

ICELANDAIR: FINANCIAL RESULTS 2025

- Record revenue in 2025 of USD 1.7 billion, up by 11% with a 17% increase in Q4
- EBIT in 2025 was negative at USD 17.2 million, down by USD 3 million, but improving by USD 2.0 million in Q4
- EBIT for the year was impacted by a significant change in the operating environment, including a negative currency impact of USD 43.7 million due to the weakening of the USD
- Net loss decreased in 2025, totaling USD 9.5 million compared to USD 20.2 million in 2024
- Unit revenue improvement of 2% for the full year, up 5% in Q4
- Record high load factor and for the first time, more than 5 million passengers carried in 2025
- Icelandair one of the most punctual airlines in Europe in 2025, with an OTP of 83.9%
- Strong liquidity position of USD 457.8 million at year-end, up USD 111.0 million year-on-year
- Transformation initiatives implemented by the end of 2025 are expected to deliver over USD 100 million in annual impact

BOGI NILS BOGASON, PRESIDENT & CEO

“The fourth quarter was strong in many ways, but the financial results for the year were not in line with our expectations at the beginning of the year. We are, however, on the right track and in 2025 we generated record revenue, transported more than five million passengers for the first time in our history, and the load factor was at a record high. Furthermore, we delivered outstanding on-time performance, placing us among the most punctual airlines in Europe, and contributed to good customer experience. We also generated record Saga Premium revenues and significantly strengthened our position as the leading hub carrier at Keflavík airport. We continued to drive operational efficiencies with improved productivity and carried out initiatives under our transformation program that are expected to deliver over USD 100 million in annual impact when fully implemented. In addition, profitability in our cargo and leasing businesses improved year on year.

Significant changes in our external environment over the past year, however, negatively impacted our bottom line. Geopolitical developments led to a depreciation of the US dollar, which negatively impacted our profit margins, affected the demand to Iceland from North America, our biggest market, and had a negative impact on revenue generation in the transatlantic market. In addition, the unsustainable contractual wage development in Iceland in recent years has significantly outpaced that in our neighboring countries, which remains challenging for export companies that have most of their revenues in foreign currencies. On top of that, carbon emission costs more than doubled between years.

We are addressing these challenges head on and will continue to make the necessary changes to improve our performance across the company. One of the most important projects is the negotiations of new collective bargaining agreements with pilots, cabin crew, and mechanics that are currently ongoing. The focus of the negotiations is to ensure the competitiveness of Icelandair, such as with increased operational flexibility, as well as continue to secure attractive jobs in aviation in Iceland. At the same time, the Icelandic government must ensure the competitiveness of Iceland with a predictable operating environment, and by defending Iceland's interests within the EU regulatory environment. Strong air connectivity is a key infrastructure that supports economic growth, tourism, exports, and foreign investment, especially for an island nation where other transportation options are limited. Icelandair plays a key role in connecting the country and our tax footprint was USD 322 million.

We have an exciting year ahead, with continued growth of our route network and compelling new destinations. With our clear operational focus and further transformation initiatives already in the pipeline, we are in a strong position to turn a profit this year and build a stronger Icelandair for the future

– it is truly time for Icelandair's shareholders to reap the rewards after having stood by the company for many years. Finally, I want to thank our employees for their resilience and exceptional work during the year and our customers for choosing Icelandair.”

INVESTOR PRESENTATION 6 FEBRUARY 2026

An investor presentation will be webcast in relation to the publication of Q4 and 12M results 2025 at 8:30 GMT on Friday, 6 February 2026, at <https://icelandairgroup.com>. Bogi Nils Bogason, President & CEO of Icelandair, and Ivar S. Kristinsson, CFO, will present the company's results and answer questions. The presentation will take place in English and will be accessible after the meeting on the company's website and under Corporate News on the Nasdaq Nordic website:

<http://www.nasdaqomxnordic.com/news/companynews>

INFORMATION

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FINANCIAL CALENDAR

- AGM, 12 March 2026
- Q1 2026, 28 April 2026
- Q2 2026, 21 July 2026
- Q3 2026, 22 October 2026
- Q4 2026 Results and Consolidated Financial Statement 2026, 4 February 2027

KEY INDICATORS

		Q4 2025	Q4 2024	Change	% Change	12M 2025	12M 2024	Change
Operating results								
Total income	USDk	406,478	348,781	57,697	17%	1,740,886	1,570,607	170,279
of which passenger revenue	USDk	323,949	276,580	47,369	17%	1,453,126	1,325,083	128,043
Total operating cost	USDk	391,953	340,237	51,716	15%	1,584,312	1,430,751	153,561
EBIT	USDk	-30,097	-32,105	2,008	-6%	-17,239	-14,211	-3,028
EBT	USDk	-40,177	-35,746	-4,431	12%	-20,360	-24,807	4,447
Net loss	USDk	-35,645	-30,575	-5,070	17%	-9,527	-20,169	10,642
Balance sheet¹ and cash flow								
Total assets	USDk	-	-	-		1,863,734	1,656,719	207,015
Total equity	USDk	-	-	-		286,422	269,067	17,355
Interest-bearing financial liabilities ²	USDk	-	-	-		693,861	637,687	56,174
Net financial liabilities ³	USDk	-	-	-		328,026	382,890	-54,864
Total cash and marketable securities	USDk	-	-	-		365,835	254,797	111,038
Net cash from/to operating activities	USDk	8,432	11,820	-3,388	-29%	305,012	221,157	83,855
CAPEX, gross	USDk	69,856	33,305	36,551	110%	127,801	122,289	5,512
CAPEX, net	USDk	58,253	33,193	25,060	75%	112,130	117,730	-5,600
Key Ratios								
Equity ratio ¹	%	-	-	-		15.4	16.2	-0.9 ppt
EPS	US Cent	-0.09	-0.02	-		-0.02	-0.05	-
EBIT ratio	%	-7.4	-9.2	1.8 ppt		-1.0	-0.9	-0.1 ppt
RASK ⁴	US Cent	8.05	7.67	5%		8.06	7.92	2%
Yield	US Cent	8.78	8.43	4%		9.01	8.94	1%
CASK ⁴	US Cent	9.02	8.81	2%		8.33	8.18	2%
CASK less fuel ⁴	US Cent	7.13	6.97	2%		6.49	6.20	5%
Traffic figures								
Passengers total	no.	1,154,631	1,021,189	13%		5,060,898	4,665,268	8%
To Iceland	no.	371,393	331,195	12%		1,736,745	1,517,479	14%
From Iceland	no.	230,265	187,316	23%		895,627	773,041	16%
Via Iceland	no.	488,263	439,267	11%		2,168,096	2,113,757	3%
Within Iceland	no.	64,709	63,411	2%		260,430	260,990	0%
Passenger load factor	%	84.3	83.5	0.8 ppt		83.5	82.7	0.9 ppt
Available seat km (ASK)	mill	4,173	3,730	12%		18,520	17,159	8%
Revenue passenger km (RPK)	mill	3,516	3,112	13%		15,470	14,186	9%
Passenger flights	no.	4,390	3,964	11%		19,455	18,331	6%
On-Time-Performance	%	83.3	76.0	7.3 ppt		83.9	82.7	1.2 ppt
Freight ton kilometers (FTK'000)	k	37,629	41,766	-10%		138,298	140,665	-2%
Sold charter block hours	no.	7,250	6,604	10%		27,515	21,236	30%
CO2 emissions per OTK	no.	0.68	0.70	-3%		0.70	0.73	-4%
Employees								
Av. no. of full-time employees	no.	3,352	3,254	3%		3,520	3,575	-2%

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

Q4 TRAFFIC DATA

- Number of passengers 1.2 million in Q4, up by 13% year-on-year
- Record unit revenues and load factors despite 12% YoY capacity increases in the quarter
- On-Time-Performance, a record 83.3%

Icelandair passenger network capacity grew by 12% year-over-year. Passenger traffic, measured in Revenue Passenger Kilometers (RPK), grew by 13%, with total passenger numbers reaching 1.2 million, up 13% from last year. Miami was introduced as a new destination.

During the quarter, 32% of passengers traveled To Iceland, 20% From Iceland, 42% were connecting, and 6% traveled domestically within Iceland. Revenue growth was driven by all markets, led by the market from Iceland, where passenger numbers grew by 23%. These results highlight the route network's flexibility and the company's ability to respond to changing market conditions.

Passenger mix '000	Q4 2025	Q4 2024	Change	% of total '25	% of total '24
To Iceland	371	331	12%	32%	32%
From Iceland	230	187	23%	20%	18%
Via Iceland	488	439	11%	42%	43%
Within Iceland	65	63	2%	6%	6%
Total	1,155	1,021	13%	100%	100%

The load factor reached a record 84.3%, up 0.8 percentage points. On-time performance improved to 83.3%, up 6.5 percentage points from last year, placing Icelandair among the most punctual airlines in Europe. This achievement is a result of robust planning and the collective effort of the entire Icelandair team.

Freight volumes, measured in Freight Ton Kilometers, declined by 10% in Q4. The leasing business continued to grow, with block hours sold up 10% year-on-year in the quarter. CO₂ emissions per Operational Ton-Kilometer (OTK) decreased by 3% year-on-year, driven by an increased utilization of the more efficient B737 MAX and A321 LR aircraft and a higher load factor.

Q4 EBIT, INCOME, AND EXPENSES

- EBIT loss improves by USD 2 million
- Record revenue up by 17% year-on-year
- USD depreciation drives a USD 17 million cost increase, net of currency hedges
- Several factors adversely affected costs, including high salary increases in Iceland, unscheduled engine maintenance, and costs due to carbon emission credits

EBIT

EBIT for the fourth quarter was negative at USD 30.1 million, and improved year-on-year by USD 2.0 million. Record revenue was generated 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. EBIT in the Cargo segment decreased slightly due to reduced fish exports to the US, but the Leasing segment delivered a robust 15% EBIT margin, which contributed positively to overall performance.

Income

Total income amounted to USD 406.5 million, up 17% from the previous year. Passenger revenue reached USD 323.9 million, up from USD 276.6 million in the same period last year, setting a fourth-quarter record. Passenger revenue increased across all markets, led by the market from Iceland, where passenger volume grew 23%. Cargo revenue totaled USD 21.4 million, a 4% decrease year-on-year, driven primarily by reduced fish exports to the U.S. due to higher import tariffs, as well as lower salmon volumes. Leasing revenue totaled USD 30.3 million, consistent with the previous year's level. Other income totaled USD 30.9 million, up by USD 11.5 million compared to the same period last year, mostly due to gains on sales of operating assets.

Operating expenses

Operating expenses, excluding depreciation, totaled USD 392.0 million, up 15% year-on-year. Net negative effect on costs from depreciation of the USD against other currencies, including hedges, is estimated to be around USD 17 million.

Salaries and salary-related costs increased by USD 21.4 million, to USD 124.3 million. This increase was due to contractual wage increases and the negative impact of the ISK's strong real exchange rate. Additionally, the increase reflects one-off severance expenses associated with the layoffs carried out in November. At a fixed exchange rate, the salary cost increased by 13%. Full-time equivalent positions (FTEs) averaged 3,352 during the quarter, up by 3% year-on-year on 12% increase in production, resulting in a significant efficiency improvement that somewhat offsets cost increases. For the full year, FTEs decreased by 2% despite an 8% capacity increase, reflecting a 10% increase in efficiency.

Aircraft fuel expenses amounted to USD 84.2 million for the quarter, increasing by USD 9.6 million year-on-year, due to more production and higher carbon emission costs despite a more cost-efficient fleet. The weighted effective fuel price, including add-ons and hedging, was USD 819 per metric ton. Emission charges increased to USD 13.4 million, up from USD 5.1 million in 2024. The rise was driven primarily by a 13% increase in carbon credit prices, additional credit expenses due to liability for prior periods, and fewer available free allowances than last year. In addition, sustainable aviation fuel (SAF) expenses totaled USD 1.1 million in the quarter, while no such costs were incurred in 2024. At the same time, CO₂ emissions per Operational Ton-Kilometer (OTK) decreased by 3%.

Other aviation expenses totaled USD 79.3 million, up 15% year-on-year. Handling, landing, and navigation costs rose 8% to USD 40.5 million, driven by higher fees across all categories and a 9% stronger EUR against the USD. Aircraft maintenance expenses amounted to USD 39.0 million, a 24% year-over-year increase, driven by higher levels of unscheduled engine maintenance and increased engine reserve costs associated with the newer leased aircraft.

Other operating expenses totaled USD 104.2 million, up USD 10.1 million year over year. The increase was largely due to a larger scope of business, such as production driven employee expenses and distribution costs. Additionally, negative currency developments and non-recurring costs related to the ONE transformation project contributed to the overall increase.

Depreciation and amortization totaled USD 44.6 million, up from USD 40.6 million in the same period last year, driven by a higher number of leased aircraft.

Net finance costs

Net finance expenses totaled USD 12.0 million in Q4, representing an 8.0 million increase between years. Interest income amounted to USD 10.7 million, increasing by USD 4.1 million year-on-year. Interest expenses totaled USD 16.2 million, a USD 5.9 million increase. A foreign exchange loss of USD 6.5 million was recognized, compared to a loss of USD 0.4 million last year.

Unit revenue and unit costs

Unit revenue (RASK)⁵ in Q4 2025 was 8.0 US cents, up 5% compared to last year. The average yield was 8.8 US cents, up 4% year over year, and the load factor was a record 84.3%, up 0.8 ppt between years. The positive RASK development was driven by stronger revenue performance in the European network, particularly in southern Europe, and improved results in both Economy and Saga cabins, with Economy showing its strongest growth in quite some time. Unit cost (CASK) was 9.0 US cents, up 2% year-over-year, primarily driven by the strong real exchange rate of the Icelandic Krona, contractual salary increases, and rising inflation in flight-related charges. CASK less fuel increased by 2% year-over-year.

FINANCIAL POSITION

- Equity USD 286 million and equity ratio 15%
- Total liquidity USD 458 million

Balance sheet

Total assets amounted to USD 1.9 billion at year-end 2025, up USD 207.0 million since the beginning of the year, primarily driven by higher liquid funds and three additional leased A321LR aircraft. Operating assets totaled USD 563.5 million, and the right-of-use assets USD 483.1 million. Total equity amounted to USD 286.4 million, with an equity ratio of 15%. Financial liabilities⁶ amounted to USD 693.9 million and increased by USD 56.2 million from the beginning of the year, primarily due to aircraft investments with the addition of three A321LRs. Net financial liabilities⁷ amounted to USD 328.0 million and decreased by USD 54.9 million.

Liquidity

Cash and marketable securities totaled USD 365.8 million at year-end 2025, down by USD 44.9 million in the quarter; however, USD 111.0 million higher than at year-end 2024. Net cash from operating activities totaled USD 8.4 million, down by USD 3.4 million from the prior year. Cash used in investing activities amounted to USD 49.0 million, of which net capex was USD 58.3 million. Net cash used in financing activities was USD 21.7 million. Refinancing in the quarter amounted to USD 19.4 million, and repayments of interest-bearing loans and operational lease liabilities totaled USD 42.0 million. The Company had undrawn committed credit lines available in the amount of USD 92.0 million at the end of September, bringing total liquid funds to USD 457.8 million.

SUSTAINABILITY REVIEW

Sustainability is an integral part of Icelandair's strategy, with focus on environmental, social, and governance factors (ESG). Icelandair's key ESG focus areas include climate performance, employee welfare and equality, customer safety and wellbeing, responsible supply chain management, as well as monitoring and communicating the positive economic and social impacts aviation has in Iceland.

For an island nation like Iceland, strong international flight connections are a key infrastructure that supports economic growth, tourism, and other industries, exports, and foreign investment. During 2025, Icelandair continued to actively engage with policymakers and stakeholders to highlight the importance of aviation for economic prosperity. This included the advocacy for climate policies that avoid disproportionate cost impacts on airlines operating from Iceland, where other transportation options are limited. Icelandair has reduced its carbon emissions per operational ton-kilometer (OTK) by 22% from

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

⁶ Financial liabilities: Interest-bearing debt + net lease liabilities

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

2019 to 2025, largely as a result of its extensive fleet renewal program and focus on driving operational efficiencies to lower fuel burn. Icelandair's tax footprint in Iceland amounted to USD 321.9 million in 2025, an increase of 17% between years. As one of the largest employers in Iceland, Icelandair employed an average of 3,520 full-time employees in 2025.

Gender equality is another key sustainability focus area, and Icelandair has set goals to increase gender equality across management and flight-related roles. In 2025, the proportion of female pilots were 13%, down from 14% in 2024. Male cabin crew members accounted for 17%, up from 16% in 2024. The ratio of women at the Executive Committee (ExCo) was 22% but the ratio within the ExCo and the Director level combined was 41% at year-end 2025.

Icelandair continues to adapt to the new EU Corporate Sustainability Reporting Directive (CSRD) and its accompanying standards, the European Sustainability Reporting Standards (ESRS), and considered the ESRS when developing its 2025 non-financial reporting. The CSRD has already taken effect within the European Union, but is yet to be implemented into Icelandic law.

PROSPECTS

- Continued focus on the markets to and from Iceland
- Strong leading hub carrier position at KEF airport
- The ONE transformation program is progressing well

Planned capacity growth in the passenger network is around 2%

In 2026, Icelandair's capacity is planned to grow by around 2%, with ~6.3 million seats to over 60 destinations and more than 800 connecting options within its route network. Venice, Faro, and Gdansk have been introduced as new destinations. The growth is concentrated outside the summer peak season, reducing seasonality and improving profitability by better utilizing the company's resources year-round. The summer schedule has been rebalanced to adapt to recent changes in overall market capacity to and from Iceland, with current growth focused on European destinations.

Promising booking outlook

Coming into 2026, the booking outlook is generally positive. The market from Iceland remains very strong, with a high willingness to travel. Bookings on the European side of the network have strengthened year over year, while demand on the North American side is softer. The transatlantic market remains relatively weak, with softer demand from Europe to the United States. The Saga Premium product remains in high demand and is performing strongly.

Strong leading hub carrier position

Icelandair's leading hub carrier position at KEF airport is strong. Under current market conditions, Icelandair is shifting its market mix toward traffic to and from Iceland while maintaining strong connectivity across its route network. Consequently, the company has slightly reduced capacity on North American routes and increased emphasis on Southern Europe and Scandinavia.

Improved fleet utilization in the passenger network

Icelandair plans to operate 41 aircraft in the summer of 2026, including 21 Boeing 737 MAX and six Airbus A321LRs, two of which will be delivered in the first quarter. The addition of Airbus enhances network flexibility, supports off-season growth, and contributes to the company's sustainability efforts. As part of Icelandair's transition to a more fuel-efficient fleet, four Boeing 757s were retired by the end of 2025, and all B767 widebody operations will end by 2026.

Outlook in the Cargo and Leasing segments is good

The outlook for the cargo operation remains positive, with profitability expected to remain strong. Operational cost efficiency will remain a key priority, supported by a strong market position, and the combined use of the passenger route network and a dedicated freighter for air freight to and from Iceland. The leasing business is also expected to maintain its robust performance. It currently operates a fleet of 11 aircraft, eight 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.

High salary increases in Iceland, and a strong ISK pose challenges for the export sectors

Iceland's export industries are facing growing pressure from two key factors: rapid wage growth in recent years, driven by increases in the public sector, and a strong Icelandic krona. In 2025, the general wage index in Iceland rose by around 9%, exceeding increases in key markets such as the Euro area and Nordic countries (3-4%) and the United States (5%). At the same time, the krona has appreciated sharply, rising by around 10% against the U.S. dollar in 2025, while persistent domestic inflation has pushed the real exchange rate close to historical highs. Together, high labor costs and a strong currency are eroding competitiveness and challenging the long-term sustainability of Iceland's export sectors.

Objective of CBA negotiation is to ensure competitiveness and attractive jobs in aviation

In 2020, as part of its restructuring, the company secured long-term collective bargaining agreements (CBAs) with pilots, cabin crew, and mechanics that enabled the company to successfully recover its strength in the years that followed. The agreements expired in late 2025, and negotiations are currently on-going. The focus of the negotiations is on securing the competitiveness of the company, supporting fleet and network growth, and ensuring the operational flexibility needed in a challenging global market, while at the same time continuing to provide attractive jobs in aviation in Iceland.

The Transformation program ONE is progressing well, with 233 initiatives successfully implemented

More than 500 initiatives have been identified, with 233 implemented since the program began, including 198 in 2025, across both cost and revenue areas. When fully realized, these actions are expected to generate more than USD 100 million in annual impact. The program delivered an actual impact of around USD 70 million in 2025.

Initiatives on the revenue side include comprehensive revenue optimization designed to drive growth through more agile and responsive pricing and revenue-management processes. Icelandair is also continuously refining its product and service offerings by unbundling selected services with the aim to give customers more choice.

Efficiency initiatives are already lowering operating costs. They include increased automation, organizational restructuring, improved productivity, and a coordinated fuel-saving program. At the same time, the unbundling of the product offering reduces costs. The transformation program has, in addition to driving financial impact, strengthened collaboration, transparency, and innovation across the company, while maintaining safety as the highest priority.

Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q4 2025. As demonstrated, 39% of projected use in the route network over the next 12 months has been hedged at a weighted average price of USD 671 per metric ton.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)	Av. weighted price USD
Q1 2026	67,622	20,700	31%	698
Q2 2026	101,486	39,500	39%	678
Q3 2026	113,902	53,900	47%	661
Q4 2026	77,832	25,000	32%	661
12 months	360,842	139,100	39%	671
Q1 2027	67,622	6,000	9%	660
Q2 2027	101,486	14,000	14%	658
13-18 months	169,108	20,000	12%	659

FINANCIAL OUTLOOK

For 2026, the company expects profitability to improve year-on-year. Full-year capacity is planned to grow by 2% with a focus on off-peak seasons. The first quarter growth will be affected by the earlier Easter compared to last year. Unit cost excluding fuel is expected to increase less than in 2025, supported by the ONE transformation program and better utilization of our resources year-round. Unit revenue development is expected to outpace that of unit cost, thus improving margins. This is driven by a strong hub position, positive booking status, and a rebalanced summer 2026 network, with growth focused on European destinations. Profitability for the Leasing and Cargo segments is projected to remain strong.