



Condensed

Consolidated Interim

Financial Statements



3 1 January - 30 September 2025

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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 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". All amounts are stated in thousands of USD.

According to the Consolidated Statement of Comprehensive Income, the profit for the period from 1 January to 30 September 2025 amounted to USD 57 million. Total comprehensive profit for the period was USD 55 million. Equity as of 30 September 2025 amounted to USD 339 million, according to the Consolidated Statement of Financial Position, and share capital amounted to USD 311 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 2025 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.

EBIT for the third quarter amounted to USD 74 million, corresponding to an EBIT margin of 13%. Revenue increased year-over-year, despite fare pressure in the transatlantic market. Costs were adversely affected by the depreciation of the USD against other currencies, particularly the ISK, salary increases, and several other factors. However, efficiency improved, which is reflected in fewer FTEs despite more capacity than last year and outstanding on-time performance. Icelandair employed an average of 3,833 full-time employees in Q3, which was 66 fewer than in Q3 last year. The cargo operation continued to show improvement, and the leasing business delivered strong results, which contributed positively to the overall performance.

Icelandair carried 1.7 million passengers, up by 2% year-on-year. During the quarter, 38% of passengers traveled to Iceland, 16% from Iceland, 42% were connecting passengers, and 2% traveled within Iceland. The growth between years was primarily driven by a strong increase in traffic to and from Iceland, with passenger numbers rising by 15% and 12%, respectively. These results highlight the flexibility of the route network in responding to changing market conditions.

Icelandair's transformation journey, launched last year, is progressing well. The program focuses on driving efficiencies, reducing costs, and unlocking new revenue opportunities. To date, over 500 initiatives have been identified, with 205 implemented by the end of Q3 2025, expected to generate USD 103 million annually once fully realized. To date, the program has delivered a total of USD 47 million in actual impact.

Equity amounted to USD 339 million, with an equity ratio of 18% at the end of the quarter. The total liquidity position is strong, with cash and marketable securities amounting to USD 503 million, of which USD 92 million is in the form of committed undrawn revolving facilities.

The Company expects full-year EBIT to be negative, in the range of USD 10-20 million, due to lower than expected profitability in the third quarter. Booking trends for the coming months have improved since the presentation of the 2nd quarter results in July. Bookings in October are stronger than last year, and the outlook for the remainder of the year is improving, although bookings are still slightly behind 2024 levels.

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

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

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the nine month period ended 30 September 2025, its assets, liabilities and consolidated financial position as at 30 September 2025 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 2025 and confirm them by means of their signatures.

Reykjavík, 22 October 2025

Board of Directors:

Guðmundur Hafsteinsson

Nina Jonsson

John F. Thomas

Matthew Evans

Svava Grönfeldt

CEO:

Bogi Nils Bogason

Consolidated Income Statement and other Comprehensive Income for the period from 1 January to 30 September 2025

	Notes	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Operating income					
Passenger revenue	7	522,103	496,458	1,129,177	1,048,503
Cargo revenue		18,201	16,944	58,378	54,525
Leasing revenue		22,120	23,188	80,967	63,170
Other operating revenue	7	22,836	16,892	65,886	55,628
		<u>585,260</u>	<u>553,482</u>	<u>1,334,408</u>	<u>1,221,826</u>
Operating expenses					
Salaries and salary-related expenses		114,728	101,669	331,080	303,129
Aircraft fuel		118,624	125,030	276,193	285,649
Other aviation expenses		107,159	95,029	262,007	223,447
Other operating expenses		124,089	105,681	323,079	278,289
	8	<u>464,600</u>	<u>427,409</u>	<u>1,192,359</u>	<u>1,090,514</u>
Operating profit before depreciation and amortization (EBITDA)					
		120,660	126,073	142,049	131,312
Depreciation and amortization	9	(46,306)	(42,596)	(129,191)	(113,418)
Operating profit (EBIT)					
		74,354	83,477	12,858	17,894
Finance income		8,498	7,876	37,508	24,891
Finance cost		(11,067)	(9,653)	(32,208)	(32,113)
Net finance (cost) income					
	10	(2,569)	(1,777)	5,300	(7,222)
Share of profit of associates		300	1,370	1,659	267
Profit before tax (EBT)					
		72,085	83,070	19,817	10,939
Income tax		(14,803)	(13,869)	6,301	(533)
Profit for the period					
		<u>57,282</u>	<u>69,201</u>	<u>26,118</u>	<u>10,406</u>
Other comprehensive (loss) income					
Currency translation differences		(810)	4,290	23,600	1,331
Net profit on hedge of investment, net of tax		(245)	1,400	7,238	307
Cash flow hedges - effective portion of changes in fair value, net of tax		(8,176)	(6,185)	3,655	(555)
Cash flow hedges - reclassified to profit or loss		6,891	(4,530)	7,918	(3,368)
Other comprehensive (loss) income for the period					
		<u>(2,340)</u>	<u>(5,025)</u>	<u>42,411</u>	<u>(2,285)</u>
Total comprehensive profit for the period					
		<u>54,942</u>	<u>64,176</u>	<u>68,529</u>	<u>8,121</u>
Profit attributable to:					
Owners of the Company		57,503	69,286	26,420	10,249
Non-controlling interest		(221)	(85)	(302)	157
Profit profit for the period					
		<u>57,282</u>	<u>69,201</u>	<u>26,118</u>	<u>10,406</u>
Total comprehensive profit attributable to:					
Owners of the Company		55,163	64,261	68,831	7,964
Non-controlling interest		(221)	(85)	(302)	157
Total comprehensive profit for the period					
		<u>54,942</u>	<u>64,176</u>	<u>68,529</u>	<u>8,121</u>
Earnings per share					
Basic and diluted earnings per share in US cent		0.14	0.15	0.06	0.02

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position as at 30 September 2025

	Notes	30.09.2025	31.12.2024
Assets			
Operating assets		541,552	559,890
Right-of-use assets		501,251	406,035
Intangible assets and goodwill		57,794	56,385
Investments in associates		36,857	31,741
Receivables and deposits		79,739	76,494
Deferred tax assets		66,087	63,794
Non-current assets		<u>1,283,280</u>	<u>1,194,339</u>
Inventories		28,648	24,488
Derivatives used for hedging		12,564	4,416
Trade and other receivables		190,331	159,830
Marketable securities		175,152	104,562
Cash and cash equivalents		235,624	150,235
Current assets		<u>642,319</u>	<u>443,531</u>
Total assets		<u><u>1,925,599</u></u>	<u><u>1,637,870</u></u>
Equity			
Share capital		310,973	310,973
Reserves		102,984	37,206
Accumulated deficit		(76,749)	(80,780)
Equity attributable to equity holders of the Company		<u>337,208</u>	<u>267,399</u>
Non-controlling interest		1,366	1,668
Total equity		<u>338,574</u>	<u>269,067</u>
Liabilities			
Loans and borrowings	11	142,907	164,708
Lease liabilities	12	480,691	398,802
Provisions and other liabilities		146,404	99,548
Non-current liabilities		<u>770,002</u>	<u>663,058</u>
Loans and borrowings	11	37,513	41,046
Lease liabilities	12	77,389	66,302
Derivatives used for hedging		0	5,615
Trade and other payables		323,103	241,207
Deferred income	13	379,018	351,575
Current liabilities		<u>817,023</u>	<u>705,745</u>
Total liabilities		<u>1,587,025</u>	<u>1,368,803</u>
Total equity and liabilities		<u><u>1,925,599</u></u>	<u><u>1,637,870</u></u>

The notes on pages 8 to 14 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 2025

	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 2024								
Equity 1 January 2024	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347
Profit for the period					10,249	10,249	157	10,406
Currency translation differences			1,331			1,331		1,331
Net profit on hedge of investment, net of tax			307			307		307
Effective portion of changes in fair value of cash flow hedges, net of tax	(555)				(555)		(555)	
Cash flow hedges, reclassified to profit or loss	(3,368)				(3,368)		(3,368)	
Stock options					650	650		650
Effects of profit or loss and of subsidiaries and associates				14,046	(14,046)	0		0
Equity 30 September 2024	310,973	(8,578)	34	40,417	(47,162)	295,684	1,434	297,118
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

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the nine months ended 30 September 2025

	Notes	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Cash flows to operating activities					
Profit for the period		57,282	69,201	26,118	10,406
Adjustments for:					
Depreciation and amortization	9	46,306	42,596	129,191	113,418
Expensed deferred cost		17,676	18,210	46,784	41,342
Net finance cost (income)	10	2,569	1,777	(5,300)	7,222
Gain on sale of operating assets		(370)	(1,106)	(477)	(1,179)
Share of profit of associates		(300)	(1,370)	(1,659)	(267)
Income tax		14,803	13,869	(6,301)	533
		137,966	143,177	188,356	171,475
Changes in:					
Inventories		(45)	1,345	(1,035)	1,651
Trade and other receivables		19,508	3,459	3,801	(34,820)
Trade and other payables		(25,121)	(15,527)	91,509	53,533
Deferred income		(154,155)	(181,910)	27,298	20,900
		(159,813)	(192,633)	121,573	41,264
Interest received		6,369	10,666	17,346	24,826
Interest paid		(10,677)	(9,218)	(30,695)	(28,228)
		(26,155)	(48,008)	296,580	209,337
Cash flows to investing activities					
Acquisition of operating assets		(15,118)	(17,503)	(50,016)	(77,295)
Proceeds from sale of operating assets		2,255	4,346	4,068	4,447
Deferred cost, change		(2,570)	(6,795)	(5,562)	(10,665)
Acquisition of intangible assets		(258)	(354)	(2,367)	(1,024)
Investment in associates		0	0	985	212
Non-current receivables, change		1,456	(16,809)	(5,304)	(14,607)
Marketable securities, change		(12,108)	(11,341)	(70,589)	(62,345)
		(26,343)	(48,456)	(128,785)	(161,277)
Cash flows to financing activities					
Repayment of loans and borrowings		(9,733)	(9,284)	(30,837)	(33,646)
Repayment of lease liabilities		(18,896)	(15,431)	(53,150)	(43,671)
		(28,629)	(24,715)	(83,987)	(77,317)
Change in cash and cash equivalents		(81,127)	(121,179)	83,808	(29,257)
Effect of exchange rate fluctuations on cash held		(421)	336	1,581	61
Cash and cash equivalents at beginning of the period		317,172	291,161	150,235	199,514
Cash and cash equivalents at period end		235,624	170,318	235,624	170,318
Marketable securities		175,152	133,353	175,152	133,353
Cash, cash equivalents and marketable securities at period end ..		410,776	303,671	410,776	303,671

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

The notes on pages 8 to 14 are an integral part of these Interim Consolidated Financial Statements.

Notes

1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is at Flugvelli in Hafnarfjörður, Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2025 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 2024 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 nine months ended 30 September 2025 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 2024.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 22 October 2025.

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 judgements

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimations of uncertainty were the same as those that applied to the audited Consolidated Financial Statements as at and for the year ended 31 December 2024.

5. Changes in accounting policies

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2024. A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed Consolidated Interim Financial Statements and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, contd.

6. Operating segments

Segment information is presented in the Condensed Consolidated Interim Financial Statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure and is divided into three segments; Route network, Cargo operation and Leasing operation.

The management of Icelandair Group assesses performance based on segment revenue and profit or loss and makes resource allocation decisions for the segment based on various performance metrics. The objective in making resource allocation decisions is to optimize consolidated financial results.

Inter-segment pricing is determined on an arm's length basis.

Route network

The Route Network business unit is the main reporting segment, 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 Iceignir 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 ended 30 September 2025

	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 cost	6,395	(1,870)	775	0	5,300
Share of loss of associates	1,659	0	0	0	1,659
Income tax	10,039	(300)	(3,438)	0	6,301
Profit	11,696	1,199	13,223	0	26,118
Segment assets	1,799,420	82,869	121,895	(78,585)	1,925,599
Capital expenditures	47,493	1,550	18,754	(9,852)	57,945
Segment liabilities	1,528,042	64,553	73,015	(78,585)	1,587,025

Notes, contd.

6. Operating segments, contd.

Reporting segments for the nine months ended 30 September 2024

	Route network	Cargo operation	Leasing operation	Adjustments	Total
External revenue	1,101,767	55,714	64,345	0	1,221,826
Inter-segment revenue	45,939	2,465	1,391	(49,795)	0
Total segment revenue	1,147,706	58,179	65,736	(49,795)	1,221,826
External operating cost	(1,037,389)	(31,778)	(21,347)	0	(1,090,514)
Internal operating cost	(3,252)	(24,699)	(21,844)	49,795	0
Total operating cost	(1,040,641)	(56,477)	(43,191)	49,795	(1,090,514)
Depreciation and amortization	(98,811)	(3,459)	(11,148)	0	(113,418)
Segment EBIT	8,254	(1,757)	11,397	0	17,894
Net finance cost	(5,613)	(1,689)	80	0	(7,222)
Share of profit of associates	267	0	0	0	267
Income tax	1,072	689	(2,294)	0	(533)
Profit (loss)	3,980	(2,757)	9,183	0	10,406
Segment assets	1,548,152	85,349	108,635	(82,790)	1,659,346
Capital expenditures	74,747	6,400	15,716	(7,879)	88,984
Segment liabilities	1,297,836	69,936	77,246	(82,790)	1,362,228

Geographic information

The geographic analyses the Group's revenue as the majority of the Group's clients are outside of Iceland. The vast majority of the Group's non-current assets are located in Iceland. In presenting the following information the Group's revenues have been based on point of sale.

Geographic segments for the nine months ended 30 September 2025

	North America	Europe	Iceland	Other	Total
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%

Geographic segments for the nine months ended 30 September 2024

Passenger revenue	620,825	250,372	154,915	22,392	1,048,503
Cargo revenue	3,959	19,705	28,424	2,438	54,525
Leasing revenue	22,033	0	3,281	37,856	63,170
Other operating revenue	1,772	2,817	50,587	452	55,628
Total revenue	648,589	272,894	237,207	63,138	1,221,826
Total revenue %	53%	22%	19%	5%	100%

Notes, contd.

7. Operating income

	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Passenger revenue is specified as follows:				
Passenger revenue	513,589	488,557	1,107,577	1,029,357
Ancillary revenue	8,514	7,901	21,600	19,146
Total passenger revenue	522,103	496,458	1,129,177	1,048,503
Other operating revenue is specified as follows:				
Revenue from tourism	9,628	6,287	35,222	28,710
Sale at airports	1,509	1,149	3,860	3,726
Aircraft handling	3,915	3,256	8,160	6,940
Gain on sale of operating assets	370	1,106	477	1,179
Other operating revenue	7,414	5,094	18,167	15,073
Total other operating revenue	22,836	16,892	65,886	55,628

8. Operating expenses

Salaries and salary-related expenses are specified as follows:

Salaries	93,665	84,455	260,883	239,917
Contributions to pension funds	15,799	13,392	43,863	38,822
Other salary-related expenses	5,264	3,822	26,334	24,390
Total salaries and salary-related expenses	114,728	101,669	331,080	303,129
Average number of full time equivalents	3,833	3,899	3,576	3,682

Aircraft fuel is specified as follows:

Aircraft fuel	104,306	113,076	243,591	265,158
Emission charges	13,997	7,590	26,337	16,279
Fuel hedges	321	4,364	6,265	4,212
Total aircraft fuel cost	118,624	125,030	276,193	285,649

Other aviation expenses are specified as follows:

Aircraft and engine lease	4,363	2,886	5,032	4,537
Aircraft handling, landing and navigation	60,975	56,773	143,814	128,031
Aircraft maintenance expenses	41,821	35,370	113,161	90,879
Total other aviation expenses	107,159	95,029	262,007	223,447

Other operating expenses are specified as follows:

Travel and other employee expenses	23,327	19,771	63,769	55,082
Tourism expenses	7,791	4,310	27,100	21,631
IT expenses	11,525	9,871	28,883	26,739
Advertising	4,981	4,761	19,743	18,210
Booking fees and commission expenses	26,492	25,513	58,295	54,516
Customer services	32,950	28,323	78,943	64,795
Operating cost of real estate and fixtures	1,441	1,965	6,236	6,980
Allowance for bad debt	127	615	500	1,162
Other operating expenses	15,455	10,552	39,610	29,174
Total other operating expenses	124,089	105,681	323,079	278,289

9. Depreciation and amortization

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

Depreciation of operating assets	27,146	27,829	75,778	72,008
Depreciation of right-of-use assets	18,847	14,630	52,450	41,011
Amortization of intangible assets	313	137	963	399
Depreciation and amortization recognized in profit or loss	46,306	42,596	129,191	113,418

Notes, contd.

10. Finance income and (finance cost)

	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Finance income and (finance cost) are specified as follows:				
Interest income on cash and cash equivalents and fair value on marketable securities	6,917	5,779	20,305	18,910
Interest income on lease receivables	444	616	1,375	1,772
Other interest income	548	1,481	2,382	4,209
Net currency exchange gain	589	0	13,446	0
Finance income total	8,498	7,876	37,508	24,891
Interest expenses on loans and borrowings	(2,686)	(3,850)	(8,385)	(11,982)
Interest on lease liabilities	(8,138)	(5,724)	(22,297)	(16,456)
Other interest expenses	(243)	(347)	(1,526)	(2,374)
Net currency exchange loss	0	268	0	(1,301)
Finance cost total	(11,067)	(9,653)	(32,208)	(32,113)
Net finance cost	(2,569)	(1,777)	5,300	(7,222)

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:

	30.9.2025	31.12.2024
<i>Non-current loans and borrowings:</i>		
Secured bank loans	174,535	197,210
Unsecured loans	5,885	8,544
Total loans and borrowings	180,420	205,754
Current maturities	(37,513)	(41,046)
Total non-current loans and borrowings	142,907	164,708
<i>Current loans and borrowings:</i>		
Current maturities	37,513	41,046
Total current loans and borrowings	37,513	41,046
Total loans and borrowings	180,420	205,754

Terms and debt repayment schedule:

	Currency	Nominal interest rates	Year of maturity	Total remaining balance	
				30.9.2025	31.12.2024
Secured bank loans	USD	5.6%	2026-2034	144,988	166,123
Secured bank loans	EUR	3.2%	2028	29,547	31,087
Unsecured loans	ISK	4.2%	2026-2030	5,885	8,544
Total interest-bearing liabilities				180,420	205,754

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 September 2025.

Repayments of loans and borrowings are specified as follows:

	30.9.2025	31.12.2024
Repayments in 2025 (3 months)(2024:12 months)	11,717	41,046
Repayments in 2026	39,072	37,911
Repayments in 2027	21,858	20,485
Repayments in 2028	56,353	54,971
Repayments in 2029	9,762	9,699
Repayments in 2030	9,344	9,311
Subsequent repayments	32,314	32,331
Total loans and borrowings	180,420	205,754

The Group was not in breach of any financial covenants at 30 September 2025.

Notes, contd.

12. Lease liabilities

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

	Currency	Interest rates	Year of maturity	Total remaining balance	
				30.9.2025	31.12.2024
Lease liabilities	USD	5.9%	2025-2037	552,929	459,500
Lease liabilities indexed	ISK	5.5%	2025-2042	4,088	4,849
Lease liabilities	other	5.4%	2025-2030	1,063	755
Current maturity				(77,389)	(66,302)
Total lease liabilities				480,691	398,802

Repayments of lease liabilities are specified as follows:

Repayments in 2025 (3 months)(2024:12 months)	19,150	66,302
Repayments in 2026	77,736	66,620
Repayments in 2027	75,803	63,642
Repayments in 2028	70,229	59,218
Repayments in 2029	70,366	60,250
Repayments in 2030	68,460	59,959
Subsequent repayments	176,336	89,113
Total loans and borrowings	558,080	465,104

Further lease commitments are in place for five A321LR aircraft scheduled for delivery to the Route network as demonstrated in the table below. The total lease liability for these five aircraft is estimated to be around USD 239 million.

	Q4 2025	Q1 2026	Q4 2026	Total
A321LR	2	1	2	5
Total	2	1	2	5

13. Deferred income

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

Deferred income is specified as follows:	30.9.2025	31.12.2024
Sold unused tickets and vouchers	310,294	295,981
Frequent flyer points	36,698	28,781
Other prepayments	32,026	26,813
Total deferred income	379,018	351,575

The amount allocated to sold unused tickets and vouchers is the book value of fares and fuel surcharges that the Group has collected and is liable for passengers. When issued the vouchers are generally valid for 5 years.

The amount allocated to frequent flyer points is estimated by reference to the fair value of the discounted services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the discounted services for which the points, granted through a customer loyalty program, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. That amount is recognized as deferred income.

Other prepayments consist mainly of prepayments for packages and charter flights.

Notes, contd.

14. Financial instruments and fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows. The table does not include fair value information for financial assets and liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value:

	30.9.2025		31.12.2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives used for hedging	12,564	12,564	(1,199)	(1,199)
Unsecured bond issue	(5,885)	(6,991)	(8,544)	(8,182)
Secured loans	(174,535)	(187,257)	(197,210)	(202,186)
Lease liabilities	(558,080)	(558,080)	(465,104)	(465,104)
Total	(725,936)	(739,764)	(672,057)	(676,671)

15. Capital commitments

In 2023, the Group finalized the purchase agreement for up to 25 A321XLR aircraft from Airbus and spare engine agreements with Pratt & Whitney. The order consists of 13 firm orders and purchase rights for up to 12 additional aircraft. The aircraft deliveries will commence in 2029. In addition, the Group has also concluded long-term lease agreements for nine new A321LR aircraft, five with SMBC Aviation Capital Limited, two with CDB Aviation and two with CALC. Of these nine new A321LRs, the first four have been delivered. The remaining five are scheduled for delivery to the Route network as shown in the table in note 12.

16. Group entities

The Company held the following significant subsidiaries at the end of September 2025:

	Ownership interest	
	Q3 2025	2024
IceCap Insurance PCC Ltd.	100%	100%
Iceeignir ehf.	100%	100%
Icelandair ehf.	100%	100%
CAE Icelandair Flight Training ehf.	67%	67%
Flugfélag Íslands ehf.	100%	100%
Icelandair Cargo ehf.	100%	100%
FERIA ehf.	100%	100%
Lofleiðir - Icelandic ehf.	100%	100%

The subsidiaries further own seven minor operating companies that are also included in the Interim Consolidated Financial Statements.

17. Investment and financing without cash flow effect

Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of the Group and should be excluded from the Statement of Cash Flows. The exclusion of non-cash transactions from the Statement of Cash Flows as these items do not involve cash flows in the current period.

	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Investment and financing without cash flow effect:				
New or renewed leases	10,061	255	147,407	87,731
Acquisition of right-of-use assets	(10,061)	(255)	(147,407)	(59,468)
Non-current receivables	0	0	0	(28,263)
Investment in associates	0	0	0	(22,917)
Trade and other receivables	0	0	0	22,917
Non-current receivables, pre delivery payments	0	9,938	0	0
Trade and other payables	0	(9,938)	0	0

Alternative performance measures (APMs)

	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Traffic				
Available seat-kilometers ASK (m.)	6,118	6,007	14,343	13,429
Yield (USD cents)	9.64	9.34	9.07	9.10
Passenger load factor	85.9%	85.9%	83.3%	82.5%
TRASK (US cents)	8.28	8.02	7.56	7.50
RASK (US cents)	8.70	8.41	8.06	7.99
CASK (US cents)	7.57	7.14	8.13	8.00
CASK less fuel (US cents)	5.68	5.12	6.25	6.70
Revenue Passenger Kilometer (RPK m.)	5,254	5,159	11,954	11,073
Passenger total ('000)	1,698	1,669	3,907	3,644
On-Time-Performance OTP	83.1%	83.0%	84.0%	84.3%
Passenger flights	6,246	6,167	15,065	14,367
Stage length (KM)	3,084	3,045	3,038	2,992
Sold Block Hours - Leasing	7,127	5,771	20,265	14,632
Freight ton kilometers (FTK '000)	29,391	29,625	100,670	98,899
Total CO2 emissions tons ('000)	391	398	937	897
CO2 emissions per OTK	0.69	0.72	0.70	0.74
Passenger mix ('000)				
To	642	550	1,365	1,186
From	269	242	666	586
Via	716	808	1,680	1,674
Within	71	69	196	198
Capital structure			30.9.2025	31.12.2024
Total cash and marketable securities (USD '000)			410,776	254,797
Liquidity (USD '000)			502,776	346,797
Interest-bearing financial liabilities (USD '000)			713,424	637,686
Net interest-bearing debt (USD '000)			(230,356)	(49,042)
Net lease liabilities (USD '000)			533,004	431,932
Net financial liabilities (USD '000)			302,648	382,890
Current ratio			0.79	0.63
Equity ratio			0.18	0.16
Intrinsic value of share capital			1.09	0.87
Other				
	2025 Q3	2024 Q3	2025 YTD	2024 YTD
Effective fuel price (USD pr. metric ton)	814	908	826	927
CAPEX, gross (USD '000)	17,946	24,652	57,945	88,984
CAPEX, net (USD '000)	15,691	20,306	53,877	84,537
Average FTE	3,833	3,899	3,576	3,682
Average rate ISK	0.0082	0.0073	0.0077	0.0073
Average rate EUR	1.1713	1.0988	1.1160	1.0871
Period-end spot rate ISK	0.0082	0.0074	0.0082	0.0074
Period-end spot rate EUR	1.1735	1.1141	1.1735	1.1141

Alternative performance measures (APMs), contd.

Traffic

Available seat-kilometers (ASK)	The total number of seats available on scheduled flights multiplied by the number of kilometers these seats were flown.
Yield	The average amount of total passenger revenue received per paying passenger flown one kilometer. Total Yield is calculated as total passenger revenue/RPK. Total passenger revenue used for this calculation includes airfare, excess baggage, cabin upgrade and seat selection revenue.
Passenger load factor	Calculated by dividing RPK by ASK.
TRASK	Total uplift revenue including excess baggage, class up, and chargeable seating on a given flight divided by the ASK on that same flight
RASK	Total revenues on a given flight divided by the ASK on that same flight.
CASK	Total operating and depreciation cost per available seat kilometer is calculated by dividing total operating and depreciation cost on a given flight by available seat kilometers (ASK) on that flight.
CASK less fuel	Total operating and depreciation cost per available seat kilometer less fuel is calculated by deducting cost of fuel, fuel hedges, carbon emissions trading expenses and de-icing from total operating and depreciation cost and divide by total available seat kilometers (ASK).
Revenue Passenger Kilometer (RPK)	The number of revenue passengers carried on scheduled flights multiplied by the number of kilometers flown.
Passengers total	Each passenger is counted by the number of flight coupons his journey requires. A passenger flying KEF-CPH is counted as one passenger, a passenger flying NYC-KEF-CPH is counted as two passengers.
On-Time-Performance (OTP)	A measure of flights arriving within 15 minutes of scheduled arrival time. OTP is calculated by dividing the number of arrivals that arrive within 15 minutes of scheduled arrival time with the total number of arrivals.
Passenger flights	Flight flown by an airline for the purpose of carrying passengers, belly freight and mail according to a published timetable for which it receives commercial remuneration.
Stage length (KM)	The distance flown from takeoff to landing in a single leg.
Sold Block Hours - Leasing	Sold Block Hours in the leasing operation. Block Hours is the time computed from the moment the blocks are removed from the wheels of the aircraft until they are replaced at the next point of landing.
Freight ton kilometers (FTK)	The number of tons of freight carried, obtained by counting each ton of freight on a particular flight (with one flight number).
Total CO2 emissions tons	Carbon emission from all flights, measured in tons.
CO2 emissions per OTK	CO2 emitted by moving one payload tonne one kilometer for all international flights.
Passenger mix:	
To	Passenger visiting Iceland
From	Passengers originating in Iceland visiting destinations outside of Iceland
VIA	Passengers traveling across the Atlantic connecting in Iceland
Within	Passengers traveling solely within Iceland

Alternative performance measures (APMs), contd.

Capital structure

Total cash and marketable securities	Cash and cash equivalents (including cash from assets held for sale) and marketable securities.
Liquidity	Total cash and cash equivalents (including cash from assets held for sale), marketable securities and undrawn revolving facilities.
Net interest-bearing debt	Loans and borrowings, net of total cash and marketable securities.
Net lease liabilities	Lease liabilities (including assets held for sale, net of lease receivables).
Current ratio	Indicates how many times over current assets can cover current liabilities and is calculated by dividing current assets with current liabilities.
Equity ratio	Indicates the ratio of how leveraged the Company is and is calculated by dividing total equity with total assets.
Intrinsic value of share capital	Indicates the book value of each share and is calculated by dividing total equity with share capital.

Other

Effective fuel price	Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. ton).
CAPEX, gross	Capital expenditure of operating assets, intangible assets and deferred cost.
CAPEX, net	Capital expenditure of operating assets, intangible assets and deferred cost less proceeds from sale of operating assets.
Average FTE	Average full time employee equivalent.
Average rate	Average currency rate in the period.
Period-end spot rate	Currency rate at closing date.



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