444	1,054	1,375
Other interest income	1,449	548	3,647	2,382
Net currency exchange gain	0	589	0	13,446
Finance income total	6,784	8,498	20,209	37,508
Interest expenses on loans and borrowings	(1,911)	(2,686)	(6,068)	(8,385)
Interest on lease liabilities	(8,930)	(8,138)	(26,197)	(22,297)
Other interest expenses	(2,212)	(243)	(6,028)	(1,526)
Net currency exchange gain (loss)	1,640	0	374	0
Finance cost total	(11,413)	(11,067)	(38,667)	(32,208)
Net finance cost	(4,629)	(2,569)	(18,458)	5,300

12. 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.

	30.9.2026	31.12.2025
Loans and borrowings are specified as follows:		
<i>Non-current loans and borrowings:</i>		
Secured bank loans	148,487	172,930
Unsecured loans	1,676	4,436
Total loans and borrowings	150,163	177,366
Current maturities	(26,464)	(39,123)
Total non-current loans and borrowings	123,699	138,243
<i>Current loans and borrowings:</i>		
Current maturities	26,464	39,123
Total current loans and borrowings	26,464	39,123
Total loans and borrowings	150,163	177,366

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.9.2026	31.12.2025
Secured bank loans	USD	4.6%	2026-2034	115,357	131,727
Secured bank loans	EUR	4.2%	2028-2030	33,130	41,203
Unsecured loans	ISK	3.7%	2030	1,676	4,436
Total interest-bearing liabilities				150,163	177,366

The Company has three committed credit lines in place with local banks in total amount of USD 92 million. The lines were undrawn at 30 September 2026.

	30.9.2026	31.12.2025
Repayments of loans and borrowings are specified as follows:		
Repayments in 2026 (3 months)(2025:12 months)	13,240	39,123
Repayments in 2027	17,606	17,875
Repayments in 2028	55,025	55,155
Repayments in 2029	11,666	11,714
Repayments in 2030	20,242	21,193
Subsequent repayments	32,384	32,306
Total loans and borrowings	150,163	177,366

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

Notes, contd.

13. Lease liabilities

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

	Currency	Interest rates	Year of maturity	Total remaining balance	
				30.9.2026	31.12.2025
Lease liabilities	USD	6.1%	2026-2037	579,085	534,342
Lease liabilities indexed	ISK	7.0%	2026-2038	4,340	3,728
Lease liabilities	other	5.4%	2026-2030	1,075	1,487
Current maturity				(86,355)	(77,987)
Total lease liabilities				498,145	461,570

Repayments of lease liabilities are specified as follows:

Repayments in 2026 (3 months)(2025:12 months)	21,834	77,987
Repayments in 2027	79,923	76,532
Repayments in 2028	78,508	70,851
Repayments in 2029	75,658	70,384
Repayments in 2030	55,081	68,464
Subsequent repayments	273,496	175,339
Total lease liabilities	584,500	539,557

Further lease commitments are in place for thirteen aircraft to the Route Network, scheduled to be delivered as shown in the table below. The total lease liability for these aircraft is estimated at approximately USD 319 million.

	Q4 2026	H1 2027	H2 2027	Q1 2028	Total
A321LR	1	2	0	0	3
A320neo	0	4	4	2	10
Total	1	6	4	2	13

14. Deferred income

Sold unused tickets, fair value of unredeemed frequent flyer points and other prepayments are presented as deferred income in the Consolidated Statement of Financial Position.

Deferred income is specified as follows:	30.9.2026	31.12.2025
Sold unused tickets and vouchers	325,911	323,136
Frequent flyer points	45,327	37,686
Other prepayments	34,645	30,476
Total deferred income	405,883	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 311.8 million (2025: USD 304.3 million) and vouchers amounted to USD 14.1 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.

Notes, contd.

15. 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:

	30.9.2026		31.12.2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	57,351	57,351	397	397
Unsecured bond issue	(1,676)	(1,732)	(4,436)	(2,305)
Secured loans	(148,487)	(153,591)	(172,930)	(181,390)
Lease liabilities	(584,500)	(584,500)	(539,557)	(539,557)
Total	(677,312)	(682,472)	(716,526)	(722,855)

Fair value hierarchy

The tables below analyze the fair value of assets and liabilities and their levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
30 September 2026				
<i>Financial assets:</i>				
Derivatives used for hedging		57,351		57,351
	0	57,351	0	57,351
<i>Financial liabilities:</i>				
Unsecured loans			(1,732)	(1,732)
Secured loans			(153,591)	(153,591)
Lease liabilities			(584,500)	(584,500)
	0	0	(739,823)	(739,823)
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			(539,557)	(539,557)
Derivatives used for hedging		(3,570)		(3,570)
	0	(3,570)	(645,265)	(726,822)

16. Capital commitments

In 2023, the Group finalized a purchase agreement with Airbus for up to 25 A321XLR aircraft, comprising 13 firm orders and 12 purchase rights, together with related spare engine agreements with Pratt & Whitney. Deliveries of the firm aircraft are scheduled to commence in 2029.

In addition, the Group entered into lease agreements for nine new A321LR aircraft. As of 30 September 2026, six of these aircraft have entered service and the remaining three aircraft are scheduled for delivery to the Route Network as described in Note 13. Furthermore, the Group signed lease agreements for ten A320neo aircraft which are scheduled to be delivered in 2027 and 2028 as detailed in note 13.

Notes, contd.

17. Group entities

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

	Ownership interest	
	Q3 2026	2025
IceCap Insurance PCC Ltd.	100%	100%
Iceignir 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.

18. 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 they do not involve cash flows in the current period.

	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Investment and financing without cash flow effect:				
New or renewed leases	(743)	10,061	108,288	147,407
Acquisition of right-of-use assets	743 (	10,061) (	107,600) (	147,407)
Non-current receivables	0	0 (	688)	0
Trade and other receivables: Carbon forward contract	15,334 (	4,574)	3,243 (	5,673)
Trade and other payables: Carbon forward contract	(15,334)	4,574 (	3,243)	5,673
Surrender of carbon allowances	31,033	19,884	33,249	20,656
Settlement of carbon obligations	(31,033) (	19,884) (	33,249) (	20,656)

Alternative performance measures (APMs)

	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Traffic				
Available seat-kilometers ASK (m.)	5,765	6,120	14,312	14,347
Yield (USD cents)	11.25	9.63	10.04	9.07
Passenger load factor	86.5%	85.9%	84.1%	83.3%
TRASK (US cents)	9.75	8.28	8.46	7.56
RASK (US cents)	10.21	8.69	9.00	8.07
CASK (US cents)	8.32	7.57	8.91	8.13
CASK less fuel (US cents)	6.15	5.68	6.68	6.30
Revenue Passenger Kilometers (RPK m.)	4,986	5,254	12,040	11,954
Passenger total ('000)	1,641	1,698	3,984	3,906
On-Time-Performance OTP	81.2%	83.1%	82.0%	84.0%
Passenger flights	6,143	6,246	15,451	15,065
Stage length (KM)	3,017	3,071	2,981	3,003
Sold Block Hours - Leasing	6,804	7,127	21,617	20,265
Freight ton kilometers (FTK '000)	34,275	29,391	106,544	100,670
Total CO2 emissions tons ('000)	311	337	540	542
CO2 emissions per OTK	0.70	0.72	0.72	0.75
Passenger mix ('000)				
To	696	642	1,483	1,365
From	299	269	777	665
Via	574	716	1,519	1,680
Within	72	71	205	196
Capital structure				
			30.9.2026	31.12.2025
Total cash and marketable securities (USD '000)			458,283	365,835
Liquidity (USD '000)			550,283	457,835
Interest-bearing financial liabilities (USD '000)			717,135	318,221
Net interest-bearing debt (USD '000)			(308,120)	(188,470)
Net lease liabilities (USD '000)			566,972	516,496
Net financial liabilities (USD '000)			258,852	328,026
Current ratio			0.81	0.69
Equity ratio			0.18	0.15
Intrinsic value of share capital			1.16	0.92
Other				
	2026 Q3	2025 Q3	2026 YTD	2025 YTD
Effective fuel price (USD pr. metric ton)	986	814	1,017	826
CAPEX, gross (USD '000)	12,931	17,946	54,497	57,945
CAPEX, net (USD '000)	7,775	15,691	33,633	53,877
Average FTE	3,797	3,833	3,589	3,576
Average rate ISK	0.0081	0.0082	0.0081	0.0077
Average rate EUR	1.1599	1.1713	1.6696	1.1160
Period-end spot rate ISK	0.0083	0.0082	0.0083	0.0082
Period-end spot rate EUR	1.1355	1.1735	1.1355	1.1735

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.

