ICELANDAIR: FINANCIAL RESULTS Q2 2026

- Record revenue of USD 496.2 million, a 7% increase year-on-year
- Negative EBIT of USD 29.6 million, compared to positive EBIT of USD 0.8 million last year, driven by elevated fuel expenses
- Underlying profitability improved on an ex-fuel basis, while fuel expenses increased by USD 72.5 million year-on-year, or USD 41.0 million net of hedging gains
- Net loss of USD 32.3 million compared to a profit of USD 12.9 million in 2025, with last year's financial income positively impacted by foreign exchange movements
- Strong yields and load factor drove an 8% increase in unit revenue
- Underlying unit cost growth at 7%, while higher fuel prices drove reported unit cost increase up to 15%
- Liquidity position of USD 603.6 million at quarter-end, up USD 31.4 million compared to Q2 last year
- The outlook for the third quarter is positive, with EBIT expected to improve and unit revenues to reach record levels

BOGI NILS BOGASON, PRESIDENT & CEO

"The operating environment was challenging in the second quarter due to significant increases in fuel prices, but we still achieved considerable improvements in many areas and the results were in line with our financial guidance for the quarter. We delivered record revenue, and excluding higher fuel prices, underlying EBIT improved year-on-year. Yields increased between years, load factor was strong and on-time performance remained robust. In response to the current market conditions, we have adjusted capacity, implemented fare increases, maintained a strong focus on cost control and decided to phase out our Boeing 757 aircraft sooner than we originally planned.

The revenue outlook for the third quarter is strong, with unit revenues expected to be the highest the Company has recorded, supported by robust demand to and from Iceland, in addition to exceptionally high demand for travel to Iceland around the solar eclipse in August. We do expect EBIT in the third quarter to improve compared to last year.

We continue to renew our fleet and have secured new aircraft that will create new opportunities and further strengthen our route network. To fully capitalize on these opportunities, it is necessary that we remain competitive across every part of the business. This includes ensuring that new collective bargaining agreements support our long-term plans while we continue to offer attractive jobs and good working conditions in Iceland. It also means advancing initiatives that help us better manage seasonality in our business. These efforts are first and foremost a part of reinforcing our hub and operations in Iceland.

Our financial position is strong, providing the resilience and flexibility needed to invest in future growth while navigating an ever-changing operating environment. Finally, I would like to thank our customers for their continued loyalty and our employees for outstanding work. They are the foundation of our success."

INVESTOR PRESENTATION 22 JULY 2026

An investor presentation will be webcast in relation to the publication of Q2 results 2026 at 8:30 GMT on Wednesday, 22 July 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

- Q3 2026, 22 October 2026
- Q4 2026 Results and Consolidated Financial Statement 2026, 4 February 2027

KEY INDICATORS

		Q2 2026	Q2 2025	Change	6M 2026	6M 2025	Change
Operating results							
Total income	USDk	496,152	462,697	33,455	842,694	749,148	93,546
of which passenger revenue	USDk	421,318	393,047	28,271	679,626	607,074	72,552
Total operating cost	USDk	480,774	418,495	62,279	838,912	727,759	111,153
EBIT	USDk	-29,647	775	-30,422	-82,983	-61,496	-21,487
EBT	USDk	-39,579	6,999	-46,578	-96,841	-52,268	-44,573
Net loss	USDk	-32,347	12,921	-45,268	-77,669	-31,164	-46,505
Balance sheet[1] and cash flow							
Total assets	USDk	-	-	-	2,193,428	1,863,734	329,694
Total equity	USDk	-	-	-	229,837	286,422	-56,585
Interest-bearing financial liabilities[2]	USDk	-	-	-	742,768	693,861	48,907
Net financial liabilities[3]	USDk	-	-	-	231,156	328,026	-96,870
Total cash and marketable securities	USDk	-	-	-	511,612	365,835	145,777
Net cash from operating activities	USDk	42,398	118,021	-75,623	239,656	322,735	-83,079
CAPEX, gross	USDk	16,493	20,885	-4,392	41,566	39,999	1,567
CAPEX, net	USDk	16,433	19,105	-2,672	25,858	38,186	-12,328
Key Ratios							
Equity ratio[1]	%	-	-	-	10.5	15.4	-4.9 ppt
EPS	US Cent	-0.08	0.03	-	-0.19	-0.08	-
EBIT ratio	%	-6.0	0.2	-6.1 ppt	-9.8	-8.2	-1.6 ppt
RASK[4]	US Cent	8.44	7.78	9%	8.18	7.60	8%
Yield	US Cent	9.42	8.94	5%	9.18	8.63	6%
CASK[4]	US Cent	9.11	7.93	15%	9.31	8.55	9%
CASK less fuel[4]	US Cent	6.59	6.16	7%	7.04	6.76	4%
Traffic figures							
Passenger flights	no.	5,446	5,311	3%	9,308	8,819	6%
Passengers total	no.	1,411,117	1,380,951	2%	2,342,661	2,208,671	6%
To Iceland	no.	442,461	429,324	3%	787,111	723,584	9%
From Iceland	no.	277,198	236,618	17%	478,024	395,888	21%
Via Iceland	no.	619,990	647,726	-4%	944,234	963,987	-2%
Within Iceland	no.	71,469	67,283	6%	133,292	125,212	6%
Available seat km (ASK)	mill	5,105	5,171	-1%	8,547	8,226	4%
Revenue passenger km (RPK)	mill	4,289	4,248	1%	7,054	6,699	5%
Passenger load factor	%	84.0	82.1	1.9 ppt	82.5	81.4	1.1 ppt
On-Time-Performance	%	82.8	87.2	-4.4 ppt	82.5	84.7	-2.2 ppt
Freight ton kilometers (FTK'000)	k	32,974	32,772	1%	72,269	71,279	1%
Sold charter block hours	no.	7,168	6,865	4%	14,813	13,138	13%
CO2 emissions per OTK	no.	0.71	0.75	-5%	0.74	0.76	-3%
Passengers total	no.	1,411,117	1,380,951	2%	2,342,661	2,208,671	6%
Employees							
Av. no. of full-time employees	no.	3,704	3,720	0%	3,485	3,447	1%

[1] Comparison figures for the balance sheet are 31.12.2025
[2] Interest-bearing financial liabilities: Interest-bearing debt + net lease liabilities
[3] Net financial liabilities: Interest-bearing debt + net lease liabilities – cash and marketable securities
[4] RASK/CASK: Revenue and cost per available seat KM (ASK) in the passenger network

Q2 TRAFFIC DATA

- Number of passengers 1.4 million in Q2, up by 2% year-on-year
- Strong yield improvement and high load factor, including a record load factor in May
- Capacity broadly unchanged year-on-year, with focus on the markets to and from Iceland
- On-time performance improved throughout the quarter, reaching 84.9% in June

Icelandair passenger network capacity decreased by 1% year-over-year. Passenger traffic, measured in revenue passenger kilometers (RPK), was up 1%, with total passenger numbers reaching 1.4 million. During the quarter, Icelandair adjusted capacity in response to market conditions and fuel price volatility, while maintaining focus on growth in the markets to and from Iceland.

During the quarter, 31% traveled to Iceland, 20% from Iceland, 44% were via passengers, and 5% traveled within Iceland. The number of passengers to and from Iceland increased by 3% and 17% respectively, while connecting passengers decreased by 4% year-on-year. Yields improved by 5% compared to last year.

Passenger mix ´000	Q2 2026	Q2 2025	Change	% of total '26	% of total '25
To Iceland	442,461	429,324	3%	31%	31%
From Iceland	277,198	236,618	17%	20%	17%
Via Iceland	619,989	647,726	-4%	44%	47%
Within Iceland	71,469	67,283	6%	5%	5%
Total	1,411,117	1,380,951	2%	100%	100%

The load factor reached 84.0%, up by 1.9 percentage points year-over-year. Load factor was strong throughout the quarter, including a record load factor in May and a high load factor of 86.5% in June. On-time performance improved during the quarter, from 80.8% in April to 84.9% in June.

Freight volumes, measured in freight ton kilometers (FTK), increased by 1% year-on-year in the second quarter. The leasing business continued to grow, with block hours sold up 4% year-on-year in the quarter. CO_2 emissions per operational tonne-kilometer (OTK) decreased year-on-year in each month of the quarter, driven by an increased utilization of the more efficient B737 MAX and A321 LR aircraft, continued focus on operational efficiency, and high load factor.

Q2 EBIT, INCOME, AND EXPENSES

- EBIT loss of USD 29.6 million
- Record revenue of USD 496.2 million
- USD depreciation drove a USD 9.6 million cost increase, net of currency hedges

EBIT

Revenue performance remained strong in the second quarter, driven by yield improvement and a strong load factor, resulting in record quarterly revenue of USD 496.2 million. EBIT was negative by USD 29.6 million, compared with a positive EBIT of USD 0.8 million in the same period last year. The year-on-year decline was primarily driven by significantly higher fuel costs, with fuel expense increasing by USD 41 million, or 43% net of hedges. Excluding the fuel price increase, underlying profitability and EBIT margin improved year-on-year, driven by strong market position, clear strategy of prioritizing the currently most profitable markets to and from Iceland, and overall strong commercial performance. Cargo profitability was adversely affected by the sharp increase in fuel prices, resulting in a negative EBIT for the quarter despite higher revenues. The Leasing segment continued to perform strongly, delivering an EBIT margin of 12%. Overall, the quarter demonstrated the resilience of the underlying business, with strong commercial performance, yield improvement and record revenue largely offset by exceptional fuel cost pressure.

Income

Total income amounted to USD 496.2 million, up 7% from the same period last year. Passenger revenue reached USD 421.3 million, up from USD 393.0 million, setting a second-quarter record. Passenger revenue increased across all markets, led by the market from Iceland, where passenger volume grew 17%. Cargo revenue totaled USD 20.6 million, a 7% increase year-on-year, driven by strong salmon exports and transit volume from Europe to USA. Leasing revenue totaled USD 29.0 million, down 4% year over year. Other income totaled USD 25.2 million, up by USD 5.0 million compared to the same period last year.

Operating expenses

Operating expenses, excluding depreciation, totaled USD 480.8 million, up 15% year-on-year. The net negative effect on costs from depreciation of the USD against other currencies, including hedges, is estimated at around USD 9.6 million.

Salaries and salary-related costs increased by 7%, to USD 132.4 million. This increase was due to contractual wage increases and the negative impact of the ISK's strong real exchange rate. At a fixed exchange rate, salary costs increased by 3%. Full-time equivalent positions (FTEs) averaged 3,704 during the quarter, in line with last year.

Aircraft fuel expenses amounted to USD 136.5 million in the quarter, increasing by USD 41.0 million year-on-year despite a 1.3% reduction in production. The weighted effective fuel price, including add-ons and hedging, was USD 1,244 per metric ton. Emission charges amounted to USD 10.3 million, compared to USD 6.9 million in Q2 last year. The rise was primarily driven by fewer free allowances, relativity more flights to Europe and slightly higher market prices. At the same time, CO_2 emissions per Operational Ton-Kilometer (OTK) decreased by 5%. Fuel prices started to decline towards the end of the quarter following a prolonged period of exceptionally high prices.

Other aviation expenses totaled USD 101.0 million, up 7% year-on-year. Handling, landing, and navigation costs increased by 1% and amounted to USD 52.7 million. Aircraft maintenance expenses amounted to USD 47.5 million, a 14% year-over-year increase, driven by increases in engine repair costs and increased engine reserve costs associated with the newer leased aircraft.

Other operating expenses totaled USD 110.8 million, up 6% year-on-year. The increase was largely due to higher customer service costs, reflecting a spike in disruption-related expenses, mostly attributable to cancellations caused by crew shortages in May and June, as well as weather-related disruptions during the Easter period. The crew-related cancellations increased costs by USD 2.6 million in Q2 and resulted in approximately USD 2.3 million of lost revenue, for a total financial impact of USD 4.9 million.

Depreciation and amortization totaled USD 45.0 million, up from USD 43.4 million in the same period last year, reflecting an increase in the number of leased aircraft.

Net finance costs

Net finance cost totaled USD 10.1 million, representing a USD 15.2 million increase between years. Interest income amounted to USD 6.8 million, decreasing by USD 2.1 million year-on-year. Interest expenses totaled USD 14.3 million, up by USD 2.9 million. A foreign exchange loss of USD 2.6 million was recognized, compared to a gain of USD 7.7 million last year.

Unit revenue and unit cost

Unit revenue (RASK)[5] in Q2 2026 was 8.4 US cents, up from 7.8 US cents compared to last year. The average yield was 9.4 US cents, up 5% year over year, and the load factor improved to 84.0% from 82.1% last year. The improvement in RASK was driven by a combination of stronger load factors and solid yields, supported by particularly strong performance in the market from Iceland and continued resilience in the market to Iceland. Unit cost (CASK) was 9.1 US cents, increasing from 7.9 US cents last year, with increased fuel expenses being the main contributor. CASK excluding fuel was 6.6 US cents, up 7% year-over-year (4.5% on fixed FX), reflecting higher maintenance costs, increased disruption-related expenses and unfavorable foreign exchange movements.

FINANCIAL POSITION

- Equity USD 230 million and equity ratio 10.5%
- Total liquidity USD 604 million, up by 31 million compared to the end of Q2 last year

Balance sheet

Total assets amounted to USD 2.2 billion at the end of the second quarter 2026, up USD 329.7 million since the beginning of the year. Operating assets totaled USD 547.6 million, and the right-of-use assets USD 550.7 million. Total equity amounted to USD 229.8 million, with an equity ratio of 10.5%.

Liquidity

Cash and marketable securities totaled USD 511.6 million at the end of the second quarter 2026, increasing by USD 31.4 million compared to the end of Q2 last year. Net cash from operating activities totaled USD 42.4 million, down by USD 75.6 million from the prior year. Cash used in investing activities amounted to USD 21.1 million, of which net CAPEX was USD 16.4 million. Net cash used in financing activities was USD 33.7 million. The Company had undrawn committed credit lines available in the amount of USD 92.0 million at the end of June, bringing total liquid funds to USD 603.6 million.

PROSPECTS

- Positive outlook for Q3
- Continued focus on the markets to and from Iceland
- The ONE transformation program is progressing well, with actual impact of USD 29 million in Q2

Positive revenue outlook driven by strong summer demand

Icelandair maintains a strong leading hub carrier position at Keflavík airport and continues its focus on the traffic to and from Iceland while preserving connectivity across the route network. Capacity on North American routes has been reduced year on year, with increased emphasis on Southern Europe and Scandinavia, and the European side of the network is expected to continue to perform well.

The revenue outlook for the third quarter is strong, with unit revenues expected to be the strongest the Company has recorded. This is supported by robust demand both to and from Iceland, together with exceptionally high demand for travel to Iceland around the total solar eclipse in August.

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

Overall capacity in Keflavik down 10% in Q3, growing again in Q4

Overall capacity at Keflavík Airport has trended downward in recent months and is estimated to be down approximately 10% in the third quarter. Recent capacity developments continue to highlight the fundamentally leisure-oriented nature of the market to and from Iceland, with some established carriers shifting to lower-cost capacity, including seasonal leasing (ACMI) operations. On the transatlantic market, there are examples where carriers have reduced capacity in recent weeks. This may create selective opportunities for Icelandair to capture additional traffic and strengthen its position in some markets.

In the fourth quarter, bookings are tracking modestly behind the same point last year but at higher yields, with customers increasingly booking closer to departure, resulting in demand materializing later in the booking curve than in prior years. Overall capacity to and from Iceland is set to increase materially in the fourth quarter of 2026 and the first quarter of 2027, largely replacing the capacity that exited the market last year.

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

The Leasing business delivered a positive result in Q2 2026 with an EBIT margin of 12% and is expected to maintain its robust performance for the remainder of the year. It currently operates a fleet of 11 aircraft, operating across most continents. A well-earned reputation in the VIP sector has generated new demand for shorter charter tours, particularly from football teams and musical groups. The Cargo operation is expected to continue delivering solid performance; however, elevated fuel prices are anticipated to weigh on results. The Company has responded through fuel surcharge increases and will continue to implement measures to safeguard profitability, including ongoing operational efficiency initiatives.

Renewal of the fleet continues, B757 phased out at the end of the year

Icelandair has recently signed long-term lease agreements for four A320neo aircraft, scheduled for delivery during the first half of 2027. The aircraft, manufactured in 2017 and 2018, will be configured in Icelandair's two-class layout with 156 seats. The additional aircraft will support the final phase-out of the Boeing 757 fleet, with the last aircraft scheduled to retire in January 2027. As a result, by next summer, almost the entire international route network will be operated using new-generation aircraft, consisting of the Boeing 737 MAX and Airbus A320neo family aircraft. The Company is also actively pursuing additional fleet opportunities to support future growth and fleet renewal, with further aircraft expected to join the fleet from spring 2028 onwards.

Negotiations of new collective bargaining agreements ongoing

The collective bargaining agreements with the unions of pilots, cabin crew and aircraft maintenance technicians are ongoing. The focus of the negotiations is for Icelandair to be able to continue to provide attractive aviation jobs in Iceland by ensuring the Company's competitiveness, supporting its fleet and network growth and driving operational flexibility. Icelandair and the Icelandic Airline Pilot's Association signed a joint statement in June agreeing to the State Conciliation and Mediation Officer's proposal for a structured work plan under a peace obligation, with the objective of concluding negotiations on a renewed collective agreement by 15 September 2026. Following discussions at the State Mediator, the Association of Aircraft Maintenance Technicians have declared the negotiations unsuccessful. The discussions with the Icelandic Cabin Crew Association are progressing without the involvement of the State Mediator.

Icelandair's ONE transformation

Since the launch of the ONE transformation program, more than 550 initiatives have been identified, of which 317 have been implemented to date. These initiatives are expected to deliver approximately USD 123 million in annualized impact when fully realized, of which USD 29 million was realized in Q2 2026.

Due diligence in final stages regarding acquisition of 49% stake in a Maltese AOC

In April, discussions were initiated on a potential acquisition of a 49% stake in Fly Play Europe, a Malta-registered company holding a Maltese Air Operator Certificate (AOC). Negotiations are well under way, with the due diligence process in the final stages. The investment would provide Icelandair with increased operational flexibility and new business opportunities. It could also enable a more efficient separation of fleet operations between Iceland and Malta and thereby simplifying and strengthening the core passenger network operation in Iceland.

Fuel hedge position

The table below highlights the Company's fuel hedging position at the end of Q2 2026. As demonstrated, 33% of projected use in the route network over the next 12 months has been hedged at a weighted average price of USD 689 per metric ton.

Period	Estimated usage	Hedged tons	% of estimated usage (tons)[1]	Av. weighted price USD
Q3 2026	110,717	53,900	49%	660
Q4 2026	76,364	34,000	45%	722
Jul-Dec	187,081	87,900	47%	684
Q1 2027	67,558	12,000	18%	760
Q2 2027	90,260	14,000	16%	658
12 months	344,899	113,900	33%	689
Q3 2027	100,839	10,000	10%	669
Q4 2027	72,917	0	0%	0
13-18 months	173,756	10,000	6%	669

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

FINANCIAL OUTLOOK

For Q3 2026, EBIT is expected to improve year-on-year, with continued improvement of unit revenue supported by robust demand both to and from Iceland, more than offsetting the expected increase in fuel costs. The financial outlook for the fourth quarter and full year continues to be subject to considerable uncertainty, driven by volatility in jet fuel prices.

The following table provides guidance for the expected development of key metrics in Q3 2026.

	Q326 vs. Q325
Capacity (ASK)	-5%
Unit revenue	+11-15%
Unit cost ex-fuel (fixed FX)	+5-8%
FX: USD/ISK	~ flat