Consolidated Financial Statements for the year 2024

Icelandair Group hf. — Reykjavíkurflugvöllur — 102 Reykjavík, Iceland — Reg. No. 631205-1780

Contents

Appendices:

Endorsement and Statement by the Board of Directors and the CEO

Icelandair Group hf. is an Icelandic aviation company with decades' long history of operating in the international airline sector. The Icelandair Route Network is the heart of the business model which takes advantage of the unique geographical location of Iceland serving as a connecting hub between Europe and North America. Icelandair Group is the parent company of several subsidiaries, that in addition to Icelandair include most notably Icelandair Cargo and the aircraft leasing brand Loftleidir Icelandic. The Company's strategic initiatives support its vision of “Bringing the spirit of Iceland to the world” and its mission of offering smooth and enjoyable journeys to, from, via and within Iceland – the Company's hub and home. The Consolidated Financial Statements of Icelandair Group hf. for the year 2024 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements. The Financial Statements comprise the Consolidated Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries (together the “Group”) and have been audited by KPMG.

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Operations in the year 2024

According to the Consolidated Income Statement, loss for the year 2024 amounted to USD 20 million. Equity at year end amounted to USD 269 million, including share capital in the amount of USD 311 million, according to the Consolidated Statement of Financial Position. Reference is made to the Consolidated Statement of Changes in Equity regarding information on changes in equity.

The year 2024 was eventful for Icelandair. Revenue generation was impacted by weaker demand in the market to Iceland in the high season in comparison to last year. Signs of recovery emerged in the fourth quarter of 2024, with net profit showing a turnaround of USD 7 million compared to the previous year. As a result, the Company reported a loss of USD 20 million in 2024 compared to a profit of USD 11 million in 2023. Total revenues amounted to USD 1.6 billion, up by 3% year-on-year. EBIT was negative of USD 14.2 million, down by USD 35 million, with an EBIT ratio of -1%.

Icelandair transported 4.7 million passengers in 2024, a 9% increase from the previous year. The via market saw the most significant growth, with passenger numbers increasing by 29% and accounting for 45% of total passengers.

Icelandair‘s route network operations were robust in 2024, reflected by decreased unit cost, high customer satisfaction, and strong on-time performance. The Company continuously ranked among the most punctual airlines in Europe over the summer months.

Following a challenging year for the cargo operation in 2023, various measures were implemented to enhance the results in 2024. These efforts proved successful, resulting in a significant turnaround in 2024 as the cargo operation returned to operating profit. The leasing business saw strong growth and success in 2024. Several aircraft were added to the fleet portfolio and assigned to both existing and new customers, driving a one-third increase in revenue. New clients were secured in Asia and Scandinavia through AM and ACMI agreements, and the world tours program had a record-breaking year. The outlook for the leasing business for 2025 is strong.

Icelandair launched a comprehensive transformation journey named ONE in the first half of 2024 with the primary objective to increase operational efficiency, mainly by lowering costs but also through revenue-generating initiatives. The transformation has already started to deliver financial impact. By the end of 2024, the Company had implemented initiatives with over USD 20 million in annual impact when fully materialized, of which USD 15 million are cost initiatives. The initiative pipeline is strong, with plans to implement initiatives worth USD 70 million by the end of 2025, with further impact in the following years.

Icelandair took delivery of its first Airbus A321LR in December 2024 and is expecting three additional A321LR to be delivered before next summer. Icelandair signed an agreement with Airbus in 2023 for the purchase of 13 A321XLR aircraft with purchase rights for an additional 12 aircraft. Deliveries will commence in 2029. The Airbus aircraft will increase the flexibility of the route network, contribute to operational efficiencies, as well as further support the Company’s sustainability efforts.

Icelandair transitioned to its new headquarters, the Icelandair house, in late December. The Icelandair house is an extension of Icelandair’s training center, built in 2014. From now on, all crew training, office operations, customer service, and the Network Control Center will be housed under one roof. Additionally, crews gather at the Icelandair house before heading to Keflavik airport.

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

Operations in the year 2024, contd.:

Icelandair employed an average of 3,575 full-time employees in 2024.

Equity amounted to USD 269 million, with an equity ratio of 16.4% at the end of the year. The liquidity position remained strong, with cash and marketable securities amounting to USD 255 million. Additionally, the Company had undrawn committed credit lines of USD 92 million, bringing total liquidity to USD 347 million.

The prospects for Icelandair's operations are favorable for 2025. All business segments are expected to improve year-on-year. Positive development in unit cost is expected to continue, supported by the ONE transformation journey. The flight schedule in the passenger network will be Icelandair's largest ever, with 62 destinations, thereof four new. A fleet of 42 aircraft will be operated within the passenger route network in the peak summer season, the same number of aircraft as in 2024, thereof 21 B737 MAX aircraft and four new A321LR aircraft. The Company expects to deliver better results in 2025, both in terms of EBIT and after-tax profit.

Share capital and Articles of Association

The nominal value of Icelandair Group's issued share capital at year-end was ISK 41.1 billion. The share capital is divided into an equal number of shares with a nominal value of one ISK each. The shares are listed on the Main Market of the Nasdaq Iceland stock exchange under the ticker symbol ICEAIR in a single class bearing equal rights. The Company has entered various agreements that include "Change of control" clauses which might be triggered if any person or group of persons acting in convert gains direct or indirect control of the Company and/or if the Company's shares cease to be listed on a stock exchange.

According to the Icelandic Company's Act, companies can acquire and hold up to 10% of the nominal value of issued shares. On 7 March 2024 the Annual General Meeting authorized the set-up of a formal buy-back program in accordance with the provisions of Article 5 of MAR (Regulation (EU) No 596/2014 of the European Parliament and of the Council), which has been transposed into Icelandic legislation with Act No 60/2021, as well as the provisions of the Commission Delegated Regulation (EU) 2016/1052 which contains regulatory technical standards for the conditions applicable to buy-back programs. Under the program the Company was authorized to purchase up to 10% of its own shares in accordance with Article 55 of the Icelandic Companies Act No 2/1995 during a period of 18 months following the Annual General Meeting. No buy-back of shares was undertaken in 2024 and the Company held no treasury shares at year-end.

The Annual General Meeting further authorized an incremental share capital increase of up to ISK 900,000,000 nominal value that may only be utilized to fulfil terms under stock option agreements granted pursuant to the Company's Share-Based Incentive Program approved by the meeting. Existing shareholders will not have pre-emptive subscription rights to shares issued pursuant to this provision. Share price and subscriptions shall be in accordance with the Share Based Incentive Program and stock option agreements entered pursuant to that. The authorization is valid until 31 December 2030. In April 2024, a total of 385,300,000 stock options were granted based on the program. At year-end total outstanding stock options numbered 747,400,000. See note 27.

The Company's Board of Directors comprises five members, two women and three men. The gender ratio is thus in accordance with Icelandic laws requiring companies with over 50 employees to ensure that the Board has representation from both genders and that each gender comprises at least 40% of the Board Members when Board Members surpass three. The Board Members are elected at the Annual General Meeting each for a term of one year. Those persons willing to stand for election must give formal notice thereof to the Board of Directors and Icelandair Group's Nomination Committee at least seven days before the Annual General Meeting.

The Company's Articles of Association may only be amended at a legitimate shareholders' meeting, provided that amendments and their main aspects are clearly stated in the invitation to the meeting. A resolution will only be passed if it is approved by at least 2/3 of votes cast as well as by shareholders controlling at least 2/3 of the share capital represented at the respective shareholders' meeting.

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

Share capital and Articles of Association, contd.:

The number of shareholders at year-end 2024 was 13,968 a decrease of 436 during the year. At 31 December 2024 the 10 largest shareholders were:

Name	Shares in ISK thousand	Shares in %
Blue Issuer Designated Activity Company	7,073,868	17.20
Gildi - lífeyrissjóður	1,945,179	4.73
Brú Lífeyrissjóður starfsmanna sveitarfélaga	1,478,149	3.59
Lífeyrissjóður starfsmanna ríkisins A-deild	1,257,604	3.06
Almenni lífeyrissjóðurinn	998,984	2.43
Arion banki hf.	718,970	1.75
Birta lífeyrissjóður	715,849	1.74
Sólvöllur ehf.	663,704	1.61
Lífsverk lífeyrissjóður	636,953	1.55
Fossar fjárfestingarbanki hf.	556,391	1.35
	16,045,653	39.02
Other shareholders	25,074,595	60.98
	41,120,247	100.00

Further information on matters related to share capital is disclosed in note 27. Additional information on shareholders is provided on the Company's website www.icelandairgroup.com.

Corporate Governance

The Group's management is of the opinion that practicing good Corporate Governance is vital for the existence of the Group and in the best interests of shareholders, Group companies, employees and other stakeholders and will in the long run produce satisfactory returns on shareholders' investment. Corporate Governance exercised within Icelandair Group hf. ensures sound and effective control of the Company's affairs and highly ethical business practices.

The Board of Directors has prepared a Corporate Governance Statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement that form an appendix to the Consolidated Financial Statements on page 50. It is the opinion of the Board of Directors that Icelandair Group hf. complies with the Icelandic guidelines for Corporate Governance.

Information on matters related to financial risk management is disclosed in note 34. Information regarding operational risk management is disclosed in the Operational Risk appendix.

Non-Financial Reporting

According to the Icelandic Financial Statements Act, the Company has compiled a thorough overview of non-financial information. To prepare for the EU Corporate Sustainability Reporting Directive (CSRD), which is expected to be implemented in Iceland in 2025, the sustainability statement has been developed by considering the European Sustainability Reporting Standards (ESRS), which outline requirements for corporate reporting on a broad range of sustainability matters.

The Company’s sustainability data is presented in accordance with the Nasdaq's ESG Reporting Guide 2.0 (Environment, Society and Governance) at the end of the sustainability statement. The Company's material matters, policies, goals and progress are further discussed in the Non-financial Reporting that forms an appendix to the Consolidated Financial Statements on page 55.

Statement by the Board of Directors and the CEO

The Consolidated Financial Statements for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies.

In our opinion, the Consolidated Financial Statements of Icelandair Group hf. for the year 2024 identified as “549300UMI5MBLZSXGL15-2024-12-31-en.zip” are in all material respects prepared in compliance with the ESEF Regulation.

According to our best knowledge it is our opinion that the annual Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Group for the year 2024, its assets, liabilities and consolidated financial position as at 31 December 2024 and its consolidated cash flows for the year 2024.

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

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

Further, in our opinion, the Consolidated 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 describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Icelandair Group hf. for the year 2024 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements will be approved at the Annual General Meeting of Icelandair Group hf.

Reykjavík, 30 January 2025

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason

Independent Auditors' Report

To the Board of Directors and Shareholders of Icelandair Group hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Icelandair Group hf. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of Icelandair Group hf. when it was founded in 2005. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report, contd.:

Key Audit Matters	The Audit
Passenger revenue recognition *Reference is made to note 7 "Operating income" and 33 "Deferred income".* Passenger ticket sale is presented as deferred income in the consolidated statement of financial position until transportation has been provided and at that time the sale is recognised as revenue. Large volumes of transactions flow through various IT systems from the date of sale until revenue is recognized in the consolidated income statement. The recording process is complex which gives rise to a risk of error in determining the amount and timing of the revenue recognition. Timing and accuracy in the recording of passenger income is therefore one of the key audit matters of our audit of the consolidated financial statements.	Our audit procedures were designed to evaluate the timing and accuracy of passenger revenue recognition. These procedures include inspecting the controls over the Group's systems which govern the passenger ticket sales. We evaluated the design of controls to assess if they were likely to ensure the accuracy and timing of the revenue recognition of passenger income and tested operating effectiveness of selected controls. We inspected reconciliation between the revenue accounting system and the financial system. We tested selected manual journal entires posted in passenger revenue accounts. We used data analytics to correlate the transactions in passenger revenue to confirm appropriate counter postings. We also analysed passenger revenue and used external and internal information to set expectations which were compared to recognized revenue. We evaluated the methodology applied to deferred income and assessed the appropriateness. We tested the inputs and challenged key assumptions in the deferred income obligation and reperformed calculations of the obligation. We tested the timing of passenger revenue in the appropriate period by testing selected flights before and after the the reporting date.
Key Audit Matters	**The Audit**
Provision for scheduled aircraft engine maintenance of leased engines and amortization of owned engines. *Reference is made to note 13 "Operating assets" and note 31 "Provisions and other liabilities".* The Group operates aircraft engines which are owned or held under lease arrangements. For own engines the maintenance cost is capitalized and expensed over the estimated useful life of the engine until it needs to undergo maintenence. Maintenance provision for leased engines is estimated by performing calculations which are based on estimated cost of maintenance and an estimated timetable of required checks. These aspects require significant judgements by Management when evaluating estimated aircraft engine utilisation hours, expected maintenance intervals and future maintenance costs which has led us to consider this area as one of the most relevant aspects of the audit.	We read new purchase and lease agreements for engines in the year 2024 and evaluated if accounting for new engines was appropriate and initial recognition is in line with agreements. We assessed the appropriateness of management's key assumptions which included assessing the estimated cost of overhaul, estimated future utilisation and expected maintenance intervals. We selected a sample of additions during the year and inspected relevant invoices. We recalculated the estimated provision for leased engines and amortization for owned engines as well as confirming usage of each engine during the year. Assessed whether past estimates have been historically accurate by comparing budgeted and actual cost of the most recent maintenance of engines.

Independent Auditor's Report, contd.:

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report, contd.:

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, contd.:

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with The Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Icelandair Group hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Icelandair Group hf. for the year 2024 with the file name "549300UMI5MBLZSXGL15-2024-12-31-en.zip" is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Icelandair Group hf. for the year 2024 with the file name "549300UMI5MBLZSXGL15-2024-12-31-en.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the report of the Board of Directors and CEO

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Sigríður Soffía Sigurðardóttir.

Reykjavík, 30 January 2025

KPMG ehf.

Sigríður Soffía Sigurðardóttir

Matthías Þór Óskarsson

Consolidated Income Statement and other Comprehensive Income for the year 2024

	Notes	2024	2023
Operating income			
Passenger revenue	7	1,325,083	1,289,927
Cargo revenue		76,736	88,261
Leasing revenue		93,731	71,317
Other operating revenue	7	75,057	74,064
		1,570,607	1,523,569
Operating expenses			
Salaries and salary-related expenses		406,030	391,564
Aircraft fuel		360,200	371,321
Other aviation expenses		292,140	264,547
Other operating expenses		372,381	339,673
	8	1,430,751	1,367,105
Operating profit before depreciation and amortization (EBITDA)		139,856	156,464
Depreciation and amortization	10	(154,067)	(135,477)
Operating (loss) profit (EBIT)		(14,211)	20,987
Finance income		31,501	27,308
Finance cost		(42,770)	(40,962)
Net finance cost	11	(11,269)	(13,654)
Gain on sale of subsidiary	12	0	1,381
Share of gain (loss) of associates	20	673	(925)
(Loss) profit before tax (EBT)		(24,807)	7,789
Income tax	22	4,638	3,380
(Loss) profit for the year		(20,169)	11,169
Other comprehensive income (loss)			
Items that are or may be reclassified to profit or loss			
Currency translation differences		(2,210)	5,847
Net profit on hedge of investment, net of tax	34	(854)	2,104
Cash flow hedges - effective portion of changes in fair value, net of tax	34	8,797	(5,194)
Cash flow hedges - reclassified to profit or loss		(5,724)	721
Other comprehensive income (loss) for the year		9	3,478
Total comprehensive (loss) profit for the year		(20,160)	14,647
Owners of the Company		(20,560)	10,726
Non-controlling interests		391	443
(Loss) profit for the year		(20,169)	11,169
Total Comprehensive (loss) profit attributable to:			
Owners of the Company		(20,551)	14,204
Non-controlling interests		391	443
Total comprehensive (loss) profit for the year		(20,160)	14,647
Earnings per share:			
Basic earnings per share in US cent	28	(0.05)	0.03
Diluted earnings per share in US cent	28	(0.05)	0.03

The notes on pages 15 to 49 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Icelandair Group hf. 2024 11 Amounts are in USD thousands

Consolidated Statement of Financial Position as at 31 December 2024

	Notes	2024	2023
Assets:			
Operating assets	13,16	559,890	555,110
Right-of-use assets	17	406,035	348,520
Intangible assets and goodwill	18,19	56,385	55,377
Investments in associates	20	31,741	8,395
Receivables and deposits	21	76,494	43,469
Deferred tax assets	22	63,794	59,728
Non-current assets		1,194,339	1,070,599
Inventories	23	24,488	23,841
Derivatives used for hedging	34	4,416	791
Trade and other receivables	25	159,830	161,923
Marketable securities	24	104,562	71,008
Cash and cash equivalents	26	150,235	199,514
Current assets		443,531	457,077
Total assets		1,637,870	1,527,676
Equity:			
Share capital		310,973	310,973
Reserves		37,206	20,112
Accumulated deficit		(80,780)	(44,015)
Equity attributable to equity holders of the Company	27	267,399	287,070
Non-controlling interests		1,668	1,277
Total equity		269,067	288,347
Liabilities:			
Loans and borrowings	29	164,708	207,390
Lease liabilities	30	398,802	332,167
Provisions and other liabilities	31	99,548	53,952
Non-current liabilities		663,058	593,509
Loans and borrowings	29	41,046	44,940
Lease liabilities	30	66,302	54,083
Derivatives used for hedging	34	5,615	6,598
Trade and other payables	32	241,207	222,414
Deferred income	33	351,575	317,785
Current liabilities		705,745	645,820
Total liabilities		1,368,803	1,239,329
Total equity and liabilities		1,637,870	1,527,676

The notes on pages 15 to 49 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Icelandair Group hf. 2024 12 Amounts are in USD thousands

Consolidated Statement of Changes in Equity for the year 2024

	Attributable to equity holders of the Company							
		Reserves						
	Share capital	Hedging	Translation reserve	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
2023								
Equity 1 January 2023	310,973	(182)	(9,555)	29,187	(57,914)	272,509	877	273,386
Profit for the year					10,726	10,726	443	11,169
Currency translation differences			5,847			5,847		5,847
Net profit on hedge of investment, net of tax			2,104			2,104		2,104
Effective portion of changes in fair value of cash flow hedges, net of tax		(5,194)				(5,194)		(5,194)
Cash flow hedges, reclassified to profit or loss		721				721		721
Divestment of Non-controlling interest						0	(43)	(43)
Stock options					357	357		357
Effects of profit or loss of subsidiaries and associates				(2,816)	2,816	0		0
Equity 31 December 2023	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347
2024								
Equity 1 January 2024	310,973	(4,655)	(1,604)	26,371	(44,015)	287,070	1,277	288,347
Loss for the year					(20,560)	(20,560)	391	(20,169)
Currency translation differences			(2,210)			(2,210)		(2,210)
Net profit on hedge of investment, net of tax			(854)			(854)		(854)
Effective portion of changes in fair value of cash flow hedges, net of tax		8,797				8,797		8,797
Cash flow hedges, reclassified to profit or loss		(5,724)				(5,724)		(5,724)
Stock options					880	880		880
Effects of profit or loss of subsidiaries and associates				17,085	(17,085)	0		0
Equity 31 December 2024	310,973	(1,582)	(4,668)	43,456	(80,780)	267,399	1,668	269,067

The notes on pages 15 to 49 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Icelandair Group hf. 2024 13 Amounts are in USD thousands

Consolidated Statement of Cash Flows
for the year 2024

	Notes	2024	2023
Cash flows from (to) operating activities:			
(Loss) profit for the year		(20,169)	11,169
Adjustments for:			
Depreciation and amortization	10	154,067	135,477
Expensed deferred cost		54,698	27,560
Net finance cost	11	11,269	13,654
Gain on sale of operating assets		(1,295)	(701)
Gain on sale of a subsidiary/associate	12	0	(1,381)
Share in (profit) loss of associates	20	(673)	925
Income tax	22	(4,638)	(3,380)
		193,259	183,323
Changes in:			
Inventories	23	2,486	(131)
Trade and other receivables	25	(24,134)	12,326
Trade and other payables	32	18,667	26,451
Deferred income		33,817	14,319
Cash generated from (used in) operating activities		30,836	52,965
Interest received		35,552	18,646
Interest paid		(38,490)	(39,813)
Net cash from (used in) operating activities		221,157	215,121
Cash flows from (to) investing activities:			
Acquisition of operating assets	13	(110,457)	(133,849)
Proceeds from sale of operating assets		4,559	967
Acquisition of intangible assets	18	(1,593)	(634)
Deferred cost, change		(10,239)	(10,264)
Proceeds from sale of a subsidiary	12	0	4,182
Proceeds from sale of associates		212	3,075
Non-current receivables, change		(13,725)	(18,331)
Marketable securities, change		(33,554)	(28,849)
Net cash from (used in) investing activities		(164,797)	(183,703)
Cash flows from (to) financing activities:			
Proceeds from loans and borrowings	29	0	63,461
Repayment of loans and borrowings	29	(44,978)	(70,293)
Repayment of lease liabilities	30	(60,412)	(49,788)
Net cash from (used in) financing activities		(105,390)	(56,620)
Change in cash and cash equivalents		(49,030)	(25,202)
Effect of exchange rate fluctuations on cash held		(249)	464
Cash and cash equivalents at beginning of the year		199,514	224,252
Cash and cash equivalents at 31 December	26	150,235	199,514
Marketable securities		104,562	71,008
Cash, cash equivalents and marketable securities at 31 December		254,797	270,522

The notes on pages 15 to 49 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements of Icelandair Group hf. 2024 14 Amounts are in USD thousands

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 Reykjavíkurflugvöllur in Reykjavík, Iceland. The Consolidated Financial Statements for the Company as at and for the year ended 31 December 2024 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, www.nasdaqomxnordic.com. The Group´s website address is www.icelandairgroup.com.

2. Basis of accounting

a. Statement of compliance

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. They were authorised for issue by the Company's Board of Directors on 30 January 2025.

b. Basis of measurement

The Consolidated 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. Details of the Group's accounting policies are included in note 42.

c. Going concern

These Consolidated 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 Consolidated Financial Statements are presented in U.S dollars (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 Consolidated 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Assumptions and estimation uncertainties

Information on assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 31 December 2024 is included in the following notes:

Note 19 - Impairment test
Note 33 - Deferred income
Note 35 - Financial instruments and fair value

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has established a control framework with respect to the measurement of fair values. The Director of Treasury and Risk Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The Risk Committee regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Notes, contd.:

4. Use of estimates and judgements, contd.:
Measurement of fair values, contd.:

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 35 – Financial Instruments and fair value

5. Changes in accounting policies
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 Consolidated Financial Statements and they are not considered to have significant impact on the Consolidated Financial Statements.

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, which provides passenger air travel to, from, via and within Iceland by the entities Icelandair ehf. and Flugfélag Íslands ehf.
The segment also consist of the parent company Icelandair Group hf., the holding company, and other entities such as Iceeignir ehf., a real estate entity, IceCap, a captive insurance entity, CAE Icelandair Flight Training ehf., which operates flight simulators and FERIA ehf., a travel agency, are platform functions of the business that primarily support the Group entities in this segment and are therefore classified within this segment.

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 with their own freighters.

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.

Notes, contd.:

6. Operating segments, contd.:

Reporting segments for the year 2024

	Route network	Cargo operation	Leasing operation	Eliminations	Total
External revenue	1,396,995	79,286	94,326	0	1,570,607
Inter-segment revenue	64,060	3,110	1,256	(68,426)	0
Total segment revenue	1,461,055	82,396	95,582	(68,426)	1,570,607
External operating cost	(1,355,153)	(42,671)	(32,927)	0	(1,430,751)
Internal operating cost	(3,758)	(34,513)	(30,155)	68,426	0
Total operating cost	(1,358,911)	(77,184)	(63,082)	68,426	(1,430,751)
Depreciation and amortization	(133,757)	(4,415)	(15,895)	0	(154,067)
Segment EBIT	(31,613)	797	16,605	0	(14,211)
Net finance cost	(9,299)	(2,418)	448	0	(11,269)
Share of gain of associates	673	0	0	0	673
Income tax	7,845	328	(3,535)	0	4,638
(Loss) profit	(32,394)	(1,293)	13,518	0	(20,169)
Segment assets	1,533,797	88,851	101,754	(86,532)	1,637,870
Segment liabilities	1,317,501	71,768	66,066	(86,532)	1,368,803

Reporting segments for the year 2023

	Route network	Cargo operation	Leasing operation	Eliminations	Total
External revenue	1,360,033	94,450	69,086	0	1,523,569
Inter-segment revenue	59,084	2,342	435	(61,861)	0
Total segment revenue	1,419,117	96,792	69,521	(61,861)	1,523,569
External operating cost	(1,273,018)	(68,156)	(25,931)	0	(1,367,105)
Internal operating cost	(2,772)	(37,387)	(21,702)	61,861	0
Total operating cost	(1,275,790)	(105,543)	(47,633)	61,861	(1,367,105)
Depreciation and amortization	(118,349)	(8,417)	(8,711)	0	(135,477)
Segment EBIT	24,978	(17,168)	13,177	0	20,987
Net finance cost	(11,464)	(2,532)	342	0	(13,654)
Gain on sale of subsidiary	1,381	0	0	0	1,381
Share of loss of associates	(925)	0	0	0	(925)
Income tax	2,104	3,998	(2,722)	0	3,380
Profit (loss)	16,075	(15,703)	10,797	0	11,169
Segment assets	1,445,559	95,144	60,946	(73,973)	1,527,676
Segment liabilities	1,197,810	76,753	38,739	(73,973)	1,239,329

Consolidated Financial Statements of Icelandair Group hf. 2024 17 Amounts are in USD thousands

Notes, contd.:

6. Operating segments, contd.:

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 year 2024

	North America	Europe	Iceland	Other	Total
Passenger revenue	768,548	315,370	212,013	29,152	1,325,083
Cargo revenue	5,693	32,591	38,452	0	76,736
Leasing revenue	26,389	4,698	4,509	58,136	93,731
Other operating revenue	2,195	4,185	68,436	241	75,057
Total revenue	802,825	356,844	323,410	87,529	1,570,607
Total revenue %	51%	23%	21%	5%	100%

Geographic segments for year 2023

	North America	Europe	Iceland	Other	Total
Passenger revenue	739,055	317,671	205,592	27,609	1,289,927
Cargo revenue	5,875	37,478	44,907	0	88,261
Leasing revenue	25,965	1,825	4,789	38,739	71,317
Other operating revenue	2,559	3,401	68,088	16	74,064
Total revenue	773,454	360,375	323,376	66,364	1,523,569
Total revenue %	51%	24%	21%	4%	100%

7. Operating income

Passenger revenue is specified as follows:	2024	2023
Passenger revenue	1,235,788	1,204,063
Ancillary revenue	89,295	85,864
Total passenger revenue	1,325,083	1,289,927
Other operating revenue is specified as follows:		
Revenue from tourism	40,162	39,424
Sale at airports	4,909	7,333
Aircraft handling	8,810	7,051
Gain on sale of operating assets	1,298	701
Other operating revenue	19,878	19,555
Total other operating revenue	75,057	74,064

8. Operating expenses

Salaries and salary-related expenses are specified as follows:	2024	2023
Salaries	321,352	303,680
Contributions to pension funds	51,287	48,881
Other salary-related expenses	33,391	39,003
Total salaries and salary-related expenses	406,030	391,564
Average number of full time equivalents	3,575	3,638
Full time equivalents at period end	3,166	3,542
Gender ratio for employees (male / female)	53/47	54/46

Consolidated Financial Statements of Icelandair Group hf. 2024 18 Amounts are in USD thousands

Notes, contd.:

8. Operating expenses, contd.:

Aircraft fuel is specified as follows:	2024	2023
Aircraft fuel	330,411	345,272
Emission charges	21,336	23,272
Fuel hedges	8,453	2,777
Total Aircraft fuel cost	360,200	371,321

Other aviation expenses is specified as follows:		
Aircraft and engine lease	4,492	12,380
Aircraft handling, landing and navigation	165,402	153,770
Aircraft maintenance expenses	122,246	98,397
Total other aviation expenses	292,140	264,547

Other operating expenses are specified as follows:		
Travel and other employee expenses	71,662	68,114
Tourism expenses	30,725	29,532
IT expenses	35,961	33,839
Advertising	24,103	25,243
Booking fees and commission expenses	68,848	66,157
Customer services	89,228	66,075
Operating cost of real estate and fixtures	9,544	9,692
Allowance for bad debt	1,416	1,262
Other operating expenses	40,894	39,759
Total other operating expenses	372,381	339,673

9. Auditor's fee

	Group auditors		Other auditors	
Auditor's fee are specified as follows:	2024	2023	2024	2023
Audit	460	435	45	48
Other services	29	85	0	0
	489	520	45	48

10. Depreciation and amortization

The depreciation and amortization charge in profit or loss is specified as follows:	2024	2023
Depreciation of operating assets, see note 13	96,511	84,665
Depreciation of right-of-use assets, see note 17	56,970	50,353
Amortization of intangible assets, see note 18	586	459
Depreciation and amortization recognized in profit or loss	154,067	135,477

11. Finance income and (finance cost)

Finance income and (finance cost) are specified as follows:	2024	2023
Interest income on cash and cash equivalents and marketable securities	23,847	23,409
Interest income on lease receivables	2,353	225
Other interest income	5,301	3,674
Finance income total	31,501	27,308
Interest expenses on loans and borrowings	(15,484)	(18,942)
Interest on lease liabilities	(22,435)	(18,715)
Other interest expenses	(3,142)	(3,047)
Net currency exchange loss	(1,709)	(258)
Finance cost total	(42,770)	(40,962)
Net finance cost	(11,269)	(13,654)

Consolidated Financial Statements of Icelandair Group hf. 2024 19 Amounts are in USD thousands

Notes, contd.:

12. Gain on sale of subsidiary

In December 2021 Icelandair Group finalized the sale of Iceland Travel. Part of the sales price was subject to certain performance metrics for 2022 that were fully realized. Revenue in the amount of USD 1.4 million was realized in Q2 2023 related to the sale of the subsidiary.

13. Operating assets

Operating assets are specified as follows:

Cost	Aircraft and flight equipment	Buildings	Other property and equipment	Total
Balance at 1 January 2023	882,654	91,660	93,809	1,068,123
Additions	112,343	12,443	9,063	133,849
Sales and disposals	(45,905)	(270)	(17,672)	(63,847)
Effects of movements in exchange rates	354	4,267	156	4,777
Balance at 31 December 2023	949,446	108,100	85,356	1,142,902
Additions	74,478	24,082	11,897	110,457
Sales and disposals	(74,649)	0	(2,938)	(77,587)
Effects of movements in exchange rates	(89)	(1,971)	(92)	(2,152)
Balance at 31 December 2024	949,186	130,211	94,223	1,173,620

Depreciation and impairment	Aircraft and flight equipment	Buildings	Other property and equipment	Total
Balance at 1 January 2023	484,461	25,752	52,322	562,535
Depreciation	73,693	3,308	7,664	84,665
Sales and disposals	(43,946)	(270)	(16,648)	(60,864)
Effects of movements in exchange rates	153	1,187	116	1,456
Balance at 31 December 2023	514,361	29,977	43,454	587,792
Depreciation	85,170	3,189	8,152	96,511
Sales and disposals	(67,046)	0	(2,919)	(69,965)
Effects of movements in exchange rates	(50)	(527)	(31)	(608)
Balance at 31 December 2024	532,435	32,639	48,656	613,730
Carrying amounts				
At 1 January 2023	398,193	65,908	41,487	505,588
At 31 December 2023	435,085	78,123	41,902	555,110
At 31 December 2024	416,751	97,572	45,567	559,890
Depreciation ratios	4-20%	2-6%	5-33%	

Acquisition of operating assets in 2024 amounted to USD 110.5 million (2023: USD 133.8 million) therof overhaul of own engines and aircraft spare parts in the amount of USD 61.2 million (2023: USD 89.8 million). In December 2024 the Company moved its main office to a new building, the Icelandair House. The new office is built for purpose, is more economical than the previous headquarter and strategically located closer to the Keflavik International Airport. The total cost of the building and relocation from the previous building was USD 39 million.

14. Mortgages and commitments

The Group's operating assets, aircraft and spare parts are mortgaged to secure debt. The remaining balance of the debt amounted to USD 197.2 million at year-end 2024 (2023: USD 239.3 million). The Group owns 30 aircraft including 13 Boeing 757, four Boeing 767, six Boeing 737's and seven DHC Dash 8's. At year-end, 12 aircraft were unencumbered.

15. Insurance value of aircraft and flight equipment

The insurance value and carrying amount of the Group's aircraft and related equipment at year-end is specified as follows:

	Insurance value		Carrying amounts	
	2024	2023	2024	2023
Boeing - 23 / 26 aircraft	589,130	654,797	352,803	355,843
Other - 7 / 7 aircraft	64,000	65,000	25,601	31,456
Flight equipment	96,980	105,732	38,347	47,786
Total aircraft and flight equipment	750,110	825,529	416,751	435,085

Consolidated Financial Statements of Icelandair Group hf. 2024 20 Amounts are in USD thousands

16. Insurance value of buildings and other operating assets

The principal buildings owned by the Group are the following:

2024	Maintenance hangars	Staff apartments	Office buildings	Other buildings	Under construction	Total
Official assessment value	43,099	8,324	27,772	14,771	0	93,966
Insurance value	89,099	18,488	90,553	29,060	0	227,200
Carrying amounts	20,074	3,550	66,351	7,597	0	97,572
Square meters	31,814	6,813	21,530	12,124	0	72,281

2023	Maintenance hangars	Staff apartments	Office buildings	Other buildings	Under construction	Total
Official assessment value	41,201	8,190	21,857	17,316	0	88,564
Insurance value	86,705	17,991	63,616	29,019	12,020	209,351
Carrying amounts	21,576	3,831	24,970	5,987	21,759	78,123
Square meters	31,814	6,813	19,199	12,124	0	69,950

Official valuation of the Group's leased land for buildings at 31 December 2024 amounted to USD 19 million (2023: USD 16.7 million) and is not included in the Consolidated Statement of Financial Position.

Insurance value of the Group's other operating assets and equipment amounted to USD 70.0 million at year-end 2024 (2023: USD 52.5 million). The carrying amount at the same time was USD 45.174 million (2023: USD 41.5 million).

17. Right of use assets

Right of use assets are specified as follows:

	Aircraft	Land & Real Estate	Other	Total
Balance at 1 January 2023	309,457	8,758	756	318,971
Adjustments	(238)	0	(10)	(248)
Adjustments for indexed leases	7,061	625	60	7,746
New or renewed leases	70,076	1,814	471	72,361
Depreciation	(47,313)	(2,552)	(488)	(50,353)
Currency translation adjustment	0	43	0	43
Balance at 31 December 2023	339,043	8,688	789	348,520
Adjustments	2,999	(902)	(198)	1,899
Adjustments for indexed leases	(922)	280	35	(607)
New or renewed leases	111,917	640	681	113,238
Depreciation	(52,545)	(3,885)	(540)	(56,970)
Currency translation adjustment	0	(47)	2	(45)
Balance at 31 December 2024	400,492	4,774	769	406,035

18. Intangible assets and goodwill

Intangible assets and goodwill are specified as follows:

Cost	Goodwill	Trademarks and slots	Other intangibles	Total
Balance at 1 January 2023	55,728	34,565	6,838	97,131
Additions	0	0	634	634
Disposals	0	0	(5,095)	(5,095)
Balance at 31 December 2023	55,728	34,565	2,377	92,670
Additions	0	0	1,593	1,593
Disposals	0	0	(471)	(471)
Balance at 31 December 2024	55,728	34,565	3,499	93,792

Consolidated Financial Statements of Icelandair Group hf. 2024 21 Amounts are in USD thousands

18. Intangible assets and goodwill, contd.:

Amortization and impairment losses	Goodwill	Trademarks and slots	Other intangibles	Total
Balance at 1 January 2023	33,308	2,605	6,016	41,929
Amortization	0	0	459	459
Disposals	0	0	(5,095)	(5,095)
Balance at 31 December 2023	33,308	2,605	1,380	37,293
Amortization	0	0	586	586
Disposals	0	0	(471)	(471)
Balance at 31 December 2024	33,308	2,605	1,495	37,408
Carrying amounts				
At 1 January 2023	22,420	31,960	822	55,202
At 31 December 2023	22,420	31,960	997	55,377
At 31 December 2024	22,420	31,960	2,004	56,385

19. Impairment test

Goodwill and other intangible assets that have indefinite life are tested for impairment annually and additionally at each reporting date if there is an indication of impairment.

These assets were recognized at fair value on their acquisition dates. Goodwill and other intangible assets with indefinite life are specified as follows:

	2024	2023
Goodwill	22,420	22,420
Trademarks and airport slots	31,960	31,960
Total	54,380	54,380

For the purpose of impairment testing, goodwill is allocated to the units which represent the level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each cash generating unit (CGU) are as follows:

	Goodwill		Trademarks and slots	
	2024	2023	2024	2023
Passenger and cargo operations	0	0	31,960	31,960
Other Group entities	22,420	22,420	0	0
Total	22,420	22,420	31,960	31,960

The recoverable amounts of cash-generating units was based on their value in use and was determined by discounting the future cash flows generated from the continuing use of the CGU. Icelandair prepared a 5-year high level financial plan based on long-term targets that Icelandair has set regarding profitability and growth. Cash flows were projected based on actual operating results and a 5-year business plan. Cash flows were extrapolated for determining the residual value using a constant nominal growth rate which was consistent with the long-term average growth rate for the industry. Management believes that this forecast period was justified due to the long-term nature of the business. There are still some uncertainties that the Group's operations face such as economic uncertainty in Europe, inflationary pressures in our main markets and salary developement in Iceland and increasing emissions cost. A weighted USA and EU CPI forecast from IMF was used as a base for inflationary increases. The renewal of aircraft in the fleet will have a positive effect on some cost items.

Consolidated Financial Statements of Icelandair Group hf. 2024 22 Amounts are in USD thousands

19. Impairment test, contd.:

The values assigned to the key assumptions represent management's assessment of future trends in the airline and transportation industries and are based on both external sources and internal historical data. Value in use was based on the following key assumptions:

2024	**Passenger and cargo operations**	**Other Group entities ***
Long-term growth rate	3.0%	2.5%
Revenue growth:		
Weighted average 2024/2023	1.2%	36.7%
2024- 2029	8.4%	6.8%
Budgeted EBIT growth 2025-2029	39.5%	2.0%
WACC	10.6%	13.5%
Debt leverage	68.1%	68.6%
Pre-tax interest rate for debt	7.3%	7.6%
2023		
Long-term growth rate	2.5%	2.5%
Revenue growth:		
Weighted average 2023/2022	14.7%	21.5%
2023-2028	8.3%	9.9%
Budgeted EBIT growth 2024-2028	54.6%	-2.2%
WACC	10.0%	13.6%
Debt leverage	67.1%	68.1%
Pre-tax interest rate for debt	6.7%	6.9%

* Weighted average of underlying CGU.

The recoverable amounts of the cash-generating units at year-end were estimated to be higher than carrying amounts and no impairment was required. Reasonable change in main assumptions would not lead to impairment.

20. Investment in associates

The Group has interests in a number of associates. The carrying amount and share of profit of the associates is as follows:

		2024		**2023**	
	Ownership	**Carrying amount**	**Share of profit/loss in associates**	**Carrying amount**	**Share of profit/loss in associates**
EBK ehf.	25%	1,338	386	1,190	157
ÍTF 1 slhf.	29%	7,244	336	7,029	534
Lindarvatn ehf.	50%	22,989	(50)	0	(1,618)
Other investments		170	1	176	2
Total investments in associates		31,741	673	8,395	(925)

EBK ehf. operates jet fuel tank storage facilities, serving fuel to suppliers and airlines at Keflavík airport.

Landsbréf – Icelandic Tourism Fund I slhf. (ÍTF1 slhf.) is a fund managed by Landsbréf. The Fund's purpose was to invest in Icelandic companies focusing on entertainment and leisure activities for foreign tourists, with focus on projects that have full-year operational potential. The original lifespan of the Fund was until year-end 2023 which has been extended by two years, until year-end 2025. The aim of the Fund is to return proceeds from its investments to shareholders as soon as they are realized.

Lindarvatn ehf. is the owner of a property at Thorvaldsensstræti in downtown Reykjavík and other properties located near Austurvöllur which have been rebuilt as a hotel which was opened in December 2022.

Consolidated Financial Statements of Icelandair Group hf. 2024 23 Amounts are in USD thousands

Notes, contd.:

21. Non-current receivables and deposits

Non-current receivables consist of notes, deposits for aircraft and engine lease agreements and various other travel related security fees.

Non-current receivables and deposits are specified as follows:	2024	2023
Loans, effective interest rate	1,673	1,977
Lease receivable, interest rate 6.9% / 5%	33,083	15,687
Security deposits	18,149	20,786
Prepayments on aircraft purchases	32,955	11,138
	85,860	49,588
Current maturities	(9,366)	(6,119)
Non-current receivables and deposits total	76,494	43,469
Contractual repayments mature as follows:		
Maturities in 2024	-	6,119
Maturities in 2025	9,366	3,485
Maturities in 2026	9,559	3,495
Maturities in 2027	7,141	3,544
Maturities in 2028	5,560	3,568
Maturities in 2029	5,363	2,527
Subsequent	48,871	26,850
Total non-current receivables and deposits, including current maturities	85,860	49,588

Non-current receivables and deposits denominated in currencies other than the functional currency comprise USD 3.1 million (2023: USD 3.4 million).

22. Income taxes

(i) Amounts recognized in profit or loss

Deferred tax expense	2024	2023
Origination and reversal of temporary differences	(4,356)	1,112
Exchange rate difference	(282)	(4,492)
Total tax expense recognized in profit or loss	(4,638)	(3,380)

(ii) Amounts recognized in other comprehensive income

	2024	2023
Effective portion of changes in fair value of cash flow hedge	774	(1,124)
Exchange rate difference	(213)	526
Total tax recognized in other comprehensive income	561	(598)

(iii) Reconciliation of effective tax rate

	2024	2024	2023	2023
(Loss) profit before tax		(24,807)		7,789
Income tax according to current tax rate	21.0%	(5,209)	20.0%	1,558
Non-deductible expenses	0.4%	111	(1.8%)	(139)
Gain on sale of a subsidiary/associate	0.0%	0	(3.5%)	(276)
Share of loss of associates	(0.6%)	(141)	2.4%	185
Exchange rate difference - tax loss carry-forwards	5.0%	1,228	(41.6%)	(3,237)
Exchange rate difference - other	(6.1%)	(1,510)	(16.1%)	(1,255)
Other items	3.6%	883	(2.8%)	(216)
Effective tax rate	18.7%	(4,638)	(43.4%)	(3,380)

(iv) Recognized deferred tax asset

Deferred tax assets are specified as follows:	2024	2023
Deferred tax assets 1 January	59,728	55,593
Deferred tax recognized in profit or loss	4,638	3,380
Income tax recognized in other comprehensive income	(561)	598
Exchange rate difference	(11)	157
Deferred tax assets 31 December	63,794	59,728

Consolidated Financial Statements of Icelandair Group hf. 2024 24 Amounts are in USD thousands

Notes, contd.:

22. Income taxes, contd.:

(v) **Deferred tax liabilities are attributable to the following:**

	Assets 2024	Assets 2023	Liabilities 2024	Liabilities 2023	Net 2024	Net 2023
Operating assets	0	0	(24,843)	(30,753)	(24,843)	(30,753)
Intangible assets	0	0	(128)	(70)	(128)	(70)
Derivatives	396	1,170	0	0	396	1,170
Trade receivables	1,522	1,425	0	0	1,522	1,425
Right-of-use assets	0	0	(108,543)	(91,472)	(108,543)	(91,472)
Lease claim	0	0	(15,801)	(12,979)	(15,801)	(12,979)
Lease liabilities	129,148	108,360	0	0	129,148	108,360
Tax loss carry-forwards	81,580	84,152	0	0	81,580	84,152
Other items	463	0	0	(105)	463	(105)
Total	213,109	195,107	(149,315)	(135,379)	63,794	59,728

(vi) **Movements in deferred tax balance during the year**

2024	1 January	Recognized in profit or loss	Exchange rate difference	Recognized in other comprehensive income and equity	31 December
Operating assets	(30,753)	5,882	28		(24,843)
Intangible assets	(70)	(58)			(128)
Derivatives	1,170			(774)	396
Trade receivables	1,425	97			1,522
Right-of-use assets	(91,472)	(17,071)			(108,543)
Lease claim	(12,979)	(2,822)			(15,801)
Lease liabilities	108,360	20,788			129,148
Tax loss carry-forwards	84,152	(2,511)	(61)		81,580
Other items	(105)	333	22	213	463
Total	59,728	4,638	(11)	(561)	63,794

2023	1 January	Recognized in profit or loss	Exchange rate difference	Recognized in other comprehensive income and equity	31 December
Operating assets	(27,114)	(3,580)	(59)		(30,753)
Intangible assets	(58)	(12)			(70)
Derivatives	46			1,124	1,170
Trade receivables	336	1,088	1		1,425
Right-of-use assets	(85,816)	(5,655)	(1)		(91,472)
Lease claim	(6,971)	(6,008)			(12,979)
Lease liabilities	94,155	14,204	1		108,360
Tax loss carry-forwards	78,556	5,500	96		84,152
Other items	2,459	(2,157)	119	(526)	(105)
	55,593	3,380	157	598	59,728

Tax loss carry-forwards are specified as follows:	2024	2023
Tax loss from 2018 expire 2028	64,408	92,449
Tax loss from 2019 expire 2029	43,595	44,349
Tax loss from 2020 expire 2030	175,665	178,706
Tax loss from 2021 expire 2031	87,354	88,866
Tax loss from 2022 expire 2032	0	0
Tax loss from 2023 expire 2033	0	16,390
Tax loss from 2024 expire 2034	36,875	0
Tax loss carry-forwards total	407,897	420,760

Based on a five-year forecast and taking into a account the reversal of existing temporary differences, the Group expects to utilize its carry forward tax loss.

Consolidated Financial Statements of Icelandair Group hf. 2024 25 Amounts are in USD thousands

23. Inventories

Inventories are specified as follows:	2024	2023
Spare parts	22,816	20,292
Other inventories	1,672	3,549
Inventories total	24,488	23,841

24. Marketable securities

At year-end marketable securities amounted to USD 105 million (2023: USD 71 million). The increase is due to higher allocation of funds to the asset class given favorable yields on locally issued commercial papers. Marketable securities consist of term deposits, government, bank and corporate bonds and bills, and unit shares in local mutual funds that are valued at their year-end market price. No restrictions apply to the securities' redemption.

25. Trade and other receivables

Trade and other receivables are specified as follows:	2024	2023
Trade receivables	72,597	56,203
Prepayments	25,227	28,323
Restricted cash	34,250	37,013
Lease receivables	8,664	3,000
Receivables due from related parties	0	22,718
Current maturities of non-current receivables and deposits	9,366	6,119
Other receivables	9,726	8,547
Trade and other receivables total	159,830	161,923

At year-end trade receivables are presented net of an allowance for doubtful accounts of USD 7.4 million (2023: USD 6.9 million).

Prepayment and prepaid expenses which relate to subsequent periods amounted to USD 25.2 million (2023: USD 28.3 million) at year-end. The prepayments consist mainly of prepaid contractual obligations, insurance premiums, software licenses and leases.

Restricted cash is held in bank accounts pledged against credit card acquirers, derivatives, airport operators and tourism guarantees.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 34.

26. Cash and cash equivalents

Cash and cash equivalents are specified as follows:	2024	2023
Securities and fixed term bank deposits	8,763	63,455
Bank deposits	141,472	136,059
Cash and cash equivalents total	150,235	199,514

27. Equity

Share capital

The Company's share capital amounts to ISK 41,120,247 thousand according to its Articles of Association. Each share carries one vote at shareholders' meetings. The shares are freely transferable unless otherwise stipulated by law. All shareholders hold equal rights to dividend payments as declared from time to time.

The Company held no treasury shares at year-end 2024.

Share premium

Share premium represents excess of payment above the nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to the Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve. The balance of the share premium account can be used to offset losses not covered by other reserves or to offset stock splits.

Consolidated Financial Statements of Icelandair Group hf. 2024 26 Amounts are in USD thousands

Notes, contd.:

27. Equity, contd.:

Reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The translation reserve comprises all currency differences arising from the translation of the financial statements of subsidiaries having functional currencies other than the Group as well as from the translation of liabilities that hedge net investment. According to the Icelandic Financial Statements Act, companies must retain, in a separate equity account, recognized share in profit of subsidiaries and associates in excess of dividend received or declared.

Stock options

The Company has in place a Stock Options program for its Executive Committee and Director-level employees. All granted options accrue 3% annual interest and will be adjusted for any future dividends. To date a total of 778.6 million shares have been issued in relation to the Program, 393.3 million shares with an issue price of ISK 1.97 per share in April 2023 and 385.3 million with an issue price of ISK 1.39 per share in February 2024. The total number of employees participating in the Program is 51. The estimated cost of the Stock Option Program for the Company is approximately USD 2.7 million until 2027, based on the Black-Scholes model, therof USD 1.3 million has been expensed.

Dividend

No dividend was paid to shareholders in 2024 and 2023.

The Board of Directors proposes no dividend payment to shareholders in 2025 for the year 2024 as it is not permitted by law due to accumulated deficit at year-end.

For the longer term the dividend policy is as follows: “The Company's goal is to declare 20-40% of annual net profit as dividend. The final decision on dividend payments will be based on the financial position of the Company, operating capital requirements and market conditions.”

28. Earnings per share

Earnings per share is calculated by dividing net profit or loss attributable to equity holders of the Parent Company by the weighted average number of outstanding shares during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

Basic earnings per share:

	2024	2023
(Loss) profit for the year attributable to equity holders of the parent company	(20,560)	10,726
Weighted average number of shares for the year	41,120,247	41,120,247
Weighted average number of shares for the year including stock options	41,809,038	41,381,758
Basic earnings per share in US cent per share	(0.05)	0.03
Diluted earnings per share in US cent per share	(0.05)	0.03

29. 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. For more information on the Group's exposure to interest rate, foreign currency and liquidity risk, see note 34.

	Non-current interest bearing debt	Total
Total interest-bearing debt 1 January 2023	255,717	255,717
Proceeds from loans and borrowings	67,080	67,080
Transaction cost of long-term loans and borrowings	(3,619)	(3,619)
Repayment of borrowings	(70,293)	(70,293)
Cash flows related to financing activities	(6,832)	(6,832)
Accrued interest added to the loans	404	404
Financing activities without cash flows	404	404
Currency exchange difference	2,169	2,169
Expensed borrowing cost recognized in finance cost	872	872
Other liability related changes	3,041	3,041
Total interest-bearing debt 31 December 2023	252,330	252,330

Consolidated Financial Statements of Icelandair Group hf. 2024 27 Amounts are in USD thousands

Notes, contd.:

29. Loan and borrowings, contd.:

	Non-current interest bearing debt	Total
Total interest-bearing debt 1 January 2024	252,330	252,330
Repayment of borrowings	(44,978)	(44,978)
Cash flows related to financing activities	(44,978)	(44,978)
Accrued interest added to the loans	400	400
Financing activities without cash flows	400	400
Currency exchange difference	(2,672)	(2,672)
Expensed borrowing cost recognized in effective interests	674	674
Other liability related changes	(1,998)	(1,998)
Total interest-bearing debt 31 December 2024	205,754	205,754

Loans and borrowings are specified as follows:

Non-current loans and borrowings:	2024	2023
Secured bank loans	197,210	239,335
Unsecured loans	8,544	12,995
Total loans and borrowings	205,754	252,330
Current maturities	(41,046)	(44,940)
Total non-current loans and borrowings	164,708	207,390
Current loans and borrowings:		
Current maturities of non-current liabilities	41,046	44,940
Total current loans and borrowings	41,046	44,940
Total loans and borrowings	205,754	252,330

Terms and debt repayment schedule:

	Currency	Nominal interest rates year	Year of maturity	Total remaining balance 2024	2023
Secured bank loans	USD	6.4%	2026-2034	166,123	199,589
Secured bank loans	EUR	3.8%	2028	31,087	39,746
Unsecured loans	ISK	4.3%	2026-2030	8,544	12,995
Total interest bearing liabilities				205,754	252,330

Included in unsecured loans are deferred payroll tax payments that formed a part of general government measures in 2020 and 2021 to mitigate the negative effects of COVID-19. The loans carry zero interest and are measured at net present value. The deferred payments granted in 2020 are payable in monthly installments over a 48-month period from July 2022 – June 2026.

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 year-end 2024.

Repayments of loans and borrowings are specified as follows:	2024	2023
Repayments in 2024	-	44,940
Repayments in 2025	41,046	41,542
Repayments in 2026	37,911	38,372
Repayments in 2027	20,485	21,124
Repayments in 2028	54,971	54,999
Repayments in 2029	9,699	11,477
Subsequent repayments	41,642	39,876
Total loans and borrowings	205,754	252,330

The Company was granted a concession to minimum a equity ratio covenant in a long-term funding agreement with a local bank in 2024. The ratio should be no less than 10% at the end of each reporting period. The carrying amount of the loan in question was USD 24.6 million at 31 December 2024. The Company expects to be granted the same concession if needed in 2025.

Consolidated Financial Statements of Icelandair Group hf. 2024 28 Amounts are in USD thousands

30. Lease liabilities

This note provides information of the Group's lease liabilities, which are measured at amortized cost, and changes during the year. For more information on the Group's exposure to interest rate, foreign currency and liquidity risk, see note 34.

Lease liabilities is specified as follows:	2024	2023
Balance at 1 January	386,250	342,155
Adjustments	(1,802)	(262)
Adjustments for indexed leases	(601)	7,801
New or renewed leases	141,501	85,961
Payment of lease liabilities	(82,941)	(68,574)
Interest of lease liabilities	22,529	18,786
Currency translation adjustment	168	383
Balance at 31 December	465,104	386,250
Current maturities	(66,302)	(54,083)
Total non-current lease liabilities	398,802	332,167

	Average Rate	Aircraft	Land & Real Estate	Other	Total
Lease liabilities in USD	5.51%	459,456	7	37	459,500
Lease liabilities in ISK, indexed	5.74%	0	4,126	723	4,849
Lease liabilities in GBP	2.40%	0	187	9	196
Lease liabilities in other currency	6.18%	0	536	23	559
Total lease liabilities		459,456	4,856	792	465,104

Maturity analysis	2024	2023
Repayments in 2024	-	54,083
Repayments in 2025	66,302	52,432
Repayments in 2026	66,620	52,287
Repayments in 2027	63,642	48,474
Repayments in 2028	59,218	43,100
Repayments in 2029	60,250	5,318
Subsequent repayments	149,072	130,556
Total lease liabilities	465,104	386,250

Further lease commitments are in place for six A321LR aircraft scheduled for delivery to the Route network as demonstrated in the table below. The total lease liability for these six aircraft is estimated to be around USD 282 million.

	Q1 2025	Q2 2025	Q4 2025	Q1 2026	Total
A321LR	2	1	2	1	6

31. Provisions and other liabilities

Provisions and other liabilities correspond to accrued engine overhaul cost of leased aircraft and security deposits from lease contracts to be realized after lease contracts. Provisions and other liabilities are specified as follows:

	2024	2023
Provisions and other liabilities	116,561	64,360
Current portion, classified in trade and other payables	(17,013)	(10,408)
Total provisions and other liabilities	99,548	53,952

Provisions and other liabilities are scheduled to be repaid as follows:

	2024	2023
Repayments in 2024	-	10,408
Repayments in 2025	17,013	9,897
Repayments in 2026	3,107	2,788
Repayments in 2027	4,291	2,604
Repayments in 2028	22,151	12,164
Repayments in 2029	3,431	6,756
Subsequent	66,568	19,743
Total provisions and other liabilities, including current maturities	116,561	64,360

Consolidated Financial Statements of Icelandair Group hf. 2024 29 Amounts are in USD thousands

32. Trade and other payables

Trade and other payables are specified as follows:

	2024	2023
Trade payables	49,734	55,085
Current portion of engine overhauls and security deposits from lease contracts	17,013	10,408
Other payables	174,460	156,921
Total trade and other payables	241,207	222,414

33. 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:

	2024	2023
Sold unused tickets and vouchers	295,981	272,481
Frequent flyer points	28,781	22,137
Other prepayments	26,813	23,167
Total deferred income	351,575	317,785

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 to passengers. Thereof sold tickets with future travel dates amounted to USD 274.2 million (2023: USD 247.1 million) and vouchers amounted to USD 21.8 million (2023: USD 25.4 million). When issued the vouchers are generally valid for 3 years. The validity of covid-related vouchers has been extended by an additional two years from the date of original issuance.

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.

34. Financial risk management

Overview

The Group has exposure to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the risks above, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's Risk Management Committee is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. In addition to the formal oversight performed by the Audit Committee, the Company has in place internal audit processes which act to monitor management controls and procedures, the results of which are reported to the Audit Committee.

Consolidated Financial Statements of Icelandair Group hf. 2024 30 Amounts are in USD thousands

34. Financial risk management, contd.:

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, which are kept with local and international banks with acceptable credit ratings, marketable securities which consist of bonds and bills issued by Government treasuries, high rated banks and financially strong corporates, as well as receivables from customers.

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

		Carrying amount	
	Note	2024	2023
Non-current receivables and deposits	21	76,494	43,469
Trade and other receivables	25	134,603	133,600
Derivatives used for hedging	34	4,416	791
Marketable securities	24	104,562	71,008
Cash and cash equivalents	26	150,235	199,514
		470,310	448,382

Trade and other receivables and market securities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of customers and counterparties.

Credit risk is linked to trade receivables, agreements with financial institutions related to hedging and counterparties in marketable securities. The relative spread of trade receivables across counterparties is crucial for credit risk exposure. The Group is aware of potential losses related to credit risk exposure and chooses its counterparties subject to business experience and securities issuers subject to credit ratings and financial strength.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At year-end 2024, the maximum exposure to credit risk for trade and other receivables and marketable securities by type of financial instrument was as follows:

	2024	2023
Credit cards	19,569	25,661
Trade receivables	53,028	30,542
	72,597	56,203
Marketable securities	104,562	71,008
Other receivables	87,233	105,720
Trade and other receivables, see note 25	264,392	232,931

Impairment losses

The aging of trade receivables and credit cards at the reporting date was as follows:

	Gross 2024	Allowance for impairment 2024	Gross 2023	Allowance for impairment 2023
Not past due	38,238	(92)	48,883	(517)
Past due 1-30 days	8,640	(57)	3,442	(276)
Past due 31-120 days	20,835	(220)	4,157	(1,043)
Past due 121-365 days	6,046	(1,683)	2,334	(1,088)
More than one year	6,236	(5,346)	4,305	(3,994)
Total	79,995	(7,398)	63,121	(6,918)

Consolidated Financial Statements of Icelandair Group hf. 2024 31 Amounts are in USD thousands

Notes, contd.:

34. Financial risk management, contd.:

a. Credit risk, contd.:

Changes in the allowance for impairment in respect of trade receivables during the year were as follows:

	2024	2023
Balance at 1 January	6,918	6,319
Impairment loss allowance, increase (decrease)	1,416	1,262
Amounts written off	(933)	(426)
Exchange rate difference	(3)	(237)
Balance at 31 December	7,398	6,918

A significant part of the balance relates to customers that have a good track record with the Group. But based on historical default rates and expected credit loss in the future, management believes that minimal impairment allowance is necessary in respect of trade receivables not past due or past due by 30 days or less.

The allowance account in respect of trade receivables is used to record impairment losses. If the Group believes that no recovery is possible the gross carrying amount of the financial asset is written off.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, settled by delivering cash or another financial asset at their due date. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The Group aims to maintain the level of its cash and cash equivalents and marketable securities equal to the estimated amount of three months' average fixed operating cost, where 30% can be in the form of undrawn lines of credit. At year-end the Group's cash and cash equivalents amounted to USD 150 million, and USD 105 million of marketable securities with trusted counterparties, totaling USD 255 million.

The Group's management monitors its cash flow requirements by using a rolling forecast. Liquidity is managed based on projected cash flows in different currencies.

Following are the contractual maturities of financial liabilities at the reporting date, including estimated interest payments:

31 December 2024	Carrying amount	Contractual cash flows	Within 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Unsecured bank loans	8,544	8,983	5,270	2,283	1,430	0
Secured loans	197,210	235,975	49,162	41,582	98,706	46,525
Lease liability	465,104	595,314	99,363	96,274	239,001	160,676
Payables and prepayments	340,755	357,768	258,220	3,107	26,442	69,999
	1,011,613	1,198,040	412,015	143,246	365,579	277,200
Derivative financial liabilities						
Commodity derivatives	(6,393)	(6,503)	(6,814)	311	0	0
Margin accounts	778	778	778	0	0	0
Forward exchange contracts	4,045	7,223	7,223	0	0	0
- Outflow	(147,081)	(150,207)	(150,207)	0	0	0
- Inflow	151,126	157,430	157,430	0	0	0
Interest rate swaps	371	397	177	208	12	0
	(1,199)	1,895	1,364	519	12	0

Consolidated Financial Statements of Icelandair Group hf. 2024 32 Amounts are in USD thousands

34. Financial risk management, contd.:

b. Liquidity risk, contd.:

31 December 2023	Carrying amount	Contractual cash flows	Within 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Unsecured bank loans	12,995	13,954	5,269	4,888	3,326	471
Secured loans	239,335	289,014	57,535	46,088	126,877	58,514
Guarantees	1,004	1,004	1,004	0	0	0
Lease liability	386,250	472,232	75,017	71,281	182,172	143,762
Payables and prepayments	276,366	286,774	232,822	9,897	5,392	38,663
	915,950	1,062,978	371,647	132,154	317,767	241,410
Derivative financial liabilities						
Commodity derivatives	(6,343)	(6,892)	(6,639)	(253)	0	0
Margin accounts	0	0	0	0	0	0
Forward exchange contracts ...	(255)	2,778	2,778	0	0	0
- Outflow	(108,795)	(111,476)	(111,476)	0	0	0
- Inflow	108,540	114,254	114,254	0	0	0
Interest rate swaps	791	791	136	473	182	0
	(5,807)	(3,323)	(3,725)	220	182	0

Undrawn committed credit lines at year-end 2024 amounted to USD 92.0 million (2023: USD 52.0 million).

c. Market risk

Market risk emerges from changes in market prices, such as foreign exchange rates, interest rates, carbon prices and fuel prices, as those changes will affect the Group's cash flows or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. The Company holds some of its financial assets in term deposits, government bonds and rated banks as well as short-term bills issued by financially strong local corporates. These investments fall within the agreed risk management policy.

The Group uses spot and forward trading, swaps and options to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. The Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Carbon risk

The Group is required to procure three types of emission allowances in relation to its operations: European Carbon Emission Allowance Futures (EUAs), UK Allowances (UKAs) and Swiss General Unit Allowance (CHUAs). Carbon emission is calculated in a fixed proportion to the fuel consumption of flights operated within the European continent. Group mitigates risk associated with carbon emission allowances through opportunistic monthly spot and forward purchases of allowances to mirror the net shortfall of allowances taking into consideration the Group’s free allowances. Earning returns on the stock of procured units is a challange as the Emissions Trading System (ETS) accounts don‘t offer interest. Yet some steps have been taken to this end by lending them to counterparties and selling EUA call options covered with forward agreements.

Unlike financial derivatives associated with IFRS 9 and Hedge Accounting, such as those instruments covering the market risk of fuel, currency and interest, forward carbon contracts are not regarded as derivative financial liabilities. This is due to the underlying exposure being a committment of purchasing goods, i.e. "non-cash receipt" of carbon allowances Therefore the forward contracts are future committments of buying such goods at fixed forward prices to match the expensed item. Infact they are kept on the Financial Position amongst Trade and other payables. Further, the acquired stock position of allowances through spot and forward trading is netted against the expensed actual emission of carbon and the market value of the contracts is disregarded as it is netted against the expensed commitment.

The prices of all types of allowances have risen substantially in recent years making procurement of emission allowances a significant and growing cost item. Group enjoys a free allowance of ETS units which covered approx. 34% of the Group’s total emission allowance needs in 2024. In 2023 the EU announced a plan to accelerate the amortization rate of the 2010 free allowance allocated to airlines. Thus, airlines will be more dependent on carbon trading in near future which will bring the consequential added costs and volatility of procurement to their production earlier and at a faster pace than planned.

Consolidated Financial Statements of Icelandair Group hf. 2024 33 Amounts are in USD thousands

34. Financial risk management, contd.:

c. Market risk, contd.:

Another recent aspect of carbon risk is CORSIA which is an international emission trading system based on an agreement by ICAO members to offset carbon emissions according to compliance benchmarks set up in phases. 2024 is the first year of Phase I which succeeds the Pilot Phase of which Group was also a participant. No benchmark was breached during the Pilot Phase but some costs of necessary procurement of verified carbon credits are expected in 2024-2026 to be surrendered in 2027. Flights committed to the ETS are exempt so the new legislation effects most importantly Group flights to North America.

Fuel risk

The Group is exposed to fuel price risk. The Group's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial price fall. The Group strategy is to hedge between 20% and 50% of estimated fuel consumption 6 months forward, 0-40% 7-12 months forward and 0-20% 13-18 months forward.

The hedging policy allows for both swaps and options traded with approved counterparties and within approved limits.

Sensitivity analysis

The following table demonstrates the sensitivity of the financial instruments in place at year-end to a reasonably possible change in fuel prices, with all other variables held constant, on equity:

	Effect on equity 2024	2023
Increase in fuel prices by 10%	11,421	8,822
Decrease in fuel prices by 10%	(11,421)	(8,822)

At year-end 2024 all open hedge postions were effective. Changes in their market value are therefore confined to equity until settlement.

Currency risk

The Group is exposed to risk associated with cash flow and Financial position items that are denominated in currencies other than the functional currencies of Group entities.

The Group seeks to reduce the risk arising from such a currency mismatch in the cash flow by netting receivables and payments in each individual currency and by internal trading within the Group. The shortfall of ISK is financed by a surplus of European and American currencies. A relatively high level of ISK is kept on the Financial Position to counter Financial Position currency mismatch, but further to serve the purpose as a reserve holding for ISK payments. Lastly the ISK has a nature of being a high interest currency which benefits yield returns on those assets.

Exposure to currency risk

The Group's exposure to currency risk in it's major currencies is as follows:

2024	ISK	EUR	GBP	DKK	NOK/SEK	CAD
Receivables / payables, net	(52,068)	(7,465)	(7,579)	(676)	(2,033)	2,151
Marketable securities	104,562	0	0	0	0	0
Cash and cash equivalents	36,526	14,552	3,949	921	2,654	5,125
Secured bank loans	0	(31,074)	0	0	0	0
Unsecured loans	(5,754)	0	0	0	0	0
Long-term Subordinated loan	75,066	0	0	0	0	0
Lease receivables	0	0	89	0	0	0
Lease liabilities	(128,328)	(105)	(195)	(59)	0	0
Tax carrying forward	70,892	0	0	0	0	0
Forward exchange contracts	157,685	(9,894)	(20,066)	(6,284)	(10,342)	(19,828)
Net statement of financial position	258,581	(33,986)	(23,802)	(6,098)	(9,721)	(12,552)
Next 12 months forecast sales	239,762	205,742	89,101	24,300	51,841	93,961
Next 12 months forecast purchases	(536,167)	(185,095)	(51,403)	(17,134)	(14,279)	(21,418)
Capex thereof	(15,000)	0	0	0	0	0
Currency exposure	(37,824)	(13,339)	13,896	1,068	27,841	59,991

Consolidated Financial Statements of Icelandair Group hf. 2024 34 Amounts are in USD thousands

34. Financial risk management, contd.:
c. Market risk, contd.:

2023	ISK	EUR	GBP	DKK	NOK/SEK	CAD
Receivables / payables, net	(27,944)	(3,836)	(6,922)	(745)	(1,798)	(1,348)
Marketable securities	71,008	0	0	0	0	0
Cash and cash equivalents	37,869	10,999	6,826	931	5,622	8,258
Secured bank loans	0	(39,729)	0	0	0	0
Unsecured loans	(3,867)	0	0	0	0	0
Long-term Subordinated loan ..	70,330	0	0	0	0	0
Lease receivables	0	0	224	0	0	0
Lease liabilities	(111,357)	(132)	(438)	(151)	0	0
Tax carrying forward	84,152	0	0	0	0	0
Forward exchange contracts ...	110,644	(16,577)	(19,103)	(12,602)	(16,361)	(21,986)
Net statement of financial position	230,835	(49,275)	(19,413)	(12,567)	(12,537)	(15,076)
Next 12 months forecast sales	234,274	213,696	88,644	25,327	52,237	85,478
Next 12 months forecast purchases	(545,140)	(168,340)	(22,173)	(10,544)	(4,780)	(13,075)
Capex thereof	(32,000)	0	0	0	0	0
Currency exposure	(80,031)	(3,919)	47,058	2,216	34,920	57,327

The following significant exchange rates of USD applied during the year:

	Average rate		Year-end spot rate	
	2024	2023	2024	2023
ISK	0.0072	0.0072	0.0072	0.0073
EUR	1.08	1.08	1.04	1.11
GBP	1.28	1.24	1.25	1.27
CAD	0.73	0.74	0.70	0.76
DKK	0.15	0.15	0.14	0.15
SEK	0.09	0.09	0.09	0.10

Sensitivity analysis

A 10% strengthening of the USD against the following currencies at 31 December would have increased (decreased) post-tax equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and omits the impact of deferred tax assets at the reporting date.

2024	Directly in equity	Profit or loss	Total effect on equity
ISK	(18,620)	(2,066)	(20,686)
EUR	792	1,927	2,719
GBP	1,605	299	1,904
DKK	503	(15)	488
NOK/SEK	827	(50)	778
CAD	1,586	(582)	1,004
2023			
ISK	(14,478)	(3,989)	(18,467)
EUR	1,326	2,616	3,942
GBP	1,528	25	1,553
DKK	1,008	(3)	1,005
NOK/SEK	1,309	(306)	1,003
CAD	1,759	(553)	1,206

A 10% weakening of the USD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Consolidated Financial Statements of Icelandair Group hf. 2024 35 Amounts are in USD thousands

Notes, contd.:

34. Financial risk management, contd.:
c. Market risk, contd.:

Interest rate risk

Interest rate risk is the potential that a change in market interest rates will reduce the value of a bond or other fixed rate instruments. The fair value of fixed rate instruments and the cash flow of variable rate instruments will fluctuate with changes in market interest rates. The Group follows a policy of hedging 40-80% of the net interest rate cash flow exposure of long-term loans with up to a 5-year horizon.

At the reporting date the interest rate profile of the Group´s interest bearing financial instruments was as follows:

Fixed rate instruments	Amount	
	2024	2023
Commodity derivatives and forward exchange contracts (Carrying amount)	(2,611)	(6,885)
Interest rate swaps (Notional amount)	(11,195)	(20,556)
	(13,806)	(27,441)
Variable rate instruments		
Financial assets (Carrying amount)	254,797	270,522
Financial liabilities (Carrying amount)	(205,754)	(252,330)
	49,043	18,192

Fair value sensitivity analysis for fixed rate instruments

The Group designates derivatives for the purpose of fuel, carbon, currency and interest rate hedging as instruments under a fair value hedge accounting model. As such, market rates affect the mark to market of the derivatives and the market value of fixed rate financial assets. In addition, interest rate changes affect the fixed rate instruments carrying amount through equity.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts stated below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

31 December 2024	**100 bp increase**	**100 bp decrease**
Commodity derivatives and forward exchange contracts	17	(17)
Interest rate swaps	220	(228)
Fair value sensitivity (net)	237	(245)

31 December 2023		
Commodity derivatives and forward exchange contracts	44	(44)
Interest rate swaps	484	(503)
Fair value sensitivity (net)	527	(548)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts stated below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2024	**100 bp increase**	**100 bp decrease**
Variable rate instruments	392	(392)
Cash flow sensitivity (net)	392	(392)

31 December 2023		
Variable rate instruments	146	(146)
Cash flow sensitivity (net)	146	(146)

Consolidated Financial Statements of Icelandair Group hf. 2024 36 Amounts are in USD thousands

34. Financial risk management, contd.:
c. Market risk, contd.:

Hedge accounting
The Hedge Accounting Standards of IFRS 9 require hedge instruments to fulfill certain criteria so that the market value of open hedge positions can be allocated to equity as hedge reserves until settlement day. One of these qualifications is the requirement of effectiveness of the financial instrument against the identified exposure. The exposure in terms of cash flows has to be considered highly likely on the basis of a robust forecast of operations. All outstanding hedge contracts are effective.

Following table shows effective and ineffective hedges:

31 December 2024	1-6 months	7-12 months	> 13 months	Total
Fuel	(5,085)	(1,564)	256	(6,393)
Currency	3,070	975	0	4,045
Interest rate swap	92	79	200	371
Margin accounts	778	0	0	778
Total derivatives	(1,145)	(510)	456	(1,199)
Tax	385	102	(91)	395
Derivatives used for hedging, Equity	(1,538)	(408)	365	(1,582)

Climate risk
Climate change poses a financial risk to airlines. The potential for new regulations and taxes aimed at reducing carbon emissions, as well as the increasing costs associated with transitioning to low-carbon fuels, can have a material impact on the Company's financial performance. 2024 was the first year of CORSIA phase I compliance and 2025 will be the first year of SAF compliance. Climate-related physical risks, such as extreme weather events, also have the potential to disrupt operations and damage infrastructure. Additionally, the industry in general faces reputational risks as consumers become more conscious of the environmental impact of their travel choices. To mitigate these financial risks, Group has implemented strategies to reduce carbon emissions.

35. Financial instruments and fair value
The fair value of financial assets and liabilities, together with the carrying amounts shown in the 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:

	Carrying amount 2024	Fair value 2024	Carrying amount 2023	Fair value 2023
Derivatives used for hedging	(1,199)	(1,199)	(5,807)	(5,807)
Unsecured bond issue	(8,544)	(8,182)	(12,995)	(12,285)
Secured loans	(197,210)	(202,186)	(239,335)	(249,713)
Lease liabilities	(465,104)	(465,104)	(386,250)	(386,250)
Total	(672,057)	(676,671)	(644,387)	(654,055)

Fair value hierarchy
The table below analyses the fair value of assets and liabilities and their levels in the fair value hierarchy:

31 December 2024 Financial assets	Level 1	Level 2	Level 3	Total
Derivatives used for hedging		4,416		4,416
	0	4,416	0	4,416
Financial liabilities				
Unsecured bond issue			(8,182)	(8,182)
Secured loans			(202,186)	(202,186)
Lease liabilities			(465,104)	(465,104)
Derivatives used for hedging		(5,615)		(5,615)
	0	(5,615)	(675,472)	(681,087)

Consolidated Financial Statements of Icelandair Group hf. 2024 37 Amounts are in USD thousands

35. Financial instruments and fair value, contd.:

Fair value hierarchy, contd.:

31 December 2023

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives used for hedging		791		791
	0	791	0	791
Financial liabilities				
Unsecured bond issue			(12,285)	(12,285)
Secured loans			(249,713)	(249,713)
Lease liabilities			(386,250)	(386,250)
Derivatives used for hedging		(6,598)		(6,598)
	0	(6,598)	(648,248)	(654,846)

The basis for determining the levels is disclosed in note 4.

Non-derivative financial liabilities

Fair value, as determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rates as at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. This methodology is also used when valuating commodity forwards and swaps.

The fair value of interest rate swaps is based on broker quotes. If not available the fair value is based on the discounted cash flow difference of the contractual fixed interest payment and the floating interest receivable.

Fair value reflects the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entities and counterparties when appropriate.

36. Capital commitments

On 6 July 2023, the Group finalized the purchase agreement for up to 25 A321XLR aircraft from Airbus. 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 agreements for seven new A321LR aircraft, five with SMBC Aviation Capital Limited and two with CDB Aviation. Of these seven new A321LR´s, first one was delivered in Q4-2024, but the remaining six are scheduled for delivery to the Route network as demonstrated in the table in note 12.

37. Related parties

Identity of related parties

The Group has a related party relationship with its shareholders with significant influence, subsidiaries, associates, and with its directors and executive officers.

Transactions with management and key personnel

Salaries and benefits of management for their service to Group companies and the number of shares in the Company held by management are specified below.

Consolidated Financial Statements of Icelandair Group hf. 2024 38 Amounts are in USD thousands

Notes, contd.:

37. Related parties, contd.:

2024	Salaries and benefits	Pension contri-bution	Incentive payments for previous year	Number of shares held at year-end thousands *	Stock options held at year-end in thousands
Board of Directors:					
Guðmundur Hafsteinsson, Chairman	79.2	9.1		8,555	
Nina Jonsson, Vice Chairman	70.5	8.1			
John F. Thomas	56.5	6.5		3,395	
Matthew Evans	43.5	5.0			
Svafa Grönfeldt	43.5	5.0		12,500	
Executive Committee:					
Bogi Nils Bogason Group CEO	452.7	80.9	42.4	23,625	44,200
Seven members of Executive Committee ...	1,874.0	337.8	149.2	32,574	170,600
Executive Committee (male / female)	5/3				

2023	Salaries and benefits	Pension contri-bution	Incentive payments for previous year	Number of shares held at year-end thousands *	Stock options held at year-end in thousands
Board of Directors:					
Guðmundur Hafsteinsson, Chairman	77.7	8.9		8,555	
Nina Jonsson, Vice Chairman	69.4	8.0			
John F. Thomas	55.8	6.4		3,395	
Matthew Evans	42.8	4.9			
Svafa Grönfeldt	42.8	4.9		12,500	
Executive Committee:					
Bogi Nils Bogason Group CEO	424.9	101.6	48.9	23,625	22,100
Eight members of Executive Committee	1,871.8	346.1	228.3	32,574	81,700
Executive Committee (male / female)	5/3				

* Including financially related

At the Company's Annual General Meeting in 2022 it was approved to implement a share-based incentive program for the senior leadership team and other selected key employees. In 2024, 385,300,000 stock options were granted to a total of 51 employees based on the program.

Transactions with associates

The Group's purchases and sales to associates were immaterial for the year 2024. In year 2024 the Group converted a long term receivable on its associate Lindarvatn into share capital amounted to USD 22.9 million.

Transactions with shareholders

There are no shareholders with significant influence at the year-end 2024. Companies which members of the Board and Executive Committee members control have been identified as being thirteen. These companies have been identified as related. Transactions with them were immaterial in 2024.

38. Litigations and claims

Icelandair ehf. has received compensation claims from cabin crew members for bodily due to alleged lack of air quality inside Icelandair's aircraft. Icelandair has rejected the claims since there is no evidence of lack of air quality in the Company's aircraft or any evidence linking such alleged lack of air quality to the bodily injury of claimants.

39. Group entities

The Company held the following significant subsidiaries at year-end 2024 which are all included in the Consolidated Financial Statements:

	Ownership interest 2024	2023
Passenger and cargo operations		
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%
Loftleiðir - Icelandic ehf.	100%	100%

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

40. Ratios

The Group's primary ratios at year end are specified as follows:

	2024	2023
Current ratio	0.63	0.71
Equity ratio	0.16	0.19
Intrinsic value of share capital	0.87	0.93

41. 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 statements 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.

Investment and financing without cash flow effect:		2024	2023
Acquisition of right-of-use assets	17	(113,238)	(72,361)
New or renewed leases	30	141,501	85,961
Non-current receivables		(28,263)	(13,600)
Investment in associates		(22,917)	0
Trade and other receivables		22,917	0

42. Significant accounting policies

The accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated statements from the date on which control commences until the date on which control ceases. When the Group loses control over subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other compnponents of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(ii) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

Consolidated Financial Statements of Icelandair Group hf. 2024 40 Amounts are in USD thousands

42. Significant accounting policies, contd.:

b. Currency exchange

(i) Currency transactions

Transactions in currencies other than functional currencies (foreign currencies) are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective or qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

(ii) Subsidiaries with other functional currencies

Assets and liabilities of foreign operations and subsidiaries with functional currencies other than USD, including goodwill and fair value adjustments arising on acquisitions, are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at exchange rates at the dates of the transactions. Currency differences arising on translation are recognized in other comprehensive income. When an operation is disposed of, in part or in full, the relevant amount in the currency translation reserve within equity is transferred to profit or loss as part of the profit or loss on disposal.

(ii) Subsidiaries with other functional currencies, contd.:

Currency differences are recognized in other comprehensive income, and presented in the translation reserve in equity. However, if the operation is not a wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

c. Operating income

(i) Transport revenue

Passenger ticket sales are recognized as revenue when transportation has been provided. Sold refundable documents not used within six months after expected transport are recognized as revenue. Non-refundable documents are recognized as revenue two months after expected transport if not used. Revenue from mail and cargo transportation is recognized when transportation has been provided.

(ii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits (frequent flyer points) and other components of the sale. Awards can also be generated through transportation services supplied by the Group. Through transportation services the amount allocated to the points is estimated by reference to the fair value of the services for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the services is calculated taking into account the expected redemption rate and timing of the redemptions. The amounts are deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to provide the services. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for services, relative to the total number of points that is expected to be redeemed.

(iii) Aircraft and aircrew lease

Revenue from aircraft and aircrew lease is recognized in profit or loss when the service has been provided and IFRS 16 Lease standard does not apply.

(iv) Other operating revenue

Revenue includes revenue from tourism, sales at airports and hotels, maintenance service sold and other revenue. Revenue is recognized in profit or loss when the service has been provided or sale completed by delivery of products.

Gain on sale of operating assets is recognized in profit or loss when the risks and rewards of ownership are transferred to the buyer.

d. Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed when the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

42. Significant accounting policies, contd.:

d. Employee benefits, contd.:

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are epensed when the related service is provided.

e. Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right of control the use of identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of lease in IFRS 16.

(i) As a lessee

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives receivable.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment leases, if any and adjusted for certain remeasurements of the lease liability.

(i) As a lessee, contd.:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group´s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group only and not by the lessors. The Group assesses whether such an option is reasonably certain to be exercised at the lease commencement date. A reassessment is made in case of a significant event or significant changes in circumstances within the Group’s control.

A sales and leaseback transaction is one where the Group sells and asset and immediately reacquires the use of the asset by entering into a lease agreement. Any profit from the sale is deferred and amortized over the lease term.

(ii) Short-term leases and leases of low value

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value asset and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

42. Significant accounting policies, contd.:

e. Leases, contd.:

(iii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue.

(ii) As a lessor, contd.:

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

f. Finance income and finance cost

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance cost comprise interest expense on borrowings, unwinding of discounts on provisions, foreign currency losses, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether currency movements are in a net gain or net loss position.

g. Income tax

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is expected tax payable on taxable income for the year using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect accounting, or taxable profit or differences relating to investment in subsidiaries.

h. Inventories

Goods for resale and supplies are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

42. Significant accounting policies, contd.:

i. Operating assets

(i) Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of operating assets have different useful lives, they are accounted for as separate items (major components) of operating assets.

Any gain and loss on disposal of an item of operating assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

(ii) Aircraft and flight equipment

Aircraft and flight equipment, e.g. aircraft engines and aircraft spare parts, are measured at cost less accumulated depreciation and accumulated impairment losses. When an aircraft is acquired the purchase price is divided between the aircraft itself and engines. Aircraft is depreciated over the estimated useful life of the relevant aircraft until a residual value is met. Engines are depreciated according to actual usage based on cycles flown. When an engine is overhauled the cost of the overhaul is capitalised and the remainder of the cost of the previous overhaul that has not already been depreciated, if any, is expensed in full.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Items of operating assets are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component unless other systematic method is considered appropriate. Leased assets are depreciated over the shorter of the lease term or their useful lives. The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Aircraft and flight equipment	3-17 years
Engines	Cycles flown
Buildings	17-50 years
Other property and equipment	3-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

j. Intangible assets and goodwill

(i) Goodwill and other intangible assets with indefinite useful lives

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Goodwill, trademarks and airport slots with indefinite useful lives are stated at cost less accumulated impairment losses.

42. Significant accounting policies, contd.:

j. Intangible assets and goodwill, contd.:

(ii) Other intangible assets

Other intangible assets acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

	Useful life
Software	3 years
Other intangible assets	6-10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

k. Financial instruments

(i) Non-derivative financial assets

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and financial assets measured at amortized cost.

Financial assets at fair value through profit or loss
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at fair value through profit or loss comprise marketable securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets measured at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at amortized cost comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

42. Significant accounting policies, contd.:

k. Financial instruments, contd.:

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities other than derivatives comprise loans and borrowings and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency, fuel price and interest rate risk exposures (see note 34). Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Group holds no trading derivatives.

(iv) Derivative financial instruments and hedge accounting, contd.:

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period during which the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the hedged future cash flows is no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges
When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of foreign exchange gains and losses on the non-derivative is recognized immediately in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

42. Significant accounting policies, contd.:

k. Financial instruments, contd.:

Other non-trading derivatives
When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Warrants are free standing financial instruments that are legally detachable and separately exercisable from the underlying shares. Pursuant to the requirements of IAS 32 Financial instruments: Presentation, the warrants are classified as financial liabilities because their exercise price is denominated in ISK, the Company's functional currency is USD and the Company did not offer the warrants pro rata to all of its existing shareholders. The outstanding warrants are recognized as warrant liabilities in the Consolidated Statement of Financial Position and are measured at their fair value on their issuing date and are subsequently measured at each reporting period with changes in fair value being recorded as a component of Change in fair value in the Consolidated Income Statement and other Comprehensive Income according to IFRS 13, Fair Value Measurement.

l. Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase and reissue of share capital
When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

m. Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

(i) Non-derivative financial assets, contd.:

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangibles assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

42. Significant accounting policies, contd.:

m. Impairment, contd.:

(ii). Non-financial assets, contd.:

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respet of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

n. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Overhaul commitments relating to aircraft under operating leases

With respect to the Group´s operating lease agreements, where the Group has a commitment to maintain the aircraft, provision is made during the lease term for the obligation based on estimated future cost of major airframe and certain engine maintenance checks by making appropriate charges to the profit or loss calculated by reference to the number of hours or cycles operated.

Provisions are entered into the statement of financial position among non-current and current payables, as applicable.

o. Deferred income

Sold unused tickets, fair value of unutilized frequent flyer points and other prepayments are presented as deferred income in the statement of financial position.

Icelandair's frequent flyer program

Frequent flyer points earned or sold are accounted for as a liability on a fair value basis of the services that can be purchased for the points. The points are recognized as revenue when they are utilized or when they expire.

p. Deferred tax asset

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

42. Significant accounting policies, contd.:

q. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held, for the effects of all dilutive potential ordinary shares.

r. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The major revenue-earning assets of the Group is the aircraft fleet, the majority of which is registered in Iceland. Since the Group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

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

Segment results, reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

43. Standards issued but not yet effective

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 following new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amentments to IFRS 9 and IFRS 17)

Corporate Governance Statement

The framework

The Guidelines on Corporate Governance, 6th edition issued on 21 July 2021, by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers, along with the Company's Articles of Association, the Rules for Issuers of securities listed on the Nasdaq Iceland and policies and procedures approved by the Board, make up the framework for Icelandair Group's, hereafter Icelandair, Corporate Governance practices. The Company's Articles of Association are accessible on the Company's website. The Guidelines on Corporate Governance are accessible on the website www.leidbeiningar.is and the guidelines and the Rules for Issuers are available on the website of Nasdaq Iceland.

Icelandair was recognized for Excellence in Corporate Governance in 2024, an acknowledgement granted by the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers. The acknowledgement certifies that the working practices of the Company's Board of Directors are well organized, and that the implementation of the Board's duties is exemplary. The recognition is based on an assessment of Icelandair's governance practices that are evaluated based on the Guidelines on Corporate Governance. Stjórnvísi (e. Excellence Iceland), the country's national body for quality management and performance improvement, is the coordinator of the recognition process.

In all main respects there are detailed rules of procedure in place, including for the Nomination Committee. However, a specific diversity policy has not been implemented in relation to the combination of the members of the Board of Directors. In its work, the Nomination Committee gives consideration to the combination of the Board in terms of education, professional background, gender, knowledge, experience, and skills. The Company has a goal to ensure that there is never more than 60% of one gender in management positions. The ratio of women at the Executive Management and Director levels was 40% at year-end 2024.

Composition and activities of the Board of Directors and sub-committees

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
Nr. of meetings in 2024	10	4	3	4	6
Guðmundur Hafsteinsson	x (Chairm.)		x (Chairm.)		
Nina Jonsson	x		x		x
Svafa Grönfeldt	x	x			
John F. Thomas	x	x			x (Chairm.)
Matthew Evans	x		x		
Alda Sigurðardóttir				x	
Alexander Eðvardsson		x (Chairm.)			
Árni Gunnarsson				x (Chairm.)	
Georg Lúðvíksson				x	

Internal controls

Internal controls are applied at various levels to minimize the risk of fraud, abuse of funds and to achieve operational, reporting and compliance objectives. The management establishes appropriate internal control, with Board oversight, and holds individuals accountable for their responsibilities in the pursuit of objectives. Directors are responsible for identifying, assessing, and mitigating risks associated with the operations of their respective divisions and report on them to the Board. The Company has a Risk governance framework in place which includes a centralized enterprise risk platform that is coordinated by Risk Management and overseen by the Risk Committee. Icelandair has identified risks in the financial and accounting processes and selected and developed control activities to mitigate those risks.

Corporate Governance Statement, contd.:

Internal controls, contd.:

The oversight of compliance with the Company's Risk Management Policies and procedures resides with the Board's Audit Committee. Enterprise risk is monitored through bi-annual risk assessments that are reported to the Board of Directors. Regular and ad hoc reviews of risk management controls and procedures are a part of the Company's working procedures, the results of which are reported to the Audit Committee. The Committee oversees the annual financial statements of the Company and the Group's consolidated financial statements including non-financial information as well as the Company's annual report. The Committee is responsible for the evaluation of the independence and the eligibility of both the Company's external auditor and auditing firm. The Committee shall make suggestions to the Board of Directors regarding the selection of the Company's auditor. The Audit Committee held four meetings in 2024.

Audit Committee members:

Alexander Edvardsson, Chairman
John F. Thomas
Svafa Grönfeldt

Values, Code of Ethics and Corporate Responsibility

The Company's values are:

Passion
Simplicity
Responsibility

On 25 May 2009 the Board of Directors approved a Code of Ethics which was amended on 5 January 2011 and 18 November 2016. The Code of Ethics is accessible to all Company employees through the Company's intranet, MyWork and on the Icelandair Group website.

Remuneration Committee

The purpose of the Remuneration Committee is to maintain oversight of the remuneration of the Executive Committee and senior management as well as to ensure that the structure of the compensation package is aligned with the long-term interests of shareholders.

The main tasks of the Remuneration Committee are to prepare the decision-making process of the Board with regards to the Remuneration Policy, including the determination of any performance related variable compensation, and setting the terms and conditions for remuneration for the CEO and members of the Board. The Remuneration Committee is also assigned to regularly review the remuneration policy and ensure its adherence.

The Remuneration Committee further oversees the overall long-term development of remuneration and human resource matters to ensure that all remuneration practices are in accordance with laws, regulations, and overall best practices. Furthermore, the Remuneration Committee seeks to formulate a point of view on any risks – operational, financial, or otherwise – and if and how they may affect the organization.

The Remuneration Committee inquiries about the results and outcomes of established human resource policies and procedures on a regular basis.

The objective of the Remuneration Policy is to make employment within Icelandair and its subsidiaries an attractive option for highly skilled employees and thereby secure the Company's position as a leading company in its field. Pursuant to said objective the Company must be able to offer competitive salaries and other variable forms of payment, such as short-term cash incentives and equity-related long-term incentives.

Icelandair has a short-term incentive program in place for the senior leadership team based on a proposal from the Remuneration Committee which has been approved by the Board of Directors.

The purpose of the program is to align the interests of the management and shareholders and mobilize the Company’s leadership to focus on the overall performance – both financial objectives and the execution of the Group's strategy. The program is designed to encourage the management to increase shareholder value and reward operational performance, proper management, and professional conduct. Performance outcomes are determined by a mixture of financial-, strategic-, and operational measures which take into account the participant's role. Performance pay-outs based on this short-term incentive program are annual and capped at 25% of annual base salary.

Any compensation to the management under the short-term incentive program is based on the sole discretion of the Remuneration Committee considering the factors above.

Corporate Governance Statement, contd.:

Remuneration Committee, contd.:

At the Company's Annual General Meeting in 2022 it was approved to implement a share-based incentive program for the senior leadership team and other selected key employees. In 2024, 385,300,000 stock options were granted based on the program, thereof 111,000,000 to the Executive Committee.

General Salary Development

The international airline and aviation industry is very regulated and highly unionized and Icelandair's operations are no exception therefrom. This operational set-up means that typically about half of the workforce's terms and conditions of employment – corrected for seasonality – is governed by collective wage agreements with the other half operating under general market developments.

Icelandair's operations span 24/7 all year round on top of substantial seasonality. The hub and spoke model further means that full efficiency in the deployment of staff is a challenge. All of this has implications for the setup and development of wage agreements of ground operation and office staff.

CEO Remuneration

According to Icelandair’s Remuneration Policy, the remuneration package for the President and CEO is comprised of a fixed and variable salary component and needs to be competitive with other CEO's of publicly traded companies in the Icelandic stock market as well as other airlines in the same markets. In addition, the terms of employment of the President and CEO shall take into account the financial and operating results of the Company from time to time.

As stated above, the variable remuneration of the President and CEO is an integral part of the overall Executive Committee remuneration policy which is linked to predetermined and quantifiable performance measures and are reviewed and approved by the Remuneration Committee and the Board each fiscal year. The Remuneration Committee typically reviews the President & CEO's performance measures and makes a proposal to the Board of Directors for appropriate changes to reflect a strategic or tactical directional change for the Group from time to time.

Board of Directors Remuneration

Members of the Board of Directors shall be paid a monthly remuneration in accordance with the decision of the Annual General Meeting each year, as provided in Article 79 of the Companies Act No. 2/1995. The Board of Directors will submit a proposal concerning the remuneration for the upcoming year of operation, taking into account the extent of responsibilities, time commitment and the results of the Company. Board Members shall not enjoy shares, options to buy or sell, stock options or other types of payments linked to the share price or performance of the Company.

The Remuneration Committee held three meetings in 2024.

Remuneration Committee members:

Gudmundur Hafsteinsson, Chairman
Nina Jonsson
Matthew Evans

Nomination Committee

Icelandair Group has a Nomination Committee which has an advisory role in the selection of members of the Board of Directors. The Committee presents its proposal to the Annual General Meeting or other Shareholders' meetings where election to the Board of Directors is on the agenda.

The Nomination Committee shall put forward its rationalized opinion concurrently to the notification of the AGM or as soon as possible in conjunction with other shareholder meetings. The Committee's opinion shall be made available to shareholders in the same way as other proposals to be submitted to the meeting. The Committee operates according to Rules of Procedures which are set by the Committee itself and approved by the Board of Directors. The Nomination Committee shall review its Rules of Procedure as needed and have any changes approved by the Board of Directors.

The Nomination Committee consists of three members. The Shareholders' meeting elects two members, one man and one woman, which are nominated by shareholders. Subsequently, the Board of Directors appoints one member who cannot also be a member of the Board of Directors.

All members shall be independent of the Company and its executives. The member appointed by the Board of Directors shall be independent of the Company's largest shareholders. The same criteria shall apply to the assessment of the independence of Committee members as to the assessment of the independence of Board Members according to The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland. The Nomination Committee held four meetings in 2024. During the year, changes were made on the Nomination Committee as Hjorleifur Palsson, Helga Arnadottir and Ulfar Steindorsson left and three new members were appointed.

Corporate Governance Statement, contd.:

Nomination Committee, contd.:

Nomination Committee members:

Árni Gunnarsson, Chairman (appointed by the Board of Directors)
Alda Sigurðardóttir
Georg Lúðvíksson

Health & Safety Committee

The purpose of the Health & Safety Committee is to maintain oversight of the development and implementation of Icelandair's Health and Safety Policies and initiatives. In addition, the Committee serves as a forum for in-depth discussions on Icelandair's safety matters and relevant considerations to health and risk mitigation strategies. At the start of its term, the Board of Directors selects up to two of its members to serve on the Health & Safety Committee.

The Health & Safety Committee was formed to foster closer involvement from the Board of Directors with Icelandair's Health & Safety policies. The Committee has extensive knowledge and experience of airline safety matters in addition to a strong background within the industry. As a result, it can provide valuable support to the organization on health and safety topics. All quarterly Board of Directors meetings include a ten-minute safety review. The Committee held six meetings in 2024.

Health & Safety Committee members:

John F. Thomas, Chairman
Nina Jonsson

The Board of Directors

At the Annual General Meeting of Icelandair Group, held on 7 March 2024, the following were elected members of the Board of Directors; Guðmundur Hafsteinsson, John F. Thomas, Matthew Evans, Nina Jonsson and Svafa Grönfeldt. Guðmundur Hafsteinsson was elected as the Chairman of the Board.

Gudmundur Hafsteinsson, Chairman
Guðmundur joined the Board of Icelandair Group on 8 March 2018. He is born in 1975 and is an Icelandic and U.S. citizen. Guðmundur is independent of the Company, its management and significant shareholders and holds 8,555,555 shares. Further information.

John F. Thomas
John joined the Board of Icelandair Group on 6 March 2020. He is born in 1959 and is an Australian and U.S. citizen. John is independent of the Company and holds 3,394,500 shares. Further information.

Matthew Evans
Matthew joined the Board of Icelandair Group on 23 July 2021. He is born in 1986 and is a U.S. citizen. Matthew is independent of the Company and its management. However, he serves on the Board as the representative of the Company's largest shareholder and as such he is not independent from the Company's major shareholders. He holds no shares in the Company. Further information.

Nina Jonsson, Vice Chairman
Nina joined the Board of Icelandair Group on 6 March 2020. She is born in 1967 and is an Icelandic and U.S. citizen. Nina is independent of the Company, its management and significant shareholders and holds no shares. Further information.

Svafa Grönfeldt
Svafa joined the Board of Icelandair Group on 8 March 2019. She is born in 1965 and is an Icelandic and U.S. citizen. Svafa is independent of the Company, its management and significant shareholders and holds 12,500,000 shares. Further information.

The Company's Board of Directors exercises supreme authority in the Company's affairs between shareholders' meetings, and it is entrusted with the task of ensuring that the organization and activities of the Company's operation are at all times in correct and proper order.

The Board of Directors is instructed in the Company's Articles of Association to appoint a President and CEO for the Company and decide the terms of his or her employment. The Board of Directors and President and CEO are responsible for the management of the Company.

Corporate Governance Statement, contd.:

The Board of Directors, contd.:

The Company's Board of Directors shall adopt working procedures in compliance with the Companies Act and must ensure adequate supervision of the Company's accounts and the safeguarding of its assets. Only the Board of Directors may assign powers of procuration on behalf of the Company. The signatures of the majority of members of the Board are required to bind the Company. The President and CEO has charge of the day-to-day operation of the Company and is required in his work to observe the policies and instructions set out by the Company's Board of Directors. Day-to-day operation does not include measures which are unusual or extraordinary. Such measures can only be taken by the President and CEO with specific authorization of the Board of Directors unless it is impossible to await the decision of the Board without seriously disadvantaging the operation of the Company. In such instances, the President and CEO is required to consult with the Chairman of the Board, if possible, after which the Board of Directors must immediately be notified of the measures. The President and CEO shall ensure that the accounts and finances of the Company conform to law and accepted practices and that all assets belonging to the Company are securely safeguarded. The President and CEO is required to provide the members of the Board of Directors and Company auditors with any information pertaining to the operation of the Company which they may request, as required by law.

The Company's Board of Directors consists of five members elected at the Annual General Meeting for a term of one year. Those who intend to stand for election to the Board of Directors must inform the Board in writing of their intention at least seven days before the AGM, or extraordinary shareholders' meeting at which elections are scheduled. Only those who have formally informed the Board of their candidacy are eligible.

The Board of Directors elects a Chairman and Deputy Chairman from its members and otherwise allocates its obligations among its members as needed. The Chairman calls Board meetings. A meeting must also be held if requested by a member of the Board of Directors or the President and CEO. Meetings of the Board are valid if attended by a majority of its members. However, important decisions shall not be made unless all members of the Board have had an opportunity to discuss the matter, if possible. The outcome of issues is decided by force of vote, and in the event of equalvotes, the issue is deemed as rejected. The President and CEO attends meetings of the Board of Directors, even if he or she is not a member of the Board and has the right to participate in discussions and submit proposals unless otherwise decided by the Board in individual cases. A book of Minutes is kept of proceedings at meetings and must be signed by participants in the meeting. A Board member who disagrees with a decision made by the Board of Directors is entitled to have his or her dissenting opinion entered in the book of Minutes. The same applies to the President and CEO. The Chairman is responsible for the Board's relations with shareholders, and shall inform the Board on their views.

The Rules of Procedures are accessible to the Board of Directors and the management through the Board's intranet, Admin control. In accordance with article 14 of the Rules of Procedures the Board of Directors must annually evaluate its work, size, composition, and practices, and must also evaluate the performance of the CEO and others responsible for the day-to-day management of the Company and its development. The annual performance assessment is intended to improve working methods and increase the efficiency of the Board. The assessment entails e.g., evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components which the Board believes may be improved.

The Board of Directors elects the members of the Remuneration Committee and the Audit Committee. These sub-committees adhere to the Rules of Procedures. The Nomination and Audit Committees have their own Rules of Procedures which are approved by the Board. The Board of Directors convened ten times during the year and all Board Members attended almost all meetings. All current members of the Board of Directors are independent from the Company. All Board members were independent of the Company's major shareholders in 2024 with the exception of Matthew Evans who represents the largest shareholder.

Executive committee

Bogi Nils Bogason, President & CEO
Bogi holds 23,625,000 shares and 44,200,000 share options and has no interests linked with the Company's main clients, competitors, or major shareholders. The seven members of the Executive Committee hold a total of 170,600,000 share options.

Árni Hermannsson, Managing Director Loftleidir Icelandic
Elísabet Helgadóttir, Chief Human Resources Officer
Einar Már Guðmundsson, Managing Director Icelandair Cargo
Ívar S. Kristinsson, Chief Financial Officer
Rakel Óttarsdottir, Chief Digital Officer
Sylvía Kristín Ólafsdóttir, Chief Operating Officer
Tomas Ingason, Chief Commercial Officer

The Executive Committee held 88 meetings in 2024. Further information on the Executive Committee members can be found on the Icelandair Group website.

Non-Financial Reporting

General information

Basis for preparation

This section of the financial account represents the non-financial information (hereafter ‘sustainability statement’) of Icelandair for the financial year 2024. The statement includes information about the potential impacts that Icelandair’s operations and value chain have on the environment and society, as well as the potential financial effects of the environment and society on Icelandair’s operations. Furthermore, the statement includes information on how Icelandair works on managing these impacts.

The scope of the sustainability statement is the same as for the financial accounts and no subsidiaries are exempt from the statement.

To prepare for the EU Corporate Sustainability Reporting Directive (CSRD), which is expected to be implemented in Iceland in 2025, the sustainability statement has been developed by considering the European Sustainability Reporting Standards (ESRS), which outline requirements for corporate reporting on a broad range of sustainability matters. The Company’s sustainability data is presented in accordance with the Nasdaq's ESG Reporting Guide 2.0 (Environment, Society and Governance) at the end of the sustainability statement.

Icelandair supports the United Nations’ Sustainable Development Goals (SDGs) and has chosen four goals that represent the Company’s key sustainability focus areas. These are Climate Action, Gender Equality, Responsible Consumption and Production, and Decent Work and Economic Growth. Icelandair is also a signatory of the UN Global Compact, reinforcing its commitment to the Ten Principles on human rights, labor, environment, and anti-corruption, and reports annually on the progress in accordance with the UN Communications on Progress requirements.

Business model, value chain and strategy

Business Model

The heart of the Icelandair business model is its international route network built on the unique location of Iceland which serves as a connecting hub between Europe and North America. This unique route network creates a competitive advantage for Icelandair and drives value creation for its shareholders and other stakeholders. Within its route network, Icelandair serves four distinct markets: to, from, via and within Iceland. In addition, the Company runs both cargo and aircraft leasing and consulting services that complement and further strengthen its core network operations. Icelandair serves a diverse group of customers, both within the leisure and business segments, across its route network, cargo and leasing operations.

Icelandair has employees located in three different regions:

North America	30	0.9%
Europe not including Iceland	101	2.8%
Iceland	3,444	96.3%

Value chain

Icelandair's value chain reflects a comprehensive network of upstream suppliers and downstream partners working together to deliver seamless transportation services and generate value for stakeholders. The upstream value chain includes suppliers of critical inputs such as aircraft, fuel, maintenance and airport facilities. These inputs along with Icelandair’s business model enable the delivery of core outputs. The downstream activities focus on passenger and cargo transportation from the airport, as well as community contributions. Partners like travel agencies and cargo handlers play a vital role, alongside stakeholders who benefit from economic and social impacts of Icelandair’s operations, such as tourism and other trade and export industries.

Non-Financial Reporting, contd.:

Corporate Strategy

Icelandair's corporate strategy provides a compass for the entire organization, articulating its vision, strategic priorities and the core values of the Company. Icelandair's vision, the guiding light of the organization, is to 'bring the spirit of Iceland to the world' and its mission is to 'offer smooth and enjoyable journeys to, from, via and within Iceland, our hub and home'. The values of 'passion', 'simplicity' and 'responsibility' represent the foundation of the Company culture, and the guiding principles that represent the keys to successful decision making and resource allocation in the day-to-day operation are:

- The way to fly to, from, via and within Iceland – which is a reminder to continually strengthen the Company's value proposition and improve customer experience
- Agile and financially sustainable business – which highlights the value of operating in a nimble manner while being financially responsible
- Embracing our people and the planet – which underlines that all decisions should be made with full consideration given to the Company's responsibilities towards its people, the wider community, and the environment

Each year Icelandair defines formal corporate objectives that set out priorities for the year to provide the employees with further guidance on the Company's strategic direction. In 2024, Icelandair worked towards four corporate objectives and made good progress towards each one:

- Be the leading hub carrier in Keflavik
- Reinforce workplace excellence and embrace opportunities
- Raise On-Time Performance (OTP) in a sustainable and safe way
- Improve competitiveness through cost-optimization

ESG Strategy

Icelandair is currently updating its ESG strategy that is rooted in the values of Icelandair and designed to guide how the Company embraces people and the planet, which is one of the guiding principles of its corporate strategy. It is built on the Company's previous sustainability strategy and takes into account the recently conducted Double Materiality Assessment, which has helped sharpen the Company's sustainability priorities. The ESG strategy is divided into Environment, Society and Governance where three focus areas have been identified for each. The following nine sustainability focus areas are supported by targets and metrics to track progress, which will be published in 2025.

- **Environment**
  - Climate Action
  - Resource use and waste
  - Environmental performance

- **Society**
  - Economic prosperity
  - Culture of equality, diversity, inclusion and belonging
  - Safety and well-being of all

- **Governance**
  - Ethical conduct
  - Responsible procurement practices
  - Holistic decision making

Non-Financial Reporting, contd.:

Governance of sustainability matters

The role of the management and supervisory bodies

The Company's governance structure is outlined in the Corporate Governance Statement, which includes information on the composition of the Board of Directors.

A new sustainability governance structure was established during the year for overseeing and managing material impacts, risks and opportunities related to the environment, society and governance. The ultimate responsibility for sustainability matters lies with the Board of Directors, which oversees Icelandair's impacts, risks and opportunities in this area. The Board of Directors is informed quarterly on the progress by the Sustainability Team. The Audit Committee is responsible for risk management and internal control processes related to sustainability reporting. The Executive Committee is expected to ensure that available resources are in place and monitor the implementation of CSRD. The project owner within the Sustainability Team is responsible for keeping the Executive Committee updated on the CSRD implementation, the sustainability priorities and the progress of related initiatives before updating the Board of Directors. The Sustainability Team consists of one project owner who is the link to the Executive Committee and a project manager who drives most of the work, coordinates with different functions, and engages with external and internal stakeholders. To ensure effective collaboration across the Company, a designated contact person in each department is responsible for handling requests from the Sustainability Team.

During 2024, the Board of Directors and the Executive Committee discussed a broad range of sustainability matters, including sustainability reporting, the CSRD implementation plan, the sustainability governance structure, the development of an updated ESG Strategy, the decarbonization roadmap, regulatory developments and the commitment to setting a science-based climate target through the Science Based Target Initiative (SBTi).

Statement on due diligence

I celandair recognizes its responsibility to uphold and promote responsible business practices, including due diligence processes. Icelandair has taken the first steps to embed due diligence principles into corporate policies and the Company's Supplier Code of Conduct, in line with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and UN Guiding Principles on Business and Human Rights. Utilizing a double materiality assessment, Icelandair has continued to identify human rights and environmental impacts within the operations and throughout the activities of business partners across the value chain. Moving forward, Icelandair aims to enhance its due diligence processes, integrating them into the operations and actively addressing the mitigation and prevention of identified impacts.

Icelandair's corporate policies are available on the public website and the Company's intranet. The policies apply to the entire Icelandair workforce at all levels and grades, all operations and subsidiaries. Icelandair is in the process of updating its policies to reflect its sustainability priorities as outlined in the ESG Strategy, the results of the Double Materiality Assessment and the requirements of the ESRS. These will be implemented in 2025.

Material sustainability matters

The concept of double materiality is presented with the new EU Corporate Sustainability Reporting Directive (CSRD). Double materiality, as defined by the CSRD, comprises impact materiality and financial materiality. Impact materiality refers to a business' impact on the environment and society while financial materiality refers to the risks and opportunities that a company faces in relation to the environment and society. A sustainability matter is considered 'material' for a company if it fulfils the requirements for impact materiality, financial materiality, or both. To prepare for the upcoming regulation in Iceland, Icelandair performed a Double Materiality Assessment in the latter part of 2023.

Description of the process to identify and assess material impacts, risks and opportunities

The Double Materiality assessment was conducted with a four-step approach as followed:

1. Preparation and scoping

The business model and value chain, along with Icelandair's key activities, were mapped to establish a common point of reference for the assessment and define the assessment boundaries.

2. Mapping impacts, risks and opportunities

Non-Financial Reporting, contd.:

Description of the process to identify and assess material impacts, risks and opportunities, contd.:

"Mapping Workshops" were held to identify potential impacts, risks and opportunities (IRO). The workshops were informed by IROs previously identified through Icelandair's due diligence processes, including the environmental management system, the risk registry and previous materiality assessments. Additionally, the sustainability topics, sub-topics and sub-sub-topics outlined in Article 16 of ESRS 1 were incorporated into the mapping process. Risks and opportunities were identified based on related impacts and Icelandair's dependencies on specific resources. The IRO identification process was conducted across different parts of the value chain, enabling the identification of potential hotspots. The workshops involved relevant internal stakeholders from Icelandair, as well as external sustainability experts.

3. Assessing materiality

The third step was to assess the materiality of identified impacts, risks and opportunities. For impact materiality, assessment criteria for the dimensions scale, scope, irremediability and likelihood need to be set. The scales used in the Double Materiality Assessment were based on the following: The OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, the ESRS 1 General Requirements, Icelandair's existing assessment scales, where applicable, as well as external experts on human rights, risk and environmental impact assessment. The assessment of financial materiality was conducted using predefined scales for the size of financial effect and likelihood. The scale for evaluating the financial impact of sustainability topics aligns with Icelandair's Risk Assessment framework and associated manuals and guidelines, ensuring a streamlined and consistent approach. Icelandair is in the process of integrating sustainability risks into the Risk Registry, and all identified risks, including sustainability-related ones, are accessible within the risk management system.

4. Validation and reporting

The assessment of materiality of all IRO's was validated by the Sustainability team. Next, the results were mapped on a materiality matrix and validated by the Executive team.

Results of the Double Materiality Assessment

As a result of the Double Materiality Assessment, eight of the ten ESG topics have been assessed as material for Icelandair.

Topic	Impact materiality	Financial materiality
Climate change	Material	Material
Pollution	Material	Not Material
Water and marine resources	Not Material	Not Material
Biodiversity	Not Material	Not Material
Resource use and circular economy	Material	Material
Own workforce	Material	Material
Workers in the value chain	Material	Not Material
Affected communities	Material	Not Material
Consumers and end users	Material	Not Material
Business Conduct	Material	Material

In 2024, Icelandair conducted a gap assessment to identify the documentation and data needed to comply with the disclosure requirements. The process began by identifying the material disclosure requirements and data points based on the results of the double materiality assessment. Subsequently, the data availability for material datapoints was assessed. It includes reviewing currently available data, assessing its quality and reliability, starting to collect new types of data, developing policies and implementing new processes to prepare for disclosing in accordance with CSRD when it comes into effect in Iceland.

Icelandair recognizes that the Double Materiality Assessment is an ongoing process, with objectives extending beyond reporting purposes. Insights gained from the assessment and stakeholder feedback have already started shaping Icelandair's ESG strategy and the Company's approach to sustainability.

Over the coming years, Icelandair plans to conduct deeper analyses of impacts and risks, integrating them into its overall risk management processes. The Double Materiality Assessment will be reviewed bi-annually unless any significant changes occur in the Company's management system or business model.

Non-Financial Reporting, contd.:

Environment

Introduction
The following chapter includes information on processes and performance related to the material topics of climate, pollution and resource use and circularity, as well as reporting on the EU Taxonomy. Oversight over the different material topics is managed within Icelandair's Environmental Management system (EMS). Icelandair is certified to the highest level of the IEnvA environmental assessment program from the International Air Transport Association (IATA), which requires demonstration of ongoing environmental performance improvements. The IEnvA program is based on recognized environmental management principles, ISO 14001, and assessments are conducted by accredited independent organizations.

As part of the Company's efforts to address its environmental impact, both globally and locally, Icelandair participates in the work of various environmental working groups, within organizations such as IATA and Airlines for Europe (A4E).

EU Taxonomy
As described by the European Commission, the EU Taxonomy is a classification system for determining sustainable economic activities that provides companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable with regard to the six environmental objectives that have been established. The environmental objectives are: 1) climate change mitigation, 2) climate change adaptation, 3) the sustainable use and protection of water and marine resources, 4) the transition to a circular economy, 5) pollution prevention and control, and 6) the protection and restoration of biodiversity and ecosystems.

Icelandair's Taxonomy-eligible activities
An eligibility screening and interpretation of the criteria was done in the fall of 2023 to determine whether Icelandair's business activities were eligible under the EU Taxonomy. According to the screening, Icelandair is eligible for four economic activities included in the amended Climate Delegated Act. Eligibility and alignment on turnover, capital expenditures and operating expenditures related to these activities are reported, however, no alignment was achieved in 2024. The Company will continue to work on alignment, fulfilling the minimum safeguards, and further implementation of the EU Taxonomy.

3.21 Manufacturing of aircraft
Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to manufacturing of aircraft, specifically repair and maintenance.

Taxonomy-eligible turnover from this economic activity is generated in connection with maintenance, repair, overhaul services and the sale of spare parts. The turnover of USD 2 million represents 0.2% of Icelandair's overall turnover. The expenditure of USD 32 million accounts for 26.9% of the capital expenditure for the reporting year. The economic activity accounts for USD 122 million and 8.5% of Icelandair's total OpEx expenses.

6.18 Leasing of aircraft
Description of the activity: Renting and leasing of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to leasing of aircraft. Through its leasing business, Loftleidir Icelandic, Icelandair is involved in the leasing of aircraft for airlines and tour operators.

The Taxonomy-eligible turnover of USD 94 million represents 6.2% of Icelandair's overall turnover. The expenditure of USD 16 million accounts for 13.8% of the capital expenditure for the reporting year. The economic activity accounts for USD 63 million and 4.4% of Icelandair's total OpEx expenses.

Non-Financial Reporting, contd.:

6.19 Passenger and freight air transport

Description of the activity: Purchase, financing, and operation of aircraft including transport of passengers and goods. The economic activity does not include leasing of aircraft referred to in Section 6.18.

Icelandair has financial streams relating to passenger and airfreight transport. Icelandair operates an international route network that connects Europe and North America, serving passengers to, from, via and within Iceland. The focus of Icelandair’s airfreight and logistics operations is on freight services to, from and via Iceland, by leveraging the passenger route network, in addition to scheduled air freighter flights, operated on a designated cargo aircraft.

The Taxonomy-eligible turnover of USD 1,452 million represents 92.2% of Icelandair’s overall turnover. The expenditure of USD 66 million accounts for 55.6% of the capital expenditure for the reporting year. The economic activity accounts for USD 1,103 million and 77.1% of Icelandair’s total OpEx expenses.

6.20 Air transport ground handling operations

Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade, purchase, financing, renting, leasing and operation of equipment and service activities, including ground services activities at airports and cargo handling, such as loading and unloading of goods.

Icelandair has financial streams relating to ground handling operation. Ground handling involves a range of services provided on the ground to aircraft, passengers and cargo.

The Taxonomy-eligible turnover of USD 9 million represents 0.6% of Icelandair’s overall turnover. The CapEx for this economic activity includes expenditure on purchase and maintenance on ground handling equipment. The expenditure of USD 4 million accounts for 3.7% of the capital expenditure for the reporting year. The economic activity accounts for USD 143 million and 10% of Icelandair’s total OpEx expenses.

Taxonomy non-eligibility

Icelandair's business activities that are currently not included in the EU Taxonomy, and thus not assessed as Taxonomy eligible, comprise the Taxonomy non-eligible percentage (%).

Non-Financial Reporting, contd.:

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities for year 2024.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Air transport ground handling operations	6.20	9	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Leasing of aircraft	6.18	94	6.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Manufacturing of aircraft	3.21	2	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Passenger and freight air transport	6.19	1,452	92.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,557**	**99.2%**														–	–	–
Total (A.1+A.2)		**1,557**	**99.2%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**13**	**0.9%**																
Total (A+B)		**1,571**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Non-Financial Reporting, contd.:

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities for year 2024.

Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial Contribution Criteria: Climate Change Mitigation (5)*	Substantial Contribution Criteria: Climate Change Adaptation (6)	Substantial Contribution Criteria: Water (7)	Substantial Contribution Criteria: Pollution (8)	Substantial Contribution Criteria: Circular Economy (9)	Substantial Contribution Criteria: Biodiversity and ecosystems (10)	DNSH criteria ('Does Not Significantly Harm'): Climate Change Mitigation (11)	DNSH criteria ('Does Not Significantly Harm'): Climate Change Adaptation (12)	DNSH criteria ('Does Not Significantly Harm'): Water (13)	DNSH criteria ('Does Not Significantly Harm'): Pollution (14)	DNSH criteria ('Does Not Significantly Harm'): Circular Economy (15)	DNSH criteria ('Does Not Significantly Harm'): Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Air transport ground handling operations	6.20	4	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Leasing of aircraft	6.18	16	13.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Manufacturing of aircraft	3.21	32	26.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Passenger and freight air transport	6.19	66	55.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**118**	**100%**														–	–	–
Total (A.1+A.2)		**118**	**100%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**0.00**	**0%**																
Total (A+B)		**118**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Non-Financial Reporting, contd.:

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities for year 2024.

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*Millions, local CCY*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES			**100%**																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	**0%**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Air transport ground handling operations (OpEx A)		143	10.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Leasing of aircraft (OpEx A)		63	4.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Manufacturing of aircraft (OpEx A)		122	8.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
Passenger and freight air transport (OpEx A)		1,103	77.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	_	_
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,431**	**100%**														–	–	–
Total (A.1+A.2)		**1,431**	**100%**														–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**0.00**	**0%**																
Total (A+B)		**1,431**	**100%**																

Y - Yes , Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Non-Financial Reporting, contd.:

Climate change

Materiality
Climate action remains one of Icelandair's main sustainability focus areas due to the climate impacts of air travel. Icelandair's own operation, specifically flights and ground handling activities generate greenhouse gas (GHG) emissions. The aviation industry is a contributor to GHG emissions, mainly through the combustion of aviation fuels. The industry has pledged to achieve net-zero carbon emissions by 2050. Technological advancements in aviation throughout the years have led to new-generation aircraft that deliver 20% to 30% lower emissions than older generation aircraft. However, the industry's transition to alternative fuel sources has been challenging. Scaling up and financing the production of Sustainable Aviation Fuels (SAF) remains critical to achieving climate goals. Beyond flights, GHG emissions are also generated in ground handling activities. Additionally, GHG emissions occur across the value chain, from production of aircraft, fuels, transport of passengers to and from airports, and in waste handling.

Policies related to climate change
Icelandair is currently updating its Climate and Environmental policy, which addresses reducing greenhouse gas emissions through fleet renewal, operational improvements, and exploring the use of alternative fuels. It also addresses the mitigation of climate risks to ensure the resilience of the operations against the impacts of a changing climate.

Target
To address the global challenge of climate change, Icelandair has set a target for Scope 1 emissions, aiming to achieve net zero emissions by 2050, and monitors fuel efficiency and CO2e emissions from flight operations. In addition, the Company has set a specific target to reduce CO2e emissions by 50% per Operational Ton Kilometer (OTK) from flight operations by 2030 compared to 2019. The emissions from aviation are reported annually to the Environmental Agency of Iceland. Operational Ton Kilometer (OTK) is how much CO2e is emitted moving one payload ton over a distance of one kilometer and takes into consideration the weight of the aircraft, passengers, and cargo.

The table below shows the progress made in the reduction of carbon emissions intensity 2019-2024.

	2019	2024	Status %	2030 target
tCO2e/OTK	0.895	0.73	-18%	0.448

As part of the Company's commitment to a more sustainable aviation future, a decarbonization strategy has been developed that focuses on the most impactful and manageable levers available today. At the core of this strategy are fleet renewal and operational improvements, which will drive the reductions in carbon emissions over the short to medium term. Simultaneously, the Company is exploring the use of Sustainable Aviation Fuels, which will increasingly support the climate targets in the mid- and long-term.

During 2024, Icelandair decided to set climate targets in line with the Science Based Targets initiative (SBTi). Icelandair has now formally committed to setting a near-term company-wide emission reductions target in line with climate science with the SBTi. Following this commitment, Icelandair will in 2025 and 2026 work on developing targets aligned with the SBTi criteria.

Actions related to climate change policies

The fleet renewal program combined with operational improvements and the exploration of using alternative fuels, provide a comprehensive approach to reducing the environmental impact of Icelandair.

Fleet renewal
The most effective and immediate way to reduce carbon emissions is by modernizing the fleet. Replacing older models with new generation aircraft that are far more fuel efficient has a significant impact on reducing fuel consumption, emissions and decreasing operational costs. During 2024, three Boeing 757s were retired and one Boeing 767 was subleased to another airline. Icelandair took delivery of three new Boeing 737MAX during the year, as well as its first ever Airbus aircraft, an A321LR. These aircraft are of a new generation of more fuel-efficient and thereby more environmentally friendly aircraft, and therefore an important part of reducing carbon emissions within the operation.

Non-Financial Reporting, contd.:

Operational improvements

While fleet renewal is a critical lever to reduce carbon emissions the full potential of decarbonization efforts will only be realized when combined with operational improvements that optimize fuel efficiency across every aspect of the operations. The Company's fuel efficiency program is the tool to achieve optimal fuel efficiency and involves a collaborative effort and best practices that involve various departments within the Company, each playing a crucial role in achieving operational excellence. During 2024, various projects were realized such as the optimization of potable water, active monitoring of pantry weight and customization of serviceable on-board items to reduce weight. As infrastructure and new technologies allow, the Company also aims to gradually transition to electric ground support equipment, thereby reducing emissions from ground operations.

Alternative fuels and innovation

While fleet renewal and operational efficiencies are currently the most impactful levers in the decarbonization strategy, Icelandair acknowledges the importance of advancing the production and availability of Sustainable Aviation Fuels (SAF) in the market as it is crucial to support and accelerate the decarbonization path. Beyond SAFs, Icelandair is monitoring the development of other technological innovations, such as hybrid-electric propulsion systems, carbon capture technologies and new aircraft designs that use alternative energy sources like hydrogen. By continuously evaluating the potential of these technologies, the decarbonization strategy remains agile and aligned with the latest advancements in sustainable aviation.

As part of Icelandair's climate efforts, the Company also wants to help its customers better understand the carbon footprint of their flights and give them an opportunity to support climate solutions. In 2024, Icelandair partnered with CHOOOSE to give travelers access to a climate software solution which can help them understand, calculate and address their travel emissions. The service is available at point of booking and offers passengers a way to address their travel-related carbon emissions by supporting accredited climate solutions around the world.

Climate and energy related metrics

Metrics for the Company's energy consumption and emissions are presented below. The Company has not yet developed a process to apply internal carbon pricing schemes. Almost 100% of Icelandair's energy consumption comes from burning of jet fuel which is a form of fossil fuel. However, 100% of energy and heating used for the Company's buildings and facilities in Iceland use energy from renewable sources.

Energy consumption and mix (MWh)	2024
Total energy consumption from fossil sources	**4,707**
Fuel consumption from coal and coal products	0
Fuel consumption from crude oil and petroleum products;	4,707
Fuel consumption from natural gas;	0
Fuel consumption from other fossil sources;	0
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources;	0
Share of fossil sources in total energy consumption (%)	**99.5%**
Total energy consumption from renewable sources	**21**
Fuel consumption from renewable sources including biomass (also comprising industrial and municipal waste of biologic origin), biofuels, biogas, hydrogen from renewable sources, etc	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	21
Consumption of self-generated non-fuel renewable energy	0
Share of renewable sources in total energy consumption (%)	**0.5%**
Total energy consumption	**4,728**

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Non-Financial Reporting, contd.:

Climate and energy related metrics, contd.:

Almost all of Icelandair's measured GHG emissions come from burning of jet fuel as the production of electricity and heat in Iceland are mainly from renewable sources and therefore have a low carbon footprint. Icelandair only reports on Category 5, waste generated in operations under Scope 3 emissions but will expand on different categories in 2025.

GHG emissions	Units	2024
Scope 1 GHG emissions		
Gross Scope 1 GHG emissions	tCO2e	1,167,660
Percentage of Scope 1 GHG emissions from regulated emission trading schemes	%	41%
Scope 2 GHG emissions		
Gross location-based Scope 2 GHG emissions	tCO2e	168
Gross market-based Scope 2 GHG emissions	tCO2e	0
Significant Scope 3 GHG emissions		
Total Gross indirect Scope 3 GHG emissions (Waste generated in operations)	tCO2e	89
Total GHG emissions		**1,167,917**

Potential financial effects from material transition and physical risks

Icelandair is subject to various regulations related to the EU Green Deal and "Fit for 55" and has physical assets and operations dependent on weather conditions. Hence, climate-related transition and physical risks have been identified as material.

Transition risk

In 2023 The Regulation (EU) 2023/2405 of the European Parliament and of the Council of 18 October 2023 on ensuring a level playing field for sustainable air transport ("ReFuelEU"), was adopted in the European Parliament with the aim to increase the uptake of sustainable fuels in the aviation sector. It came into effect on 1 January 2024 to ensure that, starting from 2025, at least 2% of aviation fuels will be sustainable, with this share increasing every five years: 6% in 2030, 20% in 2035, 34% in 2040, 42% in 2045 and 70% in 2050. However, Sustainable Aviation Fuels (SAF) remain difficult to source and the availability and price may challenge Icelandair's climate transition.

Airlines have been part of the EU's Emissions Trading System (ETS) since 2012. Since the beginning, the total number of emissions allowances in the system has been steadily reduced. In 2023, changes were introduced to ensure a further reduction in emissions and the changes were implemented into Icelandic law by year-end. These changes include a faster reduction in allowances and more aggressive phase-out of free allowances for airlines from 2024 to 2026, despite aviation not having any other technical means of reducing its emissions. These new rules disproportionately affect Icelandair and Iceland as a tourist destination due to Iceland's geographical location on the periphery of Europe and dependence on air travel. Unlike other European countries, Iceland has no alternative means of international travel and its stage length to Europe results in higher proportional costs for airlines connecting through Iceland compared to carriers operating elsewhere, or flying directly across the ocean. This would make flights more expensive for Icelandic operators than their EEA and non-EEA peers and could lead to carbon leakage. The Icelandic government, therefore, negotiated a special adoption and reached an agreement with the EU Commission to adapt Directive (EU) 2023/958 for Iceland. In 2024, the Icelandic government worked on the accompanying regulations to define how to reimburse airlines flying to and from Iceland 100% of the price difference between SAF and fossil fuel at Icelandic airports, in addition to defining the carbon neutrality plan that airlines will need to submit to the Environmental Agency to retain free emission allowances in 2025 and 2026. However, uncertainty remains on how this will be implemented and the effects on Icelandair.

Physical risk

Icelandair is inherently exposed to physical climate risks, such as changing weather patterns, rising sea levels and extreme temperatures due to its dependence on weather conditions. Such events can pose a challenge to the operations such as infrastructure stability and flight operations. Recognizing the importance of proactively addressing these challenges, Icelandair plans to conduct a climate risk assessment in 2025. This initiative aims to identify and evaluate our primary physical climate risks, enabling us to develop strategies to mitigate their impacts and enhance the resilience of our operations.

For further information see the Operational risk chapter.

Pollution

Materiality

The primary source of pollution is the burning of aviation fuel. Pollution also arises throughout the value chain from activities such as production processes, airport transport, staff and cargo transportation, catering services, ground vehicle operations, ground support at airports, fuel storage and paint stripping. Noise pollution, while not included as a sub-topic under the ESRS, is also a material concern for Icelandair. Aircraft noise can impact communities and habitats around airports, particularly due to the noise generated during takeoff and landing. Additionally, Icelandair uses substances of concern in its operations.

Policies related to pollution

While updating its Climate and Environmental Policy, Icelandair is updating its commitment to mitigate the negative impacts of air and noise pollution. The Company follows standard operating procedures in relation to noise abatement to minimize the impact on surrounding communities. Moreover, Icelandair works to minimize and phasing out substances of very high concern, and proactively prevent incidents and emergency situations, and ensure that, if they do occur, their impact on people and the environment is controlled and minimized. All incidents are reported and managed through the Company's Safety Management System (SMS).

Actions related to pollution

The commitment to mitigate the negative impacts of air and noise pollution is reflected in the Company's climate actions, such as renewing the fleet to newer generation aircraft, implementing operational improvements and exploring the use of alternative fuels – all of which contribute to mitigating air and noise pollution. Air and noise pollution are some of the environmental issues that are addressed in the Company's EMS. To minimize the impact on the surroundings, the International Civil Aviation Organization (ICAO) and the European Union Aviation Safety Agency (EASA) have established stringent noise regulations and Icelandair has operational procedures in place to comply with these requirements and guidelines.

In the technical operation and maintenance processes, certain substances of concern, including hazardous chemicals and other regulated pollutants, are utilized. To ensure safe handling and compliance, Material Safety Data Sheets (MSDS) are available for such materials, describing the properties and potential hazards of the material, how to use it safely, and what to do in an emergency. In 2025, Icelandair's goal is to identify all substances of concern used in the operations and continue phasing out substances where possible. In terms of de-icing practices, standard operating procedures are in place. The de-icing procedures ensure compliance with the relevant regulations, and global aircraft de-icing standards, to ensure optimal aerodynamic performance and safety.

Targets

Air and noise pollution from Icelandair's operations are closely linked to the Company's GHG emissions. Consequently, the climate targets are expected to address and mitigate these pollution impacts. As a result, Icelandair has not established specific targets for air and noise pollution.

The Company's broader objective is to continuously monitor and enhance the overall environmental performance, including incidents such as fuel spills, optimizing the use of de-icing fluids and refrigerants, and systematically tracking all environmental incidents through the EMS.

Icelandair is starting to monitor pollution and therefore does not have metrics available for 2024.

Non-Financial Reporting, contd.:

Resource use and circularity

Materiality

Resource inflows and outflows are assessed as a material topic as airlines depend heavily on resources for operations, including fuels, aircraft maintenance materials, food and goods for passenger services. Icelandair reuses and recycles aircraft parts when retiring old generations, specializing in end-of-life solutions and the trading of parts for Boeing aircraft. Waste management is also a material topic as Icelandair contributes to waste generation through various processes, such as inflight and maintenance activities. In general, airlines rely to a large extent on single-use plastics for packaging, food containers and cutlery, and there are challenges improving recycling on board due to limited infrastructure, logistical constraints and regulations for waste management.

Policies related to resource use and circularity

Through Icelandair's Environmental Policy, the Company is committed to decreasing waste, maximizing recycling and finding circular solutions. While updating its policy, Icelandair is updating its commitment to reducing waste and promoting the responsible use of resources, specifically aiming to reduce single-use plastics, eliminate non-essential consumables in the cabin, and adopt responsible procurement practices to minimize negative impacts across the supply chain.

Actions related to resource use and circularity

Icelandair has implemented several successful initiatives to optimize resource use and enhance waste recycling across the company. Key actions include reusing aircraft parts, introducing onboard recycling, and reducing food waste by offering passengers the option to pre-order their onboard meals to avoid unnecessary over catering. The Company has also prioritized sustainable materials and reducing waste, such as introducing new blankets made from recycled materials, and actively working to eliminate single-use plastics and consumables onboard. For example, Saga membership cards are now exclusively digital, plastic cups are no longer provided with every drink and newspapers are no longer offered – all contributing to reducing cabin waste.

Targets

Laws and regulations have always restricted waste separation on board, and Icelandair has for years called for changes in regulations in Iceland on recycling waste from international flights, which has until recently all been incinerated due to these regulations. In good cooperation with the Environment Agency of Iceland and the Icelandic Food and Veterinary Agency, new guidelines were implemented in 2023 that enable airlines to sort clean recyclables, i.e., plastic, paper and aluminum cans coming into Iceland.

Icelandair has set goals related to efficient material use in line with the Company's policy commitments. The goals aim to achieve a 40% recycling rate for aircraft waste in 2025 and to implement measures to report on waste reduction per passenger. The goals focus on the upper levels of the waste hierarchy, emphasizing waste prevention and recycling to minimize the amount of waste sent to landfills and reduce environmental impact.

Waste related metrics

Icelandair uses a waste management system provided by Klappir Green Solutions, which digitally tracks and breaks all waste-related data down to the operational units. The waste streams generated from Icelandair's operations are typical for aviation companies and include cabin and maintenance waste. The materials presented in Icelandair's waste are food waste, mixed waste, aluminum scrap, plastic waste, paper, wood waste, batteries, electronic waste, oil waste and automotive scrap.

The total amount of waste produced by Icelandair in Iceland including the Keflavik hub amounted to 808 tons, a reduction from 1,338 tons in 2023. This reduction is due to changes that were made during the year as Icelandair outsourced its catering facilities to an international catering company. The on-board waste stream is processed through the catering facilities in Keflavik and are therefore no longer a part of Icelandair's total waste. The largest waste stream aside from the on-board waste is mixed waste from the on-board service, containing mainly food waste and packaging waste. Food and beverage waste from international flights has to be incinerated or sent to landfill due to international catering regulation.

Non-Financial Reporting, contd.:

Waste related metrics, contd.:

The waste target for 2024 was to recycle at least 40% of on-board waste, a goal that was not achieved due to the transition-phase to changed processes. Approximately 20% of on-board waste was recycled during the year, however, in December the recycled waste was over 40%, so the process is getting back on track. The amount of waste generated is relative to the number of flights flown and passengers transported.

Waste	kg
Total amount of waste generated	**808,376**
Total amount of waste diverted from disposal	**639,875**
Non-hazardous	639,875
Preperation for reuse	0
Recycling	297,317
Other recovery operations	342,558
Hazardous	**0**
Preperation for reuse	0
Recycling	0
Other recovery operations	0
Total amount of waste directed to disposal	**168,501**
Non-hazardous	164,553
Incineration	2,759
Landfill	161,794
Other disposal operation	0
Hazardous	3,948
Incineration	3,948
Landfill	0
Other disposal operation	0
Total amount of non recycled waste	**168,501**
Percentage of non recycled waste	21%

Financial risks

Resource inflows have been assessed as financially material for Icelandair in the long term, as Icelandair is dependent on specific resources for its operations. Icelandair faces potential risks associated with supply chain disruption and resource scarcity, as some materials critical to airline operations include critical raw materials. While the financial effects are expected to be moderate, quantification of the effects is challenging. The financial implications will depend on factors such as the type of resource, the degree of dependency and the actual availability of the resource in the market at a given time.

Social

Introduction

Icelandair respects human rights and requires all its employees to treat others with trust, dignity, respect, fairness and equity. Icelandair recognizes the growing focus on human rights due diligence, driven by legislation like the EU Taxonomy's Minimum Safeguards, the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD), as well as increased inquiries from business partners. In response, Icelandair has taken the first steps of developing sustainability due diligence processes, which will including human rights due diligence, to demonstrate responsible practices and meet expectations.

Own workforce

Materiality

Working conditions, specifically health and safety, along with equal treatment and opportunities are key material topics for Icelandair.

Actual positive impacts relate to training and skills development for employees. Icelandair provides role-specific and company-wide training, which is critical in the airline industry for ensuring safety, regulatory compliance, customer satisfaction, operational efficiency and adaptability to industry changes. Icelandair actively promotes gender equality in the workforce, setting an example for the industry, and has one of the highest proportions of female pilots in the world. Icelandair has also rapidly increased the number of male flight attendants. The Company has policies and procedures in place to prevent workplace violence and harassment. Adequate housing has also been assessed as material as Icelandair provides housing for certain foreign workers in Iceland.

Non-Financial Reporting, contd.:

Materiality, contd.:

Potential negative impacts relate to health and safety faced by employees in various roles. For example, ground handling workers are exposed to harsh weather conditions and handling of luggage, maintenance staff may encounter harmful substances, and flight crew members may face occupational hazards. Icelandair's employees can face challenging situations due to long working hours and disruption to work plans which can affect their work-life balance. Icelandair recognizes that employee wellness is essential for performance and safety and works continuously to improve the working conditions of its employees to prevent negative impacts.

Additionally, labor strikes or disputes, particularly with pilots, cabin crew, and ground staff, could pose financial risks in the medium-to-long term. Such disruptions may lead to flight cancellations, delays, and customer dissatisfaction, impacting overall operations.

Policies related to own workforce and processes for engaging with own workers about impacts and raising concerns

Icelandair commits to upholding human rights and fair labor practices, with employees adhering to the Company's Code of Ethics. Equal opportunities and rights are central to Icelandair's Equal Rights Policy and Equal Rights Plan, which drive active and measurable equality efforts throughout the Company. The Equality Plan encompasses key areas such as equal pay, recruitment, training, work-life balance, and the prevention of workplace harassment. The Equal Rights Policy explicitly prohibits all forms of discrimination, including those based on gender, origin, opinions, disability, reduced work capacity, age, sexual orientation, gender identity, sexual identity, or any other status. Icelandair has implemented an Equal Pay Policy supported by an Equal Pay System to ensure that employees receive equal wages for work of equal value, irrespective of gender, and ensure that all employees are paid a fair and adequate wage. Icelandair's comprehensive Health & Attendance Policy applies to all employees working for the Company and its purpose is to preserve employee health and includes various health-related programs and initiatives to further employees' health and wellbeing.

Icelandair is currently developing and will in 2025 implement a Human Rights policy aligned with international frameworks, specifically the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, which includes a commitment to respect the human rights of employees, workers in the value chain, affected communities and customers.

Icelandair is committed to fostering an inclusive, equitable environment that celebrates diversity, promotes equality and accessibility, and nurtures a sense of belonging for all. To support the commitment and engage with employees, Icelandair conducts regular engagement surveys and monitors the employee Net Promoter Score (eNPS), and ensures employees have accessible channels to raise concerns.

To simplify the reporting of undesirable behavior, breach of legal obligations or other misconduct, Icelandair has implemented a simple online announcement tool, Tilkynna.is. The tool allows employees to submit reports anonymously. Reporters gain access to a secure communication channel to receive updates on their reports. To ensure effective use of this tool, all employees receive information on how to use the tool as part of regular training.

Employees who experience bullying, discrimination, or harassment are encouraged to seek support and Icelandair is dedicated to providing appropriate remediation to harmed individuals in situations where the Company has caused or contributed to a negative impact. Incidents are addressed on a case-by-case basis and Icelandair collaborates with stakeholders to resolve issues, communicates actions taken and incorporates lessons learned to prevent future occurrences.

Action related to own workforce

In the end of 2024, Icelandair relocated its headquarters to the new Icelandair House in Hafnarfjördur. One of the goals of the new headquarters is to strengthen the Company culture and foster workplace excellence. The headquarters are an extension of Icelandair's training center, which was built in 2014. The new facility brings together theoretical and practical crew training, office operations, customer service, support functions, and the operations control center under one roof. Additionally, flight crews gather in the building before heading to Keflavík Airport. With improved lighting, noise control and air quality, the headquarters offer a modern and diverse work environment that supports the Company's ambition to be Iceland's most desirable employer.

Non-Financial Reporting, contd.:

Action related to own workforce, contd.:

Icelandair believes it is essential for employees to embrace and demonstrate a growth mindset. This approach benefits both the individual and the company as a whole. To support this vision, the People & Culture team ensures that all employees have access to market-leading learning and development resources tailored to their diverse needs. At the same time, Icelandair maintains rigorous safety and security standards, with detailed action plans and mandatory training for all employees in roles deemed critical to aviation safety or occupational health. For new employees, the Company offers a comprehensive orientation program that includes e-learning modules about the Company and health and safety training. Every month, the People & Culture team curates an ambitious training schedule featuring both on-site and online courses. Through the Company's extensive e-learning platform, employees can access a wide range of courses designed to support their personal and professional growth.

For Icelandair, training is a cornerstone of Flight Safety. Icelandair pilots have responded very well to the full implementation of Evidence Based Training (EBT) which emphasizes realistic scenarios and a more supportive training environment than legacy training can offer. EASA's promotion of Competency Based Training and Assessment has been embraced by Icelandair training department with upgraded programs which are adapted to classrooms, practical facilities and electronic learning alike for both pilots and cabin crew. The introduction of new Airbus A321 aircraft is a huge task, and during 2025 the training facilities will be upgraded to meet the highest standards in training. This includes a CEET Airbus Cabin Emergency Evacuation Trainer and a full flight simulator. Additionally, as a leading airline in Iceland, Icelandair believes it is important to offer high-quality education in the specialized jobs performed in aviation and therefore actively supports flight-related education in Iceland through various measures.

Icelandair promotes equality by providing equal job opportunities and fairness for employees and job applicants. The first step to ensure equal opportunities is to reduce the impact of gender stereotypes by showing strong role models and introducing the jobs to underrepresented groups. Icelandair needs to ensure that the roles offered at Icelandair are appealing and available for everyone. All job advertisements state that Icelandair welcomes and encourages people of all genders to apply for all available jobs. Icelandair emphasizes to base decisions of recruitment, work conditions, distribution of work, delegation of working groups, training, and development on neutral and professional work methods, which are not influenced by gender, religion or origin and create diverse teams.

Targets

Icelandair's goal is to foster an inclusive, equitable environment that celebrates diversity, promotes equality and accessibility, and nurtures a sense of belonging for all. Icelandair aims to promote employee satisfaction and maintain an Employee Net Promoter Score (eNPS) of at least 40. To track progress, employee satisfaction is monitored through the eNPS, Employer Excellence Score and Engagement Score. Additionally, Icelandair is committed to ensuring gender diversity in management, with a target of no more than 60% of one gender in leadership positions.

Employee related metrics

Icelandair has a diverse workforce with employees representing many different skills, both personal and professional and they represent 35 different nationalities. The metrics presented on the characteristics of Icelandair's workforce only include employees in Iceland, as Icelandair does not have at least 50 employees representing at least 10% of its employees in other countries than Iceland. No employee has requested to not disclose its gender or to identify as other gender than female or male.

Gender	Numbers of employees (head count)
Male	1,990
Female	1,930
Total employees	3,920

Total number of employees (FTE) in 2024 on average was 3,575, which is a reduction of 1.7% from 2023.

2024	Male	Female	Total
Number of employees (FTE)	1,911	1,664	3,575
Number of permanent employees (FTE)	1,810	1,473	3,283
Number of temporary employees	92	172	263
Number of non-guaranteed hours employees	8	20	28

Non-Financial Reporting, contd.:

Employee related metrics, contd.:

The employee turnover includes voluntary leave, dismissal, retirement and death in service. The turnover rate at Icelandair remains quite low at 7% rising from 4% in 2023.

2024	
Number of employees who left during the reporting period	253
Employee turnover	7%

The percentage of employees covered by workers' representatives in Iceland is 99%.

One of Icelandair's key sustainability focus areas is gender equality, alongside a broader commitment to equality, diversity, and non-discrimination. Achieving gender balance across the Company's operations remains a core priority and Icelandair is committed to meet set goals in this area. The gender distribution presented includes members of the Executive Committee and one level below, Directors.

Gender distribution at top management	2024	2023
Male	60%	60%
Female	40%	40%

The employee age distribution at Icelandair is quite normal with a normal distribution of younger and older employees.

Employee distribution by age	2024
Under 30 years old	19%
30-50 years old	55%
Over 50 years old	26%

Promoting good health among employees is high on the Company's agenda and initiatives have been launched with the overall aim of improving the well-being of all employees. All employees are covered by the Company's health and management system.

Health and satety	2024
Number of fatalities as a result of work-related injuries and work-related ill health	0
Number of recordable work-related accidents	254
Cases of recordable work-related ill health	0
Number of days lost to work-related injuries from work related accidents or ill health	1420

All employees are covered by collective bargaining agreements, which determine the salaries for the majority of the employees. The gender pay gap is defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees. The remuneration ratio is defined as the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual).

Remuneration and pay gap	2024
Gender pay gap	1:1.28
Remuneration ratio	8

All employees are entitled to take family-related leave in accordance with Icelandic law. All employees are entitled to parental leave which is a leave of absence from paid employment. The duration is 12 months in total. Each parent is entitled to six months and six weeks are transferable. Recognizing the importance of both parents in raising kids and making it possible for both parents to be actively involved, both at home and at work.

Non-Financial Reporting, contd.:

Employee related metrics, contd.:

Human rights incidents	2024
Total number of incidents of discrimination, including harassment	31
Number of complaints filed through channels for employees to raise concerns	13
The total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints	0
Number of severe human rights incidents	0
The total amount of fines, penalties and compensation for damages as a result of severe human rights incidents	0

Value chain workers

Materiality

The sustainability of the supply chain is an important aspect of the Company's operations. As part of its efforts to enhance sustainability due diligence, Icelandair plans to conduct a human rights risk assessment to gain a better understanding of the human rights risks throughout the value chain.

Policies and processes related to value chain workers

Icelandair has a Supplier Code of Conduct in place where suppliers are required to ensure that materials are ethically sources, in compliance with international human rights and environmental standards. Icelandair requires that its suppliers comply with ethical standards that reflect the same standards that Icelandair complies with in its own operations. Icelandair is updating its procurement practices, including risk assessing and monitoring suppliers in a systematic way.

Affected communities

Materiality

Icelandair contributes to economic prosperity in Iceland as a leading tourism company, as one of the largest employers in the country and through its community engagement. Icelandair contributes directly to the Icelandic economy in the form of salaries, salary-related expenses and pension contributions, in addition to its indirect contribution that drives economic benefits not only to the local tourism industry but the Icelandic economy as a whole. By connecting Iceland to the world, Icelandair also facilitates international relations and trade by connecting Iceland to the world and by supporting important export and import through its cargo operations. While not specifically included as a sub-topic under the ESRS, Icelandair regards this impact as material.

Actions on material impacts on affected communities

Icelandair continued its efforts to contribute to Icelandic society by actively engaging with key stakeholders to ensure the continued positive economic impact of aviation and tourism in Iceland, as well as through its diverse partnerships that reflect the Company's strategy and approach to social responsibility and economic prosperity. Icelandair supports Icelandic music through Iceland Airwaves and Icelandic Music Experiments. The Company has also been a proud sponsor of the main sports federations in Iceland for years. To support the development of tourism in Iceland, the Company is a founding member of the Icelandic Tourism Fund, which invests in innovation in tourism. The Company partners with Iceland's main volunteer search-and-rescue team on safe travel as well as flight safety and emergency response. Furthermore, together with contributions from its passengers, Icelandair supports the Special Children Travel Fund which helps families of children with long-term illnesses and children who live in difficult circumstances.

Non-Financial Reporting, contd.:

Community related metrics

Icelandair contributes directly to the Icelandic economy in the form of taxes and fees paid to the government and municipalities. The total tax footprint in Iceland in 2024 amounted to USD 274 million.

Total tax footprint of Icelandair Group in USD thousand

	2024			2023		
	Iceland	Other Countries	Total	Iceland	Other Countries	Total
Salary-related taxes	24,249	486	24,735	21,080	417	21,497
Pension fund contribution	51,267	20	51,287	47,599	1,282	48,881
Emission charges	0	21,336	21,336	0	23,272	23,272
Landing fees	22,103	32,989	55,091	14,596	32,169	46,765
Other taxes	4,784	0	4,784	4,346	0	4,346
Companies fees	102,403	54,831	157,234	87,621	57,139	144,761
Employee income taxes	115,008	433	115,441	100,180	336	100,517
Passenger taxes	53,107	127,898	181,004	41,818	107,006	148,824
Collected taxes	168,115	128,331	296,445	141,998	107,342	249,341
Deferred payments on payroll taxes	3,896	0	3,896	6,535	0	6,535
Total tax footprint	274,414	183,162	457,576	236,154	164,481	400,637

Consumers and end users

Materiality

Icelandair's primary sustainability impact on customers relates to personal safety and social inclusion. The health, safety and security of passengers is always the Company's highest priority, with ongoing measures to identify and manage risks and consistently improve its Safety Management System. The protection of children is a key area of focus, supported by procedures designed to enhance their travel experience and provide special services to unaccompanied minors. Non-discrimination has been identified as a material topic, recognizing that aspects of the services provided may limit access for some individuals.

Policies and processes related to customers

Icelandair is committed to providing an accessible and inclusive travel experience for all passengers. Icelandair works in accordance with its Customer Support guidelines and actively engages with customers and relevant stakeholders to better understand and address their needs, including conducting large-scale surveys. Additionally, Icelandair proactively provides customers with essential information before their journeys to ensure smooth experiences. To identify areas for improvement, Icelandair relies on multiple feedback mechanisms such as passenger reports, customer surveys and crew observations. Cases are reviewed to identify recurring patterns and implement meaningful improvements.

Icelandair is dedicated to providing appropriate remediation to harmed individuals in situations where the Company has caused or contributed to a negative impact. Incidents are addressed on a case-by-case basis and remedies can relate to acknowledging issues, addressing concerns, committing to better processes, or compensation when appropriate. Icelandair collaborates with stakeholders to resolve issues, communicates actions taken, and incorporates lessons learned to prevent future occurrences.

Like other airlines, Icelandair is at risk of transporting victims of human trafficking. All cabin crew members receive training on identifying and responding to potential human trafficking situations and Icelandair collaborates closely with national law enforcement agencies to support efforts to combat human trafficking.

Non-Financial Reporting, contd.:

Actions related to material impacts on customers

A robust customer experience strategy has been established with the aim of refining Icelandair's services and elevating the quality of its offerings. Icelandair has prioritized accessibility and stakeholder engagement throughout the year. In 2024, the Company's comprehensive customer service questionnaire was updated with a specific focus on how to communicate with and support passengers with disabilities, including both visible and non-visible disabilities. The goal is to ensure respectful interactions and create a less stressful, more enjoyable experience for this group. Icelandair has also identified key stakeholder groups related to passengers with disabilities and, in collaboration with the Icelandic Disability Alliance (Öryrkjabandalag Íslands), produced an informational video to help passengers with disabilities better understand the journey and the service offered.

Targets

Icelandair's commitment is to provide smooth, enjoyable and safe journeys, tailoring its diverse group of customers. Performance is measured using metrics such as Net Promoter Score (NPS), Customer Satisfaction (CSAT) scores, and customer feedback scores, which provide valuable insights for ongoing improvement.

Governance and business conduct

Introduction

Effective governance and ethical business conduct are central to Icelandair's operations. By regularly reviewing its strategy, policies and performance, and fostering a culture of integrity, Icelandair ensures compliance, transparency and accountability across all levels of the Company, safeguarding trust with stakeholders and supporting long-term success.

Materiality

Corporate culture has been assessed as a key material topic, reflecting the importance of maintaining high ethical standards. Icelandair ensures this through the implementation of policies and training programs, and regular evaluation of employee perceptions of corporate culture through internal surveys. Animal welfare has been assessed as material, given the potential impact of Icelandair Cargo's transportation of animals, primarily horses. While incidents are rare, Icelandair acknowledges its responsibility to minimize risks and ensure the welfare of animals during transit. Corruption and bribery prevention and detection is also material for Icelandair's operations, the Company is updating the Corruption and Bribery Policy, the Supplier Code of Conduct, and forming dedicated training programs to mitigate risks and ensure compliance. Icelandair is committed to safeguarding employees who report criminal offenses or other unethical conduct, in accordance with Act No. 40/2020 on the Protection of Whistleblowers. Additionally, the Company aims to work with responsible suppliers throughout the supply chain and is working on enhancing its procurement practices to qualify and monitor suppliers in a systematic way.

Corporate culture and business conduct policies and processes

Icelandair manages its material impacts through various policies and processes, including the Anti-corruption and Anti-bribery Policy, Code of Ethics, Procurement Policy, Rules on Whistleblowing and Supplier Code of Conduct.

Through the Supplier Code of Conduct, suppliers are required to ensure that materials are ethically sourced, in compliance with international human rights and environmental standards. Icelandair requires that its suppliers comply with ethical standards that reflect the same standards that Icelandair complies within its own operations. The Company is in the process of centralizing and improving procurement functions across all operations. A part of these efforts is to enhance the sustainability due diligence process and integrate sustainability into the Company's procurement practices. The Company will continue to monitor the implementation of the new European Corporate Sustainability Due Diligence Directive (CSDDD) for reference. More emphasis will be put on qualifying and monitoring suppliers in a systematic way, with self-assessments and risk evaluations.

Icelandair requires all new employees to formally certify their compliance with the Anti-Corruption and Anti-Bribery policy. The policy describes Icelandair's processes for identifying and managing bribery and corruption risks in the Company's operations. Certain functions pose elevated risks for corruption and bribery due to their involvement in critical financial transactions and interactions with external stakeholders – such as procurement, hiring, finance, and senior management.

Concerns regarding unlawful behavior or policy violations can be reported anonymously via tilkynna.is, through supervisors, or to the Compliance Officer. The Company's promise to protect whistleblowers against retaliation is outlined in the Whistleblowing policy. Icelandair is committed to prompt and impartial investigations, with People and Culture managing initial reports and engaging relevant parties as needed. Investigators operate independently of the management chain to ensure objectivity.

Non-Financial Reporting, contd.:

Metrics related to business conduct

In 2024, there were no convictions for violations of anti-corruption and anti-bribery laws.

Icelandair's Procurement policy outlines payment practices, specifying payment terms of 30 days. Standards payment terms are 7 days for fuel suppliers and 30 days for all other supplier categories. While Icelandair has data available for 2023, efforts are underway to refine calculations, enabling detailed reporting of payment practices for the financial year 2025 in next year's accounts. As of 2024, there were no outstanding legal proceedings related to late payments.

ESG Accounting

Environmental Metrics

E1 GhG Emissions	Units	2024	2023
Total amount, in CO2 equivalents, for Scope 1	tCO2e	1,167,660	1,114,297
Total amount, in CO2 equivalents, for Scope 2	tCO2e	168	243
Total amount, in CO2 equivalents, for Scope 3	tCO2e	89	114
E2 Emissions Intensity			
Total GhG emission per output scaling factor	tCO2e per FTEs	327	306
	tCO2e per passenger	0.25	0.26
Total CO2 emissions per scaling factor	CO2 per OTK	0.73	0.76
E3 Energy Usage			
Total amount of energy directly consumed (fossil fuels)	GWh	4,707	4,532
Total amount of energy indirectly consumed (electricity and heat)	GWh	21	26
E4 Energy Intensity			
Total direct energy usage per output scaling factor	GWh per FTEs	1.32	1.25
	GWh per passenger	0.001	0.001
E5 Energy Mix			
Non renewable energy (fossil fuels are the primary energy source)	%	99.5%	99.4%
Renewable energy	%	0.5%	0.6%
E6 Water Usage			
Total amount of water consumed	m3	302,770	376,458
Total amount of water reclaimed	m3	-	-
E7 Environmental Operations			
Does your company follow a formal Environmental Policy	Yes/No	Yes	Yes
Does your company follow specific waste, water, energy, and/or recycling policies	Yes/No	Yes	Yes
Does your company use a recognized energy management system	Yes/No	Yes	Yes
E8 Climate Oversight / Board			
Does your Board of Directors oversee and/or manage climate-related risks	Yes/No	No	No
E9 Climate Oversight / Management			
Does your Senior Management Team oversee and/or manage climate-related risks	Yes/No	Yes	Yes
E10 Climate Risk Mitigation			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development	ISK	-	-

Non-Financial Reporting, contd.:

Social data metrics

	Units	2024	2023
S1 CEO Pay ratio			
CEO total compensation to median FTE total compensation	ratio	8	-
Does your company report this metric in regulatory filings	Yes/No	Yes	Yes
S2 Gender Pay Ratio			
Gender pay analysis (regular earnings)	%	2.4% in favor of men	2.8% in favor of men
S3 Employee Turnover			
Year-over-year change for full-time employees	%	7%	4%
S4 Gender Diversity			
Total enterprise headcount	women/men%	47/53	46/54
Entry- and mid- level positions held by men and women	women/men%	-	-
Senior- and executive-level positions held by men and women	women/men%	40/60	40/60
S5 Temporary Worker Ratio			
Total enterprise headcount held by part-time employees	women/men%	-	-
Total enterprise headcount held by contractors and/or consultants	women/men%	-	-
S6 Non-Discrimination			
Does your company follow a sexual harassment and/or non-discrimination policy	Yes/No	Yes	Yes
S7 Injury Rate			
Frequency of injury events relative to total workforce time		-	-
S8 Global Health & Safety			
Does your company follow an occupational health and/or global health & safety policy	Yes/No	Yes	Yes
S9 Child & Forced Labour			
Does your company follow a child and/or forced labour policy	Yes/No	Part of CoC	Part of CoC
If yes, does your child and/or forced labor policy also cover suppliers and vendors	Yes/No	Part of SCoC	Part of SCoC
S10 Human Rights			
Does your company follow a human rights policy	Yes/No	Yes	Yes
If yes, does your human rights policy also cover suppliers and vendors	Yes/No	Yes	Yes

Non-Financial Reporting, contd.:

Governance Metrics

	Units	2024	2023
G1 Board Diversity			
Total board seats occupied by women (as compared to men)	%	40%	40%
Committee chairs occupied by women (as compared to men)	%	0%	0%
G2 Board Independence			
Does company prohibit CEO from serving as board chair	Yes/No	Yes	Yes
Total board seats occupied by independants	%	80%	80%
G3 Incentivized Pay			
Are executives formally incentivized to perform on sustainability	Yes/No	No	No
G4 Collective Bargaining			
Total enterprise headcount covered by collective bargaining agreements	%	99%	99%
G5 Supplier Code of Conduct			
Are your vendors or suppliers required to follow a Code of Conduct	Yes/No	Yes	Yes
G6 Ethics & Anti-Corruption			
Does your company follow an Ethics and/or Anti-Corruption policy	Yes/No	Yes	Yes
If yes, what percentage of your workforce has formally certified its compliance with the policy	%	100% of new employees	100% of new employees
G7 Data Privacy			
Does your company follow a Data Privacy policy	Yes/No	Yes	Yes
Has your company taken steps to comply with GDPR rules	Yes/No	Yes	Yes
G8 ESG Reporting			
Does your company publish a sustainability report	Yes/No	Yes	Yes
Is sustainability data included in your regulatory filings	Yes/No	Yes	Yes
G9 Disclosure Practices			
Does your company provide sustainability data to sustainability reporting frameworks ?	Yes/No	Yes	Yes
Does your company focus on specific UN Sustainable Development Goals (SDGs)	Yes/No	Yes	Yes
Does your company set targets and report progress on the UN SDGs	Yes/No	Yes	Yes
G10 External Assurance			
Are your sustainability disclosures assured or validated by a third party	Yes/No	No	No

Operational Risk

Overview

The Group considers the following to be its main operational risks as at year-end 2024:

- macroeconomic and competition risk
- regulatory risk
- technical risk
- reputational risk
- safety and security risk
- environmental and sustainability risk
- labor market risk

Macroeconomic and competition risk

Icelandair Group operates an international passenger airline and route network as well as ground handling, maintenance, cargo, and charter operations. The Company's business, and demand for its services are therefore highly susceptible to general macroeconomic conditions in all its markets. A slowing economy, whether globally or locally, might decrease consumer spending e.g., in the event of lower employment levels, higher interest and/or inflation rates, diminished access to credit, or exchange rates fluctuations. All this can adversely affect the Company's operations and financial standing.

Uncertain economic and, as a result financial market conditions, can affect jet fuel prices, interest rates and currency exchange rates as was the case in 2024 with continued geopolitical unrest and relatively high inflation. The Company cannot guarantee that its liquidity and access to acceptably priced financing will always be sufficient or unaffected by external macroeconomic trends or financial market volatility, whether global or domestic. This in turn might have subsequent implications for loan covenants, the Company's financing costs, fair value of assets and overall financial condition.

Competition amongst airlines is high which heavily influences pricing decisions. In general, the airline industry is susceptible to fare discounting due to the low marginal costs of adding passengers to otherwise empty seats. New market entrants, especially low-cost carriers, mergers, acquisitions, consolidations, new partnerships, and transparency of pricing in the air travel market are examples of factors influencing competition. Unless the Group can offer a competitive product, it stands the risk of not meeting its revenue and profit targets. 2023 saw a disproportionate increase in capacity to and from Keflavík airport, Icelandair's hub and home.

The Group monitors trends and demand in its key markets closely through regular surveys and discussions with trade partners. The Company further imposes strict cost control in all its operations to stay competitive while safeguarding its ability to offer attractive value propositions to its customers.

Safety and security risk

The loss or grounding of an aircraft, such as due to an accident, design defects or operational malfunction would cause significant losses for the Group and impact its reputation and customer confidence. Such incidents and wreckages can be the result of various factors ranging from human error or misconduct to adverse or extreme weather to deferred maintenance. Should this risk materialize, it would bring about both direct costs such as repair or replacement costs and passenger claims as well as indirect costs such as the potentially poorer perception of the safety of the Company's chosen fleet.

Demand for airline travel is moreover highly vulnerable to events outside the Company's control such as natural disasters, terrorist attacks, armed conflicts, and pandemics. Such events could individually or collectively cause disruptions to flight schedules that in extreme cases can lead to prolonged suspension of certain routes and closure of airports as well as the future operational environment and regulatory burden of airlines. Seismic activity was ongoing on the Reykjanes Peninsula in 2024 which saw six eruptions and considerable damage to property. Although neither Keflavík airport nor the Company's flight schedule was affected by the events they nonetheless impacted the Company's revenue generation in the first half of the year.

The acute nature of such events may limit the Company's ability to mitigate the associated risks. In this respect it is important to note that the airport itself is not situated on an active volcanic system. Disruptions would therefore likely be limited to or associated with temporary loss of electricity or water supplies. The Company has in previous crisis demonstrated a high level of flexibility and resilience that has allowed the Company to withstand short to medium-term demand shocks. The Company has in place, and regularly reviews, safety measures, emergency response protocols and working procedures that prioritize the safety and security of its passengers and staff, which is at the heart of the Company's operations.

Operational Risk, contd.:

Regulatory risk

Regulatory risk refers to the potential financial and operational impacts that changes in government regulations can have on the airline industry. This can include changes in safety regulations, environmental and sustainability regulations, and rules surrounding air traffic control, among others. Airlines must constantly monitor and adapt to these regulatory changes, which can be costly and time-consuming. Additionally, non-compliance with regulations can result in fines and penalties, further adding to the financial risks faced by the industry.

An evolving and growing issue for airlines is government regulations aimed at environmental protection such as taxation on jet fuel, mandates on implementing SAF et.al. to reach goals of reducing carbon emissions. Moreover, the industry is subject to various local restrictions around airports such as to reduce noise and pollution. This can concern opening hours of airports, availability of slots and the usage of airspace. Congestion and environmental restrictions can for example lead to delays or increase the complexity of departure and approach maneuvers which may act to reduce productivity and increase costs.

The airline and tourism industries are subject to numerous fees and charges as well as an everchanging tax environment, which can have a direct effect on ticket pricing and demand. Examples of airline specific costs are take-off, transit and landing fees, noise, navigation, and emission charges in addition to value added tax. Unless mitigated through higher pricing these taxes act to increase operating costs.

Icelandair is a member of IATA and Airlines for Europe (A4E) that guard the interests of airlines and provide input on their behalf to local, national, and supra-national governmental bodies on policy frameworks regarding the above issues. Icelandair further endeavors to maintain good relations with airport operators and the Icelandic government with the same objective.

The Company's shares are traded on Nasdaq Iceland’s Regulated Market. The Company is therefore subject to the Icelandic Securities Transactions Act and subsequent regulations as well as Nasdaq Iceland's Rules for Issuers. Violation of these provisions, whether intended or unintentional, could have adverse financial impact on the Company. Serious breaches may result in penalties and Nasdaq Iceland halting trading in the shares. Icelandair has a Compliance Officer and compliance processes in place to mitigate the risk of any breaches. The Company further maintains a good relationship with its oversight authority, the Financial Supervisory Authority – Iceland.

Environmental and sustainability risk

Climate change poses significant financial risks to the aviation industry. The effects include both physical risks such as flight delays or airport closures and related costs, as well as contractual, regulatory, and legal compliance risks. In the shorter-term, risks are more likely to be associated with disruptive events, such as extreme weather events like storms or extreme heat, which can lead to delays, cancellations, and infrastructure damage. In the longer-term, gradual but persistent impacts, such as temperature change or sea level rise, may lead to business and wider macro-economic effects such as changes in tourist demand and damage or loss of infrastructure.

Rising costs of carbon offsetting, such as through the EU, UK and Swiss Emissions Trading System, and the bid for sustainable growth requires the Company to address its environmental impact, both globally and locally. As part of this effort, the Company participates in the work of various environmental working groups, such as with IATA and Airlines for Europe (A4E). A4E’s goal is to ensure the sustainable growth of aviation and contribute positively to the socioeconomic development of European nations. Icelandair Group is committed to implementing an emission mitigation scheme in line with CORSIA. CORSIA will be implemented in stages and once fully reached Icelandair will be committed to neutralizing all carbon emission beyond the emission of 2019, which has been chosen as the baseline year. Among actions taken by Icelandair are setting new medium- and long-term targets to reduce CO_2 emissions from flight operations and setting up action plans to achieve those targets. Action plans relate to sustainable aviation fuels, operational improvements, fleet renewal, new technology and carbon compensation.

The ultimate costs borne by airlines in respect of environmental and sustainability factors will be determined by the chosen methods imposed by governments and/or supra-national bodies to combat climate change. These are likely to include a mix of economic, political, and social measures. The pace of the demand for transition to more sustainable energy sources and other mitigating measures will determine the magnitude of impacts to the business.

Operational Risk, contd.:

Technical risk
The Company's operations are dependent on IT and other systems. Failure or disruption to IT, financial or management systems, whether internal or external, could affect the Company’s ability to carry out its daily operations and services to its customers. Many factors that can cause such systems to fail are outside the Company's control.

Icelandair Group makes every effort to minimize the risk of disruption with the aim of securing the Company's business continuity. Among measures that the Company has in place are documented procedures regarding access to information and other systems, the back-up and storing of data, remote access via virtual private network clients and the disposal of confidential or otherwise sensitive material. Virus protection for all computers and servers are centrally managed, internet connectivity is secured by firewalls and web security gateways, and all services open for external usage are secured by an application firewall. The Company offers regular seminars to its employees to guard against fraud and phishing e-mail attempts.

The Company collects and retains personal information received from customers and is therefore subject to the EU's General Data Protection Regulation (EU) 2016/679 (“GDPR”) aimed at protecting personal data held by businesses and other organizations. These requirements include but are not limited to implementing certain policies and processes, developing an effective internal data protection management system, and appointing a data protection officer. If found non-compliant to the GDPR regulators can, determined by the level of the infringement, levy fines of up to 4% of a company’s annual worldwide turnover. The Executive Committee considers the Company to be GDPR compliant.

Labor market risk
The airline and tourism industries are inherently labor-intensive industries. Most of the Company's employees are unionized; and represented by several unions, each of which has its own collective agreement on salaries and benefits with the Group's companies. Each union's contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach an immediate agreement, resulting in a jeopardy of production disruptions through strikes. In 2020 the Company signed new long-term wage agreements with its cabin crew, pilots and aircraft mechanics’ which collectively make up the vast majority of the Company’s employees. These agreements are up for renewal in the second half of 2025. The Company seeks to maintain good relations with its union representatives through active dialogue and regular meetings to foster a culture of mutual respect and understanding.

Reputational risk
The Group is subject to various risks that can lead to disruptions and interruptions to flight schedules. These include computer faults, accidents, labor unrest, weather conditions, delays by service providers, congestion, and unexpected maintenance. Additionally, increased focus on sustainability factors requires the Company to address its environmental and social impact, both globally and locally.

Serious or repeated interruptions to services, or a perception that the Company is not conducting itself in a socially or environmentally responsible manner, can result in a decline in demand for the Company's products and services thus hurting revenue generation. It further brings on the risk of tarnishing the Company's reputation and/or its individual brand names that might take a long time to repair.

Quarterly Statement

Unaudited summary of the Group's operating results by quarters:

	Q1	Q2	Q3	Q4	Total
Year 2024					
Operating income					
Passenger revenue	183,960	330,178	466,431	255,219	1,235,788
Ancillary revenue	14,902	23,005	30,027	21,361	89,295
Total Passanger revenue	198,862	353,183	496,458	276,580	1,325,083
Cargo revenue	20,696	16,885	16,944	22,211	76,736
Leasing revenue	19,328	20,654	23,188	30,561	93,731
Revenue from tourism	12,047	10,376	6,287	11,452	40,162
Sale at airport	1,359	1,218	1,149	1,183	4,909
Aircraft handling	1,201	2,483	3,256	1,870	8,810
Gain on sale of operating assets	31	42	1,106	119	1,298
Other operating revenue	5,437	4,542	5,094	4,805	19,878
Total Other operating revenue	20,075	18,661	16,892	19,429	75,057
Total other operating income	**258,961**	**409,383**	**553,482**	**348,781**	**1,570,607**
Operating expenses					
Salaries	72,333	83,129	84,455	81,435	321,352
Contributions to pension funds	11,964	13,466	13,392	12,465	51,287
Other salary-related expenses	10,195	10,373	3,822	9,001	33,391
Total salaries and salary related expenses	94,492	106,968	101,669	102,901	406,030
Aircraft fuel	62,156	89,926	113,076	65,253	330,411
Emission changes	3,087	5,602	7,590	5,057	21,336
Fuel hedges	(1,155)	1,003	4,364	4,241	8,453
Total Aircraft fuel cost	64,088	96,531	125,030	74,551	360,200
Aircraft and engine lease	1,122	529	2,886	(45)	4,492
Aircraft handling, landing and navigation	29,077	42,181	56,773	37,371	165,402
Aircraft maintenance expenses	24,373	31,136	35,370	31,367	122,246
Total Other aviation expenses	54,572	73,846	95,029	68,693	292,140
Travel and other employee expenses	15,622	19,689	19,771	16,580	71,662
Tourism expenses	9,331	7,990	4,310	9,094	30,725
IT expenses	8,926	7,942	9,871	9,222	35,961
Advertising	7,739	5,710	4,761	5,893	24,103
Booking fees and commission expenses	11,985	17,018	25,513	14,332	68,848
Customer services	15,071	21,401	28,323	24,433	89,228
Operating cost of real estate and fixtures	2,701	2,314	1,965	2,564	9,544
Allowance for bad debt	514	33	615	254	1,416
Other Operating expenses	9,251	9,371	10,552	11,720	40,894
Total Other Operating expenses	81,140	91,468	105,681	94,092	372,381
Total operating expenses	**294,292**	**368,813**	**427,409**	**340,237**	**1,430,751**
Operating (loss) profit bef. depr. (EBITDA)	**(35,331)**	**40,570**	**126,073**	**8,544**	**139,856**

Consolidated Financial Statements of Icelandair Group hf. 2024 82 Amounts are in USD thousands

Quarterly Statement, contd.:

Year 2024, contd.:	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Depreciation of operating assets	20,547	23,632	27,829	24,503	96,511
Depreciation of right-of-use assets	12,875	13,506	14,630	15,959	56,970
Amortization of intangible assets	139	123	137	187	586
Depreciation and amortization	33,561	37,261	42,596	40,649	154,067
Operating (loss) profit (EBIT)	**(68,892)**	**3,309**	**83,477**	**(32,105)**	**(14,211)**
Interest income on cash and cash equivalents and marketable securities	6,247	6,884	5,779	4,937	23,847
Interest income on lease receivables	338	818	616	581	2,353
Other interest income	1,462	1,266	1,481	1,092	5,301
Finance income total	8,047	8,968	7,876	6,610	31,501
Interest expenses on loans and borrowings	(4,124)	(4,008)	(3,850)	(3,502)	(15,484)
Interest on lease liabilities	(4,752)	(5,980)	(5,724)	(5,979)	(22,435)
Other interest expenses	(1,396)	(631)	(347)	(768)	(3,142)
Net currency exchange (loss) gain	(1,081)	(488)	268	(408)	(1,709)
Finance costs total	(11,353)	(11,107)	(9,653)	(10,657)	(42,770)
Net finance cost	**(3,306)**	**(2,139)**	**(1,777)**	**(4,047)**	**(11,269)**
Gain on sale of subsidiary	0	0	0	0	0
Share of loss of associates	(457)	(646)	1,370	406	673
(Loss) profit before tax (EBT)	**(72,655)**	**524**	**83,070**	**(35,746)**	**(24,807)**
Income tax	13,238	98	(13,869)	5,171	4,638
(Loss) profit for the period	**(59,417)**	**622**	**69,201**	**(30,575)**	**(20,169)**
Other comprehensive income (loss)	**4,220**	**(1,480)**	**(5,025)**	**2,294**	**9**
Total comprehensive (loss) income	**(55,197)**	**(858)**	**64,176**	**(28,281)**	**(20,160)**
Net cash from (used in) operating activities	147,102	110,243	(48,008)	11,820	221,157
Net cash (used in) from investing activities	(10,537)	(102,284)	(48,456)	(3,520)	(164,797)
Net cash used in financing activities	(26,502)	(26,100)	(24,715)	(28,073)	(105,390)

Consolidated Financial Statements of Icelandair Group hf. 2024 83 Amounts are in USD thousands

Quarterly Statement, contd.:

Unaudited summary of the Group's operating results by quarters:

Year 2023	Q1	Q2	Q3	Q4	Total
Operating income					
Passenger revenue	156,339	330,123	478,684	238,917	1,204,063
Ancillary revenue	14,201	22,605	29,360	19,698	85,864
Total Passanger revenue	170,540	352,728	508,044	258,615	1,289,927
Cargo revenue	23,691	22,020	20,951	21,599	88,261
Leasing revenue	19,083	19,456	13,708	19,070	71,317
Revenue from tourism	12,392	10,128	7,514	9,390	39,424
Sale at airport	1,493	1,774	2,542	1,524	7,333
Aircraft handling	1,191	1,957	2,545	1,358	7,051
Gain on sale of operating assets	125	373	73	130	701
Other operating revenue	4,740	5,744	4,980	4,091	19,555
Total Other operating revenue	19,941	19,976	17,654	16,493	74,064
Total other operating income	**233,255**	**414,180**	**560,357**	**315,777**	**1,523,569**
Operating expenses					
Salaries	59,756	78,996	84,725	80,203	303,680
Contributions to pension funds	9,684	12,570	13,109	13,518	48,881
Other salary-related expenses	9,222	14,364	4,380	11,037	39,003
Total salaries and salary related expenses	78,662	105,930	102,214	104,758	391,564
Aircraft fuel	60,544	82,840	117,033	84,855	345,272
Emission changes	4,060	6,474	7,944	4,794	23,272
Fuel hedges	2,004	6,266	(3,614)	(1,879)	2,777
Total Aircraft fuel cost	66,608	95,580	121,363	87,770	371,321
Aircraft and engine lease	114	6,188	3,608	2,470	12,380
Aircraft handling, landing and navigation	26,347	39,000	55,740	32,683	153,770
Aircraft maintenance expenses	22,349	25,836	25,783	24,429	98,397
Total Other aviation expenses	48,810	71,024	85,131	59,582	264,547
Travel and other employee expenses	13,636	18,799	19,323	16,356	68,114
Tourism expenses	9,113	7,283	5,850	7,286	29,532
IT expenses	7,168	8,534	9,553	8,584	33,839
Advertising	8,311	5,829	6,829	4,274	25,243
Booking fees and commission expenses	9,609	17,169	25,176	14,203	66,157
Customer services	11,593	16,162	22,455	15,865	66,075
Operating cost of real estate and fixtures	2,366	2,390	2,584	2,352	9,692
Allowance for bad debt	535	854	115	(242)	1,262
Other Operating expenses	8,930	9,026	11,711	10,092	39,759
Total Other Operating expenses	71,261	86,046	103,596	78,770	339,673
Total operating expenses	**265,341**	**358,580**	**412,304**	**330,880**	**1,367,105**
Operating (loss) profit bef. depr. (EBITDA)	**(32,086)**	**55,600**	**148,053**	**(15,103)**	**156,464**

Consolidated Financial Statements of Icelandair Group hf. 2024 84 Amounts are in USD thousands

Quarterly Statement, contd.:

Year 2023, contd.:	Q1	Q2	Q3	Q4	Total
Depreciation of operating assets	18,164	22,393	22,537	21,571	84,665
Depreciation of right-of-use assets	11,278	12,247	13,375	13,453	50,353
Amortization of intangible assets	97	106	126	130	459
Depreciation and amortization	29,539	34,746	36,038	35,154	135,477
Operating (loss) profit (EBIT)	**(61,625)**	**20,854**	**112,015**	**(50,257)**	**20,987**
Interest income on cash and cash equivalents and marketable securities	3,847	3,055	6,262	10,245	23,409
Interest income on lease receivables	50	42	32	101	225
Other interest income	851	517	1,180	1,126	3,674
Net currency exchange gain	1,590	(438)	0	(1,152)	0
Finance income total	6,338	3,176	7,474	10,320	27,308
Interest expenses on loans and borrowings	(4,278)	(4,784)	(4,985)	(4,895)	(18,942)
Interest on lease liabilities	(4,405)	(4,968)	(4,727)	(4,615)	(18,715)
Other interest expenses	(597)	(679)	(844)	(927)	(3,047)
Net currency exchange (loss) gain	0	0	(2,359)	2,101	(258)
Finance costs total	(9,280)	(10,431)	(12,915)	(8,336)	(40,962)
Net finance cost	**(2,942)**	**(7,255)**	**(5,441)**	**1,984**	**(13,654)**
Gain on sale of subsidiary	0	1,381	0	0	1,381
Share of loss of associates	(535)	361	(370)	(381)	(925)
(Loss) profit before tax (EBT)	**(65,102)**	**15,341**	**106,204**	**(48,654)**	**7,789**
Income tax	15,970	(1,685)	(21,740)	10,835	3,380
(Loss) profit for the period	**(49,132)**	**13,656**	**84,464**	**(37,819)**	**11,169**
Other comprehensive income (loss)	**2,072**	**997**	**10,942**	**(10,533)**	**3,478**
Total comprehensive (loss) income	**(47,060)**	**14,653**	**95,406**	**(48,352)**	**14,647**
Net cash from (used in) operating activities	154,414	129,001	(41,441)	(26,853)	215,121
Net cash from (used in) investing activities	67,825	(51,452)	(41,668)	(158,408)	(183,703)
Net cash from (used in) financing activities	37,296	(25,660)	(30,019)	(38,237)	(56,620)

Consolidated Financial Statements of Icelandair Group hf. 2024 85 Amounts are in USD thousands

Quarterly Statement, contd.:

Unaudited summary of the Group's operating results by quarters:

Q4 2024 vs. Q4 2023	2024 Q4	2023 Q4	2024 YTD	2023 YTD
Operating income				
Passenger revenue	255,219	238,917	1,235,788	1,204,063
Ancillary revenue	21,361	19,698	89,295	85,864
Total Passanger revenue	276,580	258,615	1,325,083	1,289,927
Cargo revenue	22,211	21,599	76,736	88,261
Leasing revenue	30,561	19,070	93,731	71,317
Revenue from tourism	11,452	9,390	40,162	39,424
Sale at airport	1,183	1,524	4,909	7,333
Aircraft handling	1,870	1,358	8,810	7,051
Gain on sale of operating assets	119	130	1,298	701
Other operating revenue	4,805	4,091	19,878	19,555
Total Other operating revenue	19,429	16,493	75,057	74,064
Total other operating income	**348,781**	**315,777**	**1,570,607**	**1,523,569**
Operating expenses				
Salaries	81,435	80,203	321,352	303,680
Contributions to pension funds	12,465	13,518	51,287	48,881
Other salary-related expenses	9,001	11,037	33,391	39,003
Total salaries and salary related expenses	102,901	104,758	406,030	391,564
Aircraft fuel	65,253	84,855	330,411	345,272
Emission changes	5,057	4,794	21,336	23,272
Fuel hedges	4,241	(1,879)	8,453	2,777
Total Aircraft fuel cost	74,551	87,770	360,200	371,321
Aircraft and engine lease	(45)	2,470	4,492	12,380
Aircraft handling, landing and navigation	37,371	32,683	165,402	153,770
Aircraft maintenance expenses	31,367	24,429	122,246	98,397
Total Other aviation expenses	68,693	59,582	292,140	264,547
Travel and other employee expenses	16,580	16,356	71,662	68,114
Tourism expenses	9,094	7,286	30,725	29,532
IT expenses	9,222	8,584	35,961	33,839
Advertising	5,893	4,274	24,103	25,243
Booking fees and commission expenses	14,332	14,203	68,848	66,157
Customer services	24,433	15,865	89,228	66,075
Operating cost of real estate and fixtures	2,564	2,352	9,544	9,692
Allowance for bad debt	254	(242)	1,416	1,262
Other Operating expenses	11,720	10,092	40,894	39,759
Total Other Operating expenses	94,092	78,770	372,381	339,673
Total operating expenses	**340,237**	**330,880**	**1,430,751**	**1,367,105**
Operating profit (loss) bef. depr. (EBITDA)	**8,544**	**(15,103)**	**139,856**	**156,464**

Consolidated Financial Statements of Icelandair Group hf. 2024 86 Amounts are in USD thousands

Quarterly Statement, contd.:

Q4 2024 vs. Q4 2023, contd.:

	2024 Q4	2023 Q4	2024 YTD	2023 YTD
Depreciation of operating assets	24,503	21,571	96,511	84,665
Depreciation of right-of-use assets	15,959	13,453	56,970	50,353
Amortization of intangible assets	187	130	586	459
Depreciation and amortization	40,649	35,154	154,067	135,477
Operating (loss) profit (EBIT)	**(32,105)**	**(50,257)**	**(14,211)**	**20,987**
Interest income on cash and cash equivalents and marketable securities	4,937	10,245	23,847	23,409
Interest income on lease receivables	581	101	2,353	225
Other interest income	1,092	1,126	5,301	3,674
Net currency exchange gain	0	(1,152)	0	0
Finance income total	6,610	10,320	31,501	27,308
Interest expenses on loans and borrowings	(3,502)	(4,895)	(15,484)	(18,942)
Interest on lease liabilities	(5,979)	(4,615)	(22,435)	(18,715)
Other interest expenses	(768)	(927)	(3,142)	(3,047)
Net currency exchange (loss) gain	(408)	2,101	(1,709)	(258)
Finance costs total	(10,657)	(8,336)	(42,770)	(40,962)
Net finance cost	**(4,047)**	**1,984**	**(11,269)**	**(13,654)**
Gain on sale of subsidiary	0	0	0	1,381
Share of loss of associates	406	(381)	673	(925)
(Loss) profit before tax (EBT)	**(35,746)**	**(48,654)**	**(24,807)**	**7,789**
Income tax	5,171	10,835	4,638	3,380
(Loss) profit for the period	**(30,575)**	**(37,819)**	**(20,169)**	**11,169**
Other comprehensive income (loss)	**2,294**	**(10,533)**	**9**	**3,478**
Total comprehensive (loss) income	**(28,281)**	**(48,352)**	**(20,160)**	**14,647**
Net cash from (used in) operating activities	11,820	(26,853)	221,157	215,121
Net cash from (used in) investing activities	(3,520)	(158,408)	(164,797)	(183,703)
Net cash used in financing activities	(28,073)	(38,237)	(105,390)	(56,620)

Consolidated Financial Statements of Icelandair Group hf. 2024 87 Amounts are in USD thousands

Alternative performance measures (APMs)

Traffic	2024 Q4	2023 Q4	2024 YTD	2023 YTD
Available seat-kilometers ASK (m.)	3,729	3,539	17,158	15,666
RASK (US cents)	7.6	7.5	7.9	8.4
CASK (US cents)	8.8	9.0	8.2	8.4
CASK less fuel (US cents)	7.0	6.8	6.2	6.2
Yield (USD cents)	8.4	8.8	8.9	9.5
Revenue Passenger kilometers (RPK m.)	3,107	2,719	14,180	12,767
Passengers total ('000)	1,021	910	4,666	4,286
On-Time-Performance (OTP)	76.0%	77.0%	82.7%	77.1%
Passenger flights	3,964	3,830	18,331	16,966
Passenger load factor	83.3%	76.8%	82.6%	81.5%
Stage length (KM)	3,024	2,978	2,999	2,937
Sold Block Hours - Leasing	6,604	3,851	21,236	15,388
Freight ton kilometers (FTK'000)	41,766	43,307	140,665	177,448
Total CO2 emissions tons ('000)	256	249	1,166	1,113
CO2 emissions per OTK	0.71	0.81	0.73	0.77
Passenger mix ('000)				
To	331	311	1,518	1,623
From	187	166	773	754
Via	440	369	2,114	1,645
Within	63	64	261	264

Capital structure	2024 31.12	2023 31.12
Total cash and marketable securities (USD '000)	254,797	270,522
Liquidity (USD '000)	346,797	322,522
Net interest-bearing debt (USD '000)	(49,042)	(18,192)
Net lease liabilites (USD '000)	431,932	370,564
Net financial liabilities (USD '000)	382,890	352,372
Current ratio	0.63	0.71
Equity ratio	0.16	0.19
Intrinsic value of share capital	0.87	0.93

Other	2024 YTD	2023 YTD
Effective fuel price (USD pr. Metric ton)	911	967
CAPEX, gross (USD '000)	122,289	144,747
CAPEX, net (USD '000)	117,730	143,780
Average FTE	3,575	3,638

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
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)
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
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
Passenger load factor	Calculated by dividing RPK by ASK
Stage length	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

Capital sturcture

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

Alternative performance measures (APMs), contd.:

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

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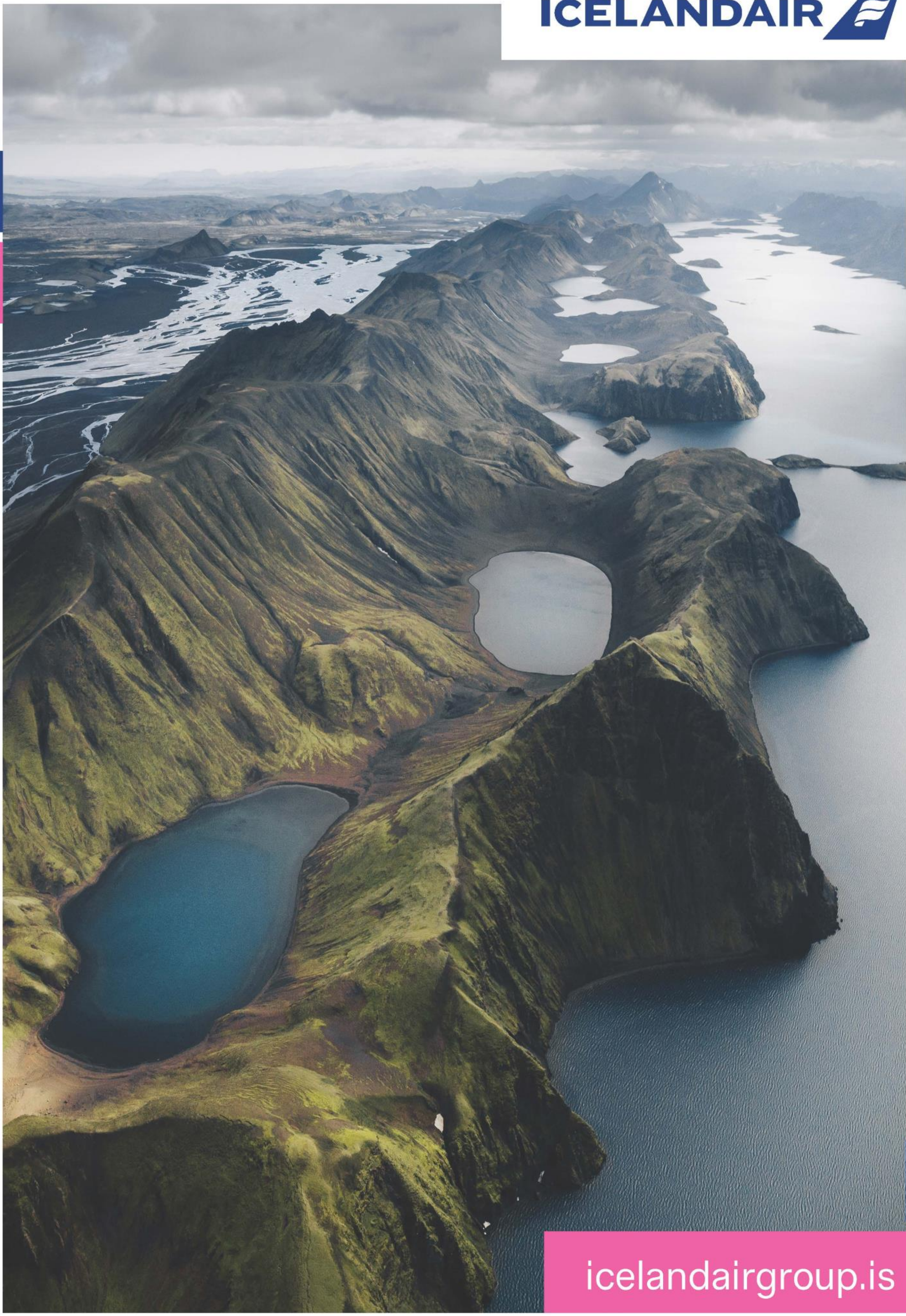

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