ICELANDAIR: FINANCIAL RESULTS Q3 2025

- Revenue increase of 6% with total revenue of USD 585.3 million
- Record passenger revenue of USD 522.1 million and unit revenue (RASK) up by 4%
- Net profit of USD 57.3 million, down by USD 11.9 million year-over-year
- EBIT of USD 74.4 million, compared to USD 83.5 million in Q3 last year, affected by negative currency effect of USD 10 million and specific adverse cost impacts
- Transformation initiatives implemented by end of Q3 expected to deliver over USD 100 million in annual impact
- Number of passengers 1.7 million, up by 2% with strong demand to and from Iceland
- Icelandair was the most punctual airline among larger airlines in Europe in July and September, according to Cirium
- Liquidity position of USD 502.8 million at the end of the quarter, a USD 107 million improvement year on year
- EBIT for the full year expected in the range of negative USD 10-20 million

BOGI NILS BOGASON, PRESIDENT & CEO

"Revenue increased year-on-year despite fare pressure in the transatlantic market, but costs were adversely affected by several factors. This led to the results for the third quarter being below our expectations. However, we saw improved efficiency, which was reflected in fewer FTEs despite more capacity than last year and outstanding on-time performance. Our cargo operation continued to show improvement, and the leasing business delivered strong results.

After eight years of unsustainable financial performance, our focus is clear – to turn the Company around to profitable operations, no later than next year. To achieve this, we have rationalized our capacity for 2026, reduced the fleet by two aircraft, and have decided to cease the operation of our widebody Boeing 767 aircraft at the end of 2026. At the end of the third quarter, we had carried out initiatives under our transformation program that are expected to deliver over USD 100 million in annual impact when fully implemented. We are not stopping there, and with the goal of making all cost items competitive, further actions are already underway. We are now entering into critical negotiations with our key unions that will impact the future of Icelandair. A key lever for Icelandair to achieve profitability and secure long-term growth is that the new collective bargaining agreements will enable competitiveness in a challenging industry, support fleet commitments, and at the same time continue to provide attractive jobs and good working conditions.

Although the operating environment will remain challenging, we see opportunities in a more rational capacity environment to and from Iceland. Under these market conditions, our focus is first and foremost on the markets to and from Iceland where we are increasing flights to Southern Europe and Scandinavia, and reducing capacity on North American routes while conditions are challenging on the transatlantic market. However, international competition remains strong with over 20 airlines flying to and from Iceland all year round. Therefore, improving the competitiveness of the Company remains a clear priority going forward. I am confident that with this focus, coupled with a strong financial position, we are well-equipped to turn the Company around and deliver profits in 2026."

INVESTOR PRESENTATION 23 OCTOBER 2025

An investor presentation will be webcast in relation to the publication of Q3 2025 results at 8:30 GMT on Thursday, 23 October 2025, at https://icelandairgroup.com. Bogi Nils Bogason, President & CEO of Icelandair, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. The presentation will take place in English and will be accessible after the meeting on the Company's website and under Corporate News on the Nasdaq Nordic website:
http://www.nasdaqomxnordic.com/news/companynews

INFORMATION

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FINANCIAL CALENDAR

- Q4 2025, 29 January 2025
- AGM, 12 March 2026

KEY INDICATORS

		Q3 2025	Q3 2024	Change	9M 2025	9M 2024	Change
Operating results							
Total income	USDk	585,260	553,482	31,778	1,334,408	1,221,826	112,582
of which passenger revenue	USDk	522,103	496,458	25,645	1,129,177	1,048,503	80,674
Total operating cost	USDk	464,600	427,409	37,191	1,192,359	1,090,514	101,845
EBIT	USDk	74,354	83,477	-9,123	12,858	17,894	-5,036
EBT	USDk	72,085	83,070	-10,985	19,817	10,939	8,878
Net profit	USDk	57,282	69,201	-11,919	26,118	10,406	15,712
Balance sheet[1] and cash flow							
Total assets	USDk	-	-	-	1,925,599	1,637,870	287,729
Total equity	USDk	-	-	-	338,574	269,067	69,507
Interest-bearing financial liabilities[2]	USDk	-	-	-	713,424	670,859	42,565
Net financial liabilities[3]	USDk	-	-	-	302,648	382,890	-80,242
Total cash and marketable securities	USDk	-	-	-	410,766	254,797	155,969
Net cash to/from operating activities	USDk	-26,155	-48,008	21,853	296,580	209,337	87,243
CAPEX, gross	USDk	17,946	24,652	-6,706	57,945	88,984	-31,039
CAPEX, net	USDk	15,691	20,306	-4,615	53,877	84,537	-30,660
Key Ratios							
Equity ratio[1]	%	-	-	-	17.6	16.4	1.2 ppt
EPS	US Cent	0.14	0.15	-	0.06	0.02	-
EBIT ratio	%	12.7	15.1	-2.4 ppt	1.0	1.5	-0.5 ppt
RASK[4]	US Cent	8.70	8.41	4%	8.06	7.99	1%
Yield	US Cent	9.64	9.34	3%	9.07	9.10	0%
CASK[4]	US Cent	7.57	7.14	6%	8.13	8.00	2%
CASK less fuel[4]	US Cent	5.68	5.12	11%	6.25	6.70	-7%
Traffic figures							
Passengers total	no.	1,697,596	1,669,025	2%	3,906,267	3,644,079	7%
To Iceland	no.	641,768	549,792	17%	1,365,352	1,186,284	15%
From Iceland	no.	269,473	241,911	11%	665,361	585,725	14%
Via Iceland	no.	715,846	808,427	-11%	1,679,833	1,674,490	0%
Within Iceland	no.	70,508	68,895	2%	195,720	197,579	-1%
Passenger load factor	%	85.9	85.9	0.0 ppt	83.3	82.5	0.9 ppt
Available seat km (ASK)	mill	6,118	6,007	2%	14,343	13,429	7%
Revenue passenger km (RPK)	mill	5,254	5,159	2%	11,954	11,073	8%
Passenger flights	no.	6,246	6,167	1%	15,065	14,367	5%
On-Time-Performance	%	83.1	83.0	0.1 ppt	84.0	84.3	-0.3 ppt
Freight ton kilometers (FTK'000)	k	29,391	29,625	-1%	100,670	98,899	2%
Sold charter block hours	no.	7,127	5,771	23%	20,265	14,632	38%
CO2 emissions per OTK	no.	0.69	0.72	-4%	0.70	0.74	-5%
Employees							
Av. no. of full-time employees	no.	3,833	3,899	-2%	3,576	3,682	-3%

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

Q3 TRAFFIC DATA

- Number of passengers 1.7 million in Q3, up by 2% year-on-year
- Strong demand to and from Iceland
- On-Time-Performance 83.1%

Icelandair passenger network capacity grew by 2% year-over-year. Edinburgh, Istanbul, Malaga, and Höfn were introduced as new destinations. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), grew by 2%, with the total number of passengers reaching 1.7 million, up by 2% compared to last year. During the quarter, 38% of passengers traveled to Iceland, 16% from Iceland, 42% were connecting passengers, and 2% traveled within Iceland. The revenue growth between years was primarily driven by a strong increase in traffic to and from Iceland, with passenger numbers rising by 17% and 11%, respectively. These results highlight the flexibility of the route network in responding to changing market conditions.

Passenger mix ´000	Q3 2025	Q3 2024	Change	% of total '25	% of total '24
To Iceland	642	550	17%	38%	33%
From Iceland	269	242	11%	16%	14%
Via Iceland	716	808	-11%	42%	48%
Within Iceland	71	69	2%	4%	4%
Total	1,698	1,669	2%	100%	100%

The load factor was 85.9% and remained similar as in Q3 last year. On-time performance was 83.1%, making Icelandair the most punctual airline in Europe in July and September on the Cirium Analytics.

Freight volumes, measured in Freight Ton Kilometers, declined by 1% in Q3. The leasing business continued to grow, with block hours sold up 23% year-on-year in the quarter. CO_2 emissions per Operational Ton-Kilometer (OTK) decreased by 4% year-on-year, driven by an increased utilization of the more efficient B737 MAX and A321 LR aircraft.

EBIT, INCOME, AND EXPENSES

- Revenues increased by 6% year-on-year despite weak transatlantic market
- USD depreciation drives a USD 16 million cost increase, including currency hedges
- Several factors adversely affected costs, including high salary increases in Iceland, unscheduled engine maintenance, costs due to carbon emission credits, and short-term aircraft lease

Operating profit (EBIT)

EBIT for the third quarter amounted to USD 74.4 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 as well as several other factors. The cargo operation continued to show improvement, and the leasing business delivered a robust 21% EBIT margin, which contributed positively to the overall performance.

Income

Total income amounted to USD 585.3 million, representing a 6% increase from the previous year. Passenger revenue reached USD 522.1 million, up from USD 496.5 million, setting a record for the third quarter. Passenger revenue increased in all markets, except the via market, where passenger numbers declined by 11% due to a strategic shift towards the to and from markets, where the demand was strong. Cargo revenue totaled USD 18.2 million, 7% increase from the previous year, driven by strong import volumes. Leasing revenue totaled USD 22.1 million, representing a 5% decrease from the prior year. Other income totaled USD 23.8 million, representing a 35% increase compared to the same period last year. Of this amount, tourism revenue accounted for USD 9.6 million, reflecting a USD 3.3 million or 53% increase. Tourism-related expenses rose in line with the growth in tourism revenue.

Operating expenses

Operating expenses, excluding depreciation, totaled USD 464.6 million, representing a 9% year-on-year increase. We estimate the net negative effect on costs due to the depreciation of the USD against other currencies, including hedges, to be around USD 16 million.

Salaries and salary-related costs increased by 13%, from USD 101.7 million in Q3 last year to USD 114.7 million this year. This increase was due to contractual wage and the negative impact of the strong real exchange rate of the ISK. At a fixed exchange rate, the salary cost increased by 5%. Full-time equivalent positions (FTEs) averaged 3,833 during the quarter, down by 2% year-on-year on 2% increase in production. The improved labor efficiency somewhat offsets the cost increases.

Aircraft fuel expenses amounted to USD 118.6 million for the quarter, decreasing by USD 6.4 million year-on-year due to a more cost-efficient fleet and a 10% decline in effective fuel prices. The weighted effective fuel price, including add-ons and hedging, was USD 814 per metric ton. However, carbon emission credit costs rose to USD 14.0 million from USD 7.6 million in 2024, driven by a 9% price increase, credit expenses from previous periods, and fewer allowances than last year. At the same time CO_2 emissions per Operational Ton-Kilometer (OTK) decreased by 4%.

Other aviation expenses totaled USD 107.1 million, up by 13% year-over-year. The increase in aircraft lease costs was due to an unforeseen short-term aircraft lease in August, necessitated by repairs on another aircraft. Handling, landing, and navigation costs rose 7% to USD 61.0 million, driven by higher fees across all categories and a 7% stronger EUR against the USD. Aircraft maintenance expenses totaled USD 41.8 million, an 18% increase year-over-year, with the largest contributor being higher unscheduled engine maintenance.

Other operating expenses totaled USD 124.1 million, up by USD 18.4 million year-on-year. The increase was largely due to higher customer service costs, driven by a spike in EU Claims, reflecting passengers' growing awareness of their rights, despite record-high on-time performance. This was partly caused by necessary aircraft downsizing due to B767 technical incidents. Tourism expenses grew in line with increased revenues from tourism. Additionally, negative currency developments and non-recurring costs related to ONE transformation project contributed to the overall increase

Depreciation and amortization totaled USD 46.3 million, compared to USD 42.6 million in the same period last year, with the increase attributed to a higher number of leased aircraft.

Unit revenue and unit costs

Unit revenue (RASK)[5] in Q3 2025 was 8.7 US cents and increased by 4%. The average yield was 9.6 US cents, representing a 3% year-over-year improvement, driven by a higher proportion of passengers traveling to and from Iceland. Unit cost (CASK) was 7.6 US cents and increased by 6% year-over-year. However, a high real exchange rate of the Icelandic Krona, contractual salary increases, inflation, and

[5] Unit revenue (RASK): Revenue per available seat km in the passenger network

one-off costs, including unforeseen short-term aircraft lease costs and high ETS carbon cost, resulted in a 11% increase in CASK less fuel between years.

Net finance costs

Net finance expenses totaled USD 2.6 million in Q3, representing a 0.8 million increase between years. Total interest income amounted to USD 7.9 million and remained unchanged. Interest expenses totaled USD 11.1 million, a USD 1.1 million increase. A foreign exchange gain of USD 0.6 million was recognized, compared to USD 0.3 million last year.

FINANCIAL POSITION

- Equity USD 339 million and equity ratio 18%
- Total liquidity USD 503 million

Balance sheet

Total assets amounted to USD 1.9 billion at the end of Q3 2025, up USD 287.7 million since the beginning of the year, primarily driven by higher liquid funds and three additional A321LR aircraft. Operating assets totaled USD 541.6 million, and the right-of-use assets USD 501.3 million. Total equity amounted to USD 338.6 million, with an equity ratio of 18%. Financial liabilities[6] amounted to USD 713.4 million and increased by USD 75.7 million from the beginning of the year, primarily due to aircraft investments with the addition of three A321LRs. Net financial liabilities[7] amounted to USD 302.6 million, a decrease of USD 80.2 million, reflecting a stronger cash and marketable securities position.

Liquidity

Cash and marketable securities totaled USD 410.8 million at the end of Q3 2025, down by USD 69.4 million in the quarter; however, USD 107 million higher than at the same time last year. Net cash to operating activities totaled USD 26.2 million, a USD 21.9 million improvement between years. Cash used in investing activities amounted to USD 26.3 million, of which net capex was USD 15.7 million. Net cash used in financing activities was USD 28.6 million due to the repayment of interest-bearing loans and operational lease liabilities. 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 502.8 million.

PROSPECTS

- Continued focus on the markets to and from Iceland during 2026
- Leading hub carrier position at KEF airport strengthens
- The ONE transformation program is progressing well

Revenue outlook for the fourth quarter of 2025 has improved

Bookings in the European side of the network have strengthened year-over-year while the demand on the North American side is softer. The transatlantic market appears to have stabilized, but bookings to Iceland from the US are weaker than last year. The Saga Premium product continues to be in high demand and is performing very well. In general, the revenue outlook for the fourth quarter has improved since the last financial guidance was published, in July.

[6] Financial liabilities: Interest-bearing debt + net lease liabilities
[7] Net financial liabilities: Interest-bearing debt + net lease liabilities - cash and marketable securities

The leading hub carrier position strengthened

Icelandair's leading hub carrier position has strengthened at KEF airport, with 69% capacity share in Q4 2025. Under the current market conditions, Icelandair is focused on increasingly shifting its market mix toward traffic to and from Iceland, while ensuring strong connectivity across the route network. As part of this focus, the Company will reduce capacity on North American routes, while increasing emphasis on Southern Europe and Scandinavia.

Capacity expected to grow by around 2% in 2026 compared to 8% growth in 2025

In 2026, Icelandair's capacity is expected to grow by 2% in 2026. The growth is anticipated in the shoulder and low seasons which leads to continued improvement in resource utilization. Icelandair plans to offer ~6.3 million seats to over 60 destinations and provide more than 800 connecting options within its route network. Venice and Faro have been introduced as new destinations.

Improved fleet utilization in the passenger network

Icelandair will reduce its fleet by two aircraft in summer 2026 and operate 41 aircraft in its passenger network, including 21 Boeing 737 MAX aircraft and seven Airbus A321LRs, three of which will be delivered in Q1. The Airbus addition enhances route network flexibility and supports off-season growth and contributes to sustainability goals. As part of Icelandair's transition to a more fuel-efficient fleet, four Boeing 757s and one Boeing 767 will be retired by the end of 2025, and all B767 widebody operations will end by 2026, earlier than previously planned.

The strong ISK continues to pose challenges for the export sectors

The appreciation of the Icelandic Krona negatively impacts Iceland's competitiveness as a destination, further compounded by underinvestment in destination marketing by the Icelandic authorities. The ISK has appreciated significantly since the start of 2025, by 4% against the Euro and 11% against the US dollar as of 30 September. At the same time, domestic inflation has proven more persistent than in other countries. Therefore, the real exchange rate of the ISK is now near historical highs, posing challenges for the export sector and making it unsustainable in the long term.

Favorable prospects in the Cargo and Leasing segments

The outlook for the cargo operation remains positive, with year-on-year profitability expected to improve for the full year 2025, supported by continued strength in import volumes. The leasing business is also expected to maintain its strong performance. It currently operates a fleet of 11 aircraft, five of which are engaged in long-term contracts. Demand for VIP projects remains high, a niche market in which the leasing division has built a strong reputation.

Transforming for the future

The transformation program focuses on driving efficiencies, reducing costs, and unlocking new revenue opportunities. To date, over 500 initiatives have been identified, with 205 initiatives successfully implemented by the end of Q3 2025. When fully realized, these initiatives are expected to deliver USD 100 million annually. While it will take some time to realize the full annual impact of the initiatives implemented, the program has delivered an actual impact of around USD 50 million year to date.

Icelandair continues to pursue cost reduction across all areas of the business. A key strategic decision is to phase out the B767 widebody aircraft by the end of 2026, contributing to a more homogeneous and thereby more efficient fleet. This shift helps mitigate the financial impact of irregular operations (IROPs), such as unexpected aircraft-on-ground (AOG) events. Efforts to improve efficiency are ongoing, including focusing on automation and expanding the shared service center in Tallinn. Fuel efficiency remains a top priority, driven by both cost-saving and sustainability goals. A coordinated approach across multiple fuel-saving programs has led to reduced fuel consumption, even as flight operations have increased.

The collective bargaining agreements with pilots and cabin crew expired at the end of September, and Icelandair is now entering a critical negotiation phase that will contribute to shaping its future. It is crucial to reach long-term agreements that support competitiveness in a challenging global market, enable fleet and network expansion, and ensure operational flexibility aligned with industry standards. While airlines face costs that are only partly within their control, like aircraft, fuel, and airport fees, salary costs are within the Company's control and must remain competitive and sustainable.

On the revenue side, Icelandair is strategically focusing on the markets to and from Iceland, with recent network additions such as Venice and Faro, and increased capacity to popular leisure destinations. Ancillary revenue is being strengthened through dynamic pricing, enhanced upselling strategies, and product refinements to meet customer expectations better.

Icelandair's ambition is clear – to ensure a financially strong and competitive airline that can continue to invest in new aircraft and grow the network, deliver an excellent customer experience, and at the same time offer secure, attractive jobs, benefitting shareholders, customers, and employees alike. All the aforementioned initiatives are important to secure profitability and long-term growth.

Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q3 2025. As demonstrated, 30% of the projected use in the route network over the next 12 months has been hedged at a weighted average price of 690 USD per metric ton.

Period	Estimate usage	Hedged tons	% of estimated usage (tons)	Av. weighted price USD
Q4 2025	79,293	35,350	45%	702
Q1 2026	62,033	20,700	33%	698
6 months	141,326	56,050	40%	701
Q2 2026	101,171	27,000	27%	684
Q3 2026	122,393	24,900	20%	672
12 months	364,890	107,950	30%	690
Q4 2026	79,293	6,000	8%	644
Q1 2027	62,033	0	0%	-
13-18 months	141,326	6,000	4%	644

FINANCIAL OUTLOOK FOR 2025

The Company expects its full-year EBIT to be in the range of negative USD 10-20 million. The full-year EBIT forecast assumes an average jet fuel price of USD 700 per metric ton and an ISK/USD exchange rate of 123. This guidance is subject to change due to various risks and uncertainties in the environment.