We bring the spirit of Iceland to the world

Q2 2026 Financial Results I 22 July 2026

Bogi Nils Bogason, President and CEO
Ívar S. Kristinsson, CFO

Icelandair delivered strong results in many areas in Q2 2026

Record revenue

USD

496m

up 7% year-on-year

Our biggest Q2 top-line ever - with improving underlying margins excluding fuel

Strong load factor

84.0%

of seats filled in Q2

Leading hub carrier in Iceland

67%

of available seats out of KEF in Q2

On-time performance

82.8%

arrivals on schedule in Q2

ONE transformation program

USD 29m

actual impact in Q2; 123m est. annual impact, fully implemented

CO_2 emissions per OTK

–5%

lower year-on-year

Record revenue generation in Q2 2026 and liquidity remains strong

Record passenger revenue **USD 421m** up by 7% from last year	RASK increasing by **9%** driven by a higher proportion of passengers on the to and from markets	CASK ex-fuel increasing by **7%** driven by salary increases, negative FX impact and increased disruption costs
Fuel cost increasing by **USD 41m** net of hedging gains, up 43% from last year	Impact of cancellations caused by crew shortages **USD 5m** 56 legs were cancelled, affecting 7,338 passengers	Negative FX impact on costs **USD 10m** driven by the strengthening of ISK against USD
EBIT loss **USD 30m** declining by USD 30m year-on-year	Equity ratio **10.5%** compared to 13.8% last year	Strong liquidity **USD 604m** up USD 31m from Q225

Financial results

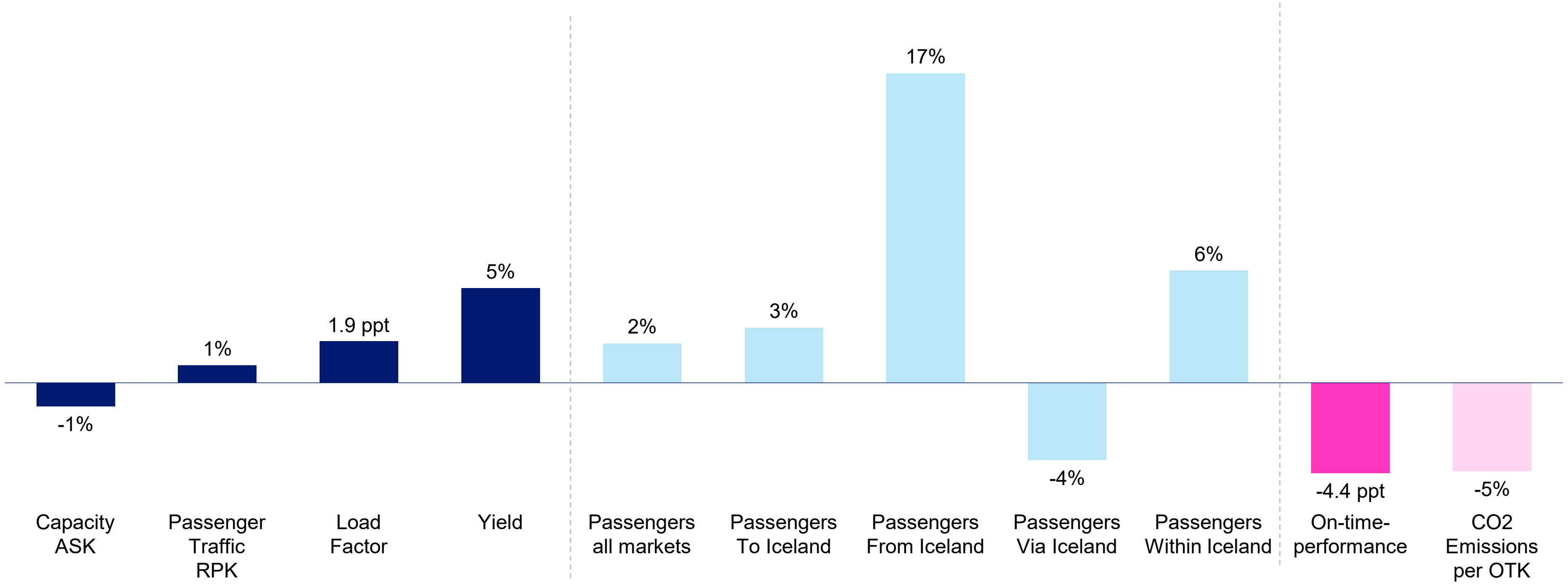
Ívar S. Kristinsson, CFO

Strong yield and load factor improvement in Q2 2026

Yields up 5% and load factor at 84%

Traffic data passenger network

Q226 vs. Q225



Icelandair's on-time performance in Q2 2026

82.8%

ASK: Available Seat KM, RPK: Revenue Seat KM, Load factor: RPK/ASK, OTP: On-Time-Performance, OTK: Operating Tonn KM

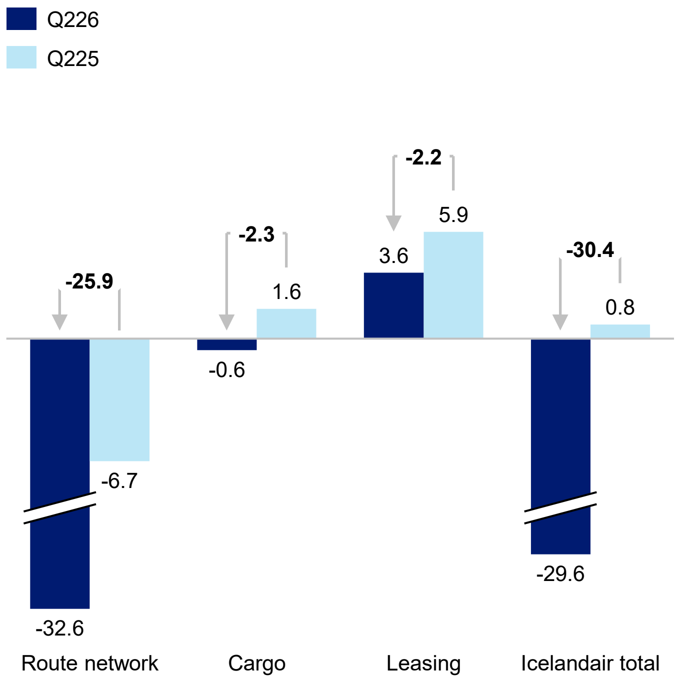
Q2 profitability impacted by exceptional fuel cost inflation

Operating income increased 7% year-on-year, while higher fuel prices drove EBIT to a loss of USD 29.6 million

Profit loss statement
USD million

USD million	Q2 2026	Q2 2025	Change
Passenger revenue	421.3	393.0	7%
Cargo revenue	20.5	19.1	7%
Leasing revenue	29.0	30.3	-4%
Other operating revenue	25.2	20.3	25%
Operating income	496.2	462.7	7%
Salaries and salary related	132.4	124.1	7%
Aircraft fuel	136.5	95.5	43%
Other aviation expenses	101.0	94.3	7%
Other operating expenses	110.8	104.6	6%
Operating expenses	480.8	418.5	15%
Depreciation and amortization	45.0	43.4	4%
EBIT	-29.6	0.8	-
EBIT ratio	-6.0%	0.2%	-6.2 ppt
EBT	-39.6	7.0	-
Net loss	-32.3	12.9	-

EBIT per segment
USD million



Key drivers
Q226 vs. Q225

- **Passenger revenue increased by 7%**, led by the market from Iceland, where passenger volume grew 17%
- Depreciation of the USD drove a **net positive EBIT impact of USD 4 million**, increasing revenue by USD 14 million and costs by USD 10 million, after hedging effects
- **Cargo revenue grew 7%**, demonstrating continued demand strength despite softer profitability
- Despite softer revenue and profitability year-on-year, **Leasing remained a solid contributor**, generating a 12% EBIT margin in the quarter

Fuel expenses in Q2 increased by 43% year-on-year

Cost increase of 73m partially offset by fleet efficiency, slightly lower production and fuel hedge

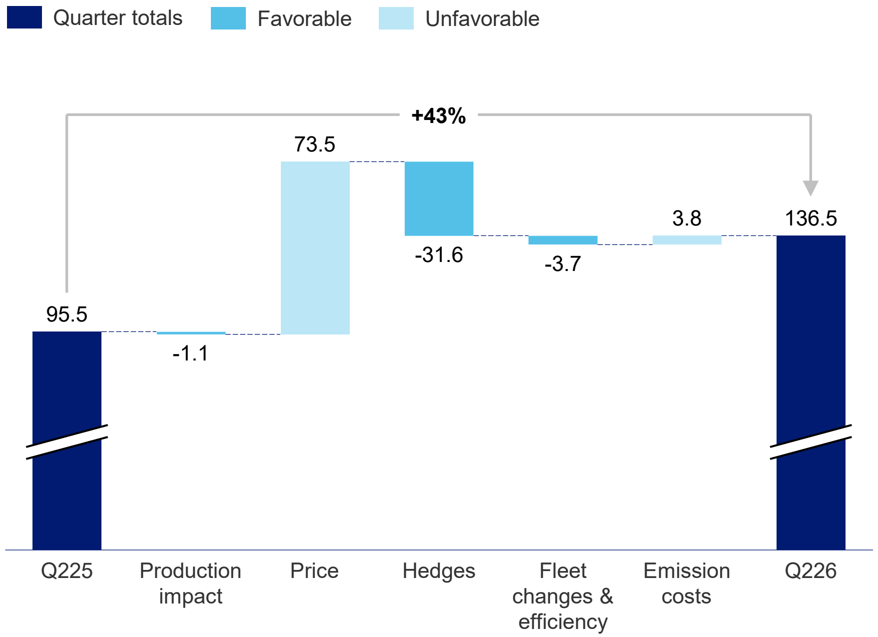
Key drivers

Q226 vs. Q225

- **Higher fuel prices remained the main cost driver, increasing fuel expense by USD 73.5 million,** more than offsetting operational efficiencies and hedge benefits
- **Ongoing fleet renewal** and fuel-efficiency initiatives continue supporting long-term sustainability goals and help mitigate fuel-cost pressures
- **Carbon emission costs increased by 50%** year-on-year, **reaching USD 10.3 million** in the quarter. The increase was driven by fewer free allowances, price change in carbon units and increased trips to Europe
- **Fuel hedges in place for ~47%** of the consumption in 2026 @ price of USD 684/ton

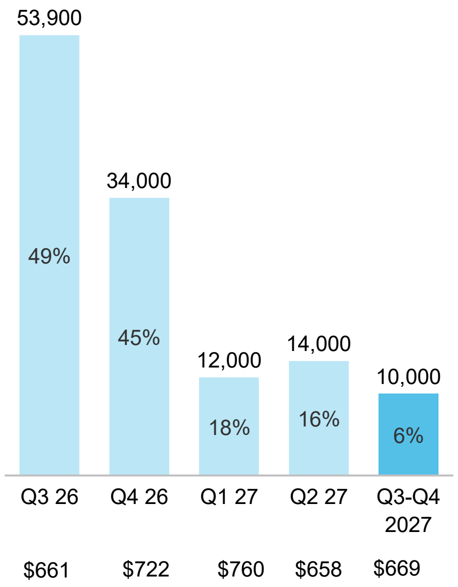
Main changes in fuel cost

Q226 vs. Q222 in USD million



Hedge contracts and ratios

Overview ton, hedge %, strike price $/mt

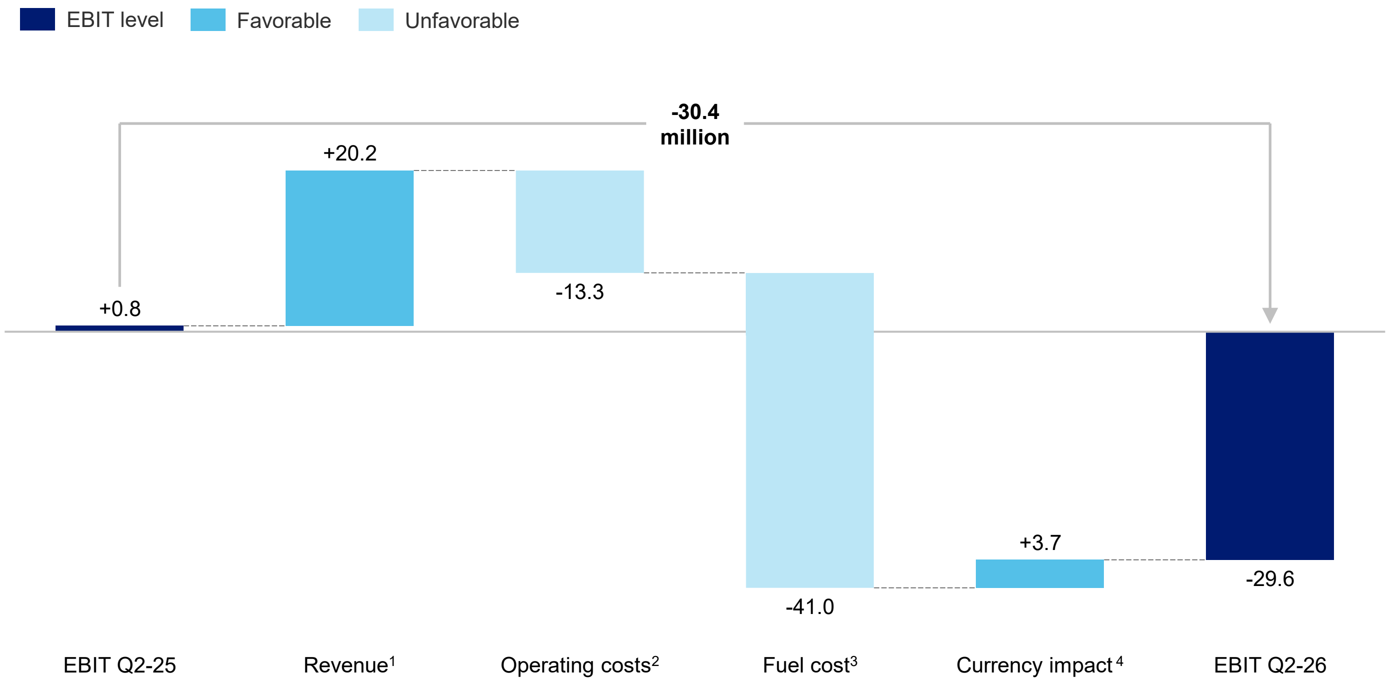


Strong underlying performance offset by higher fuel costs

Higher fuel costs were only partially recovered through fares in Q2

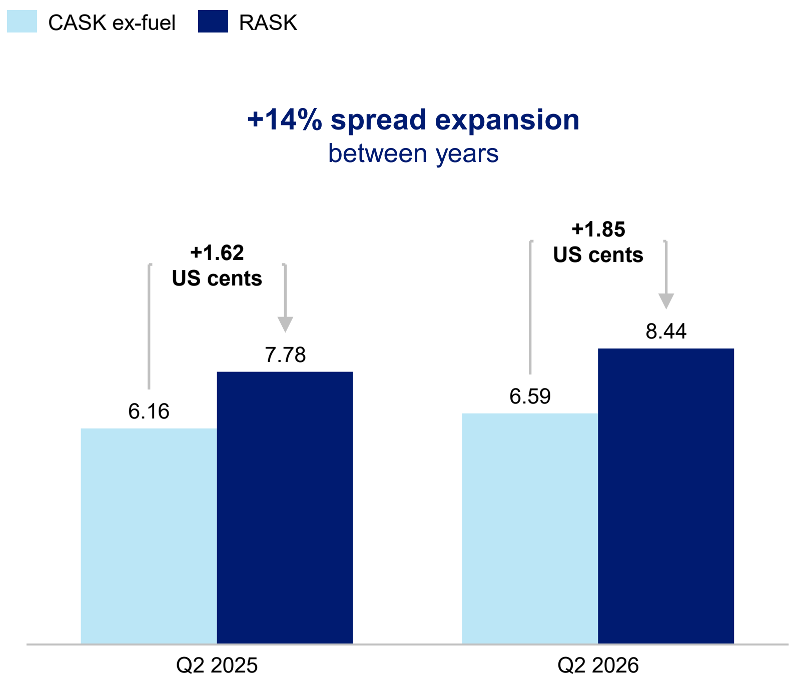
EBIT bridge Q2: Main changes compared to last year

EBIT Q226 vs. Q225, USD million



Underlying unit economics improved in Q2

The RASK-CASK ex-fuel spread expanded by 14% YoY



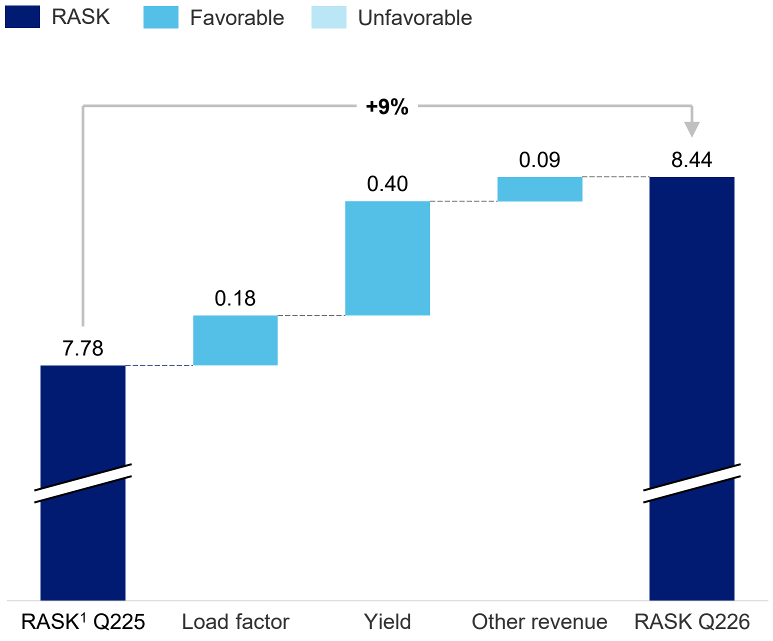
[1]On fixed FX [2]On fixed FX, excluding fuel and emission costs [3]Including emission costs [4]Net impact on revenue and cost, after hedges

Strong demand continues to support revenue quality

Higher yields, stronger load factor and favorable traffic mix drove a 9% increase in RASK year-on-year

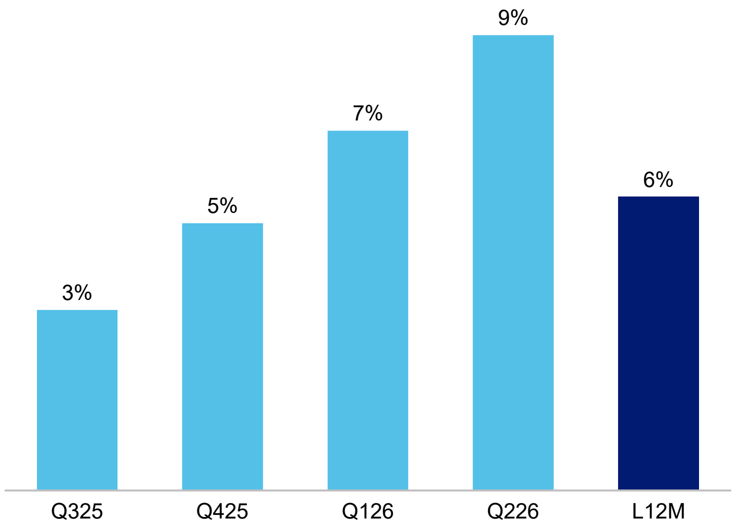
Main changes in unit revenue

Q226 vs.Q225 in US cents



Sustained improvement in unit revenues

Year-on-year RASK development by quarter and on a rolling 12-month basis



Key drivers

Q226 vs. Q225

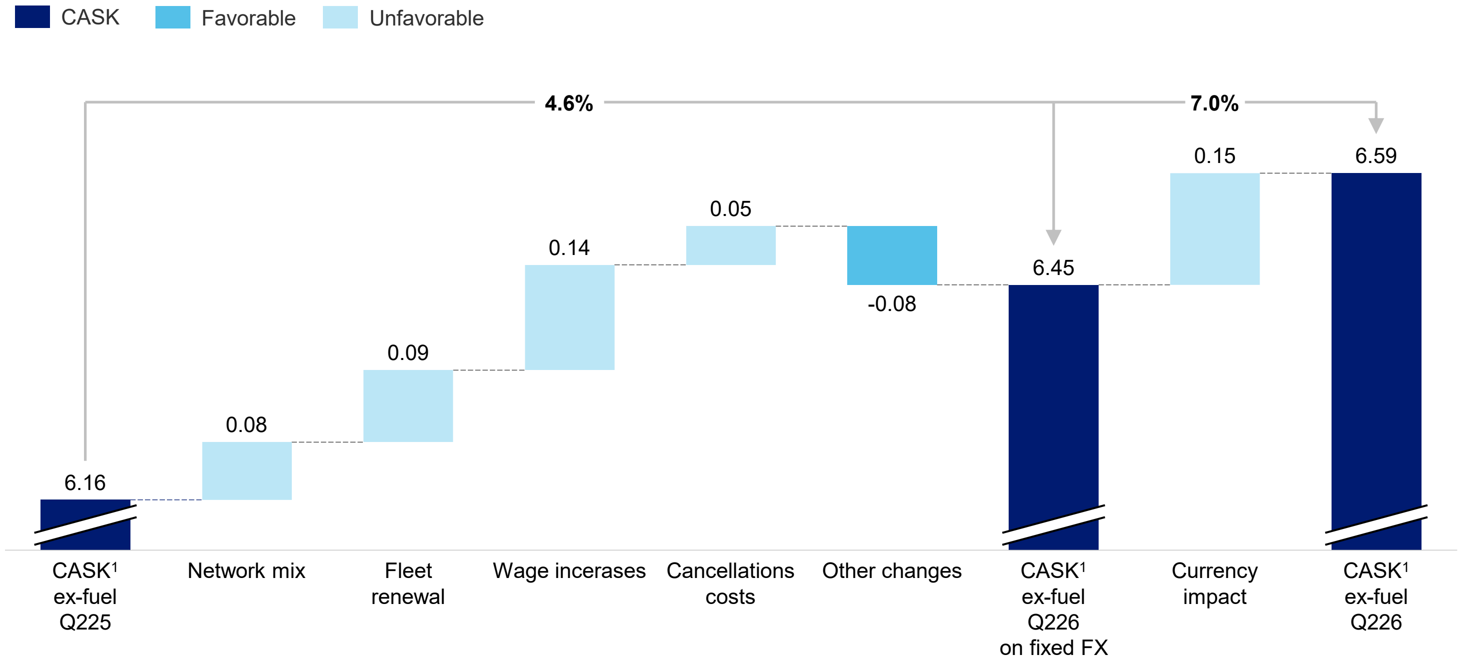
- Load factor reached a strong 84.0%, up 1.9 percentage points compared to last year
- Average yield was up 5% year-on-year
- Yield improvement driven by a higher proportion of passengers traveling to and from Iceland
- Capacity was adjusted in response to market conditions and fuel price volatility, while maintaining focus on growth in the markets to and from Iceland

Underlying unit cost performance remains resilient

Cost pressures partially mitigated through transformation initiatives

Main changes in unit cost excluding fuel

Q226 vs. Q225 in US cents



Key drivers

Q226 vs. Q225

- **Reported CASK up 15%,** with fuel accounting for ~two-thirds of the increase
- **CASK ex-fuel up 7%,** driven primarily by salary increases and negative currency impact
- **Underlying ex-fuel CASK** increased by only 4.6% on a fixed FX basis
- **Higher share of European flying** increased unit costs but strengthened profitability
- **Fleet renewal** increased non-fuel costs while enhancing the product and improving fuel efficiency
- **Crew shortages and disruptions** added temporary cost pressure
- ONE transformation program delivering real savings, **partly offsetting cost headwinds**

[1]CASK = Total cost per available seat km (ASK) in the route network

Profit negatively affected by the depreciation of the USD

USD 12.2 million currency headwind on net earnings in Q2 2026 versus Q2 2025

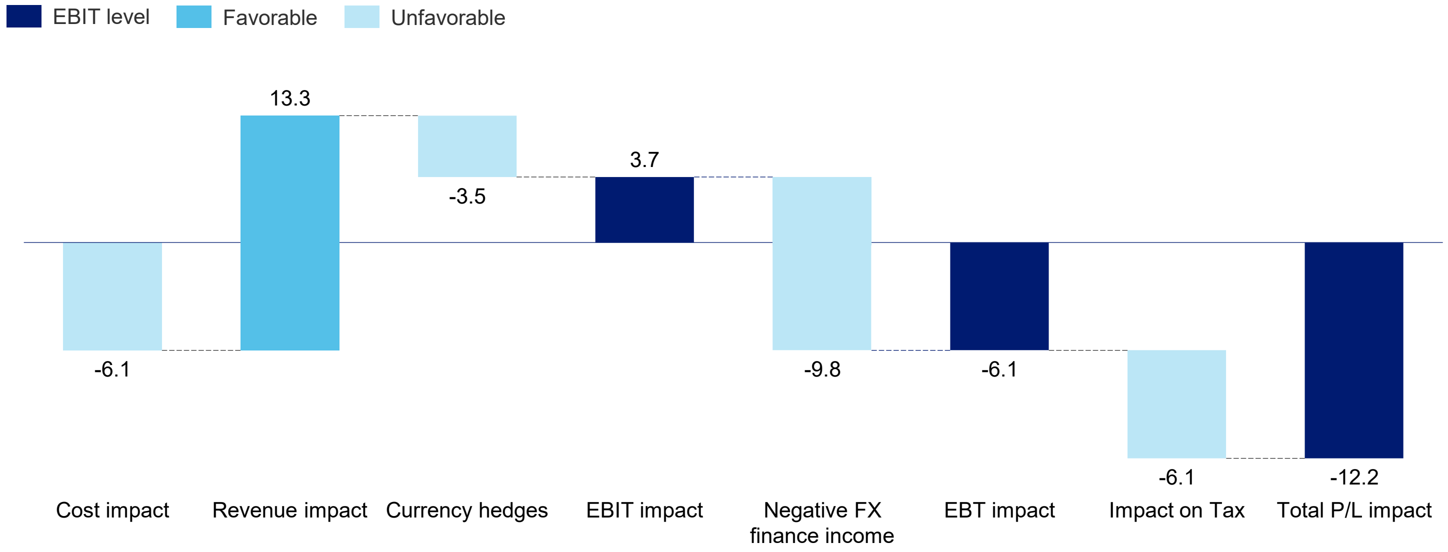
Key drivers

Q226 vs. Q225

- USD depreciation had a USD 3.7m positive EBIT impact, driven by higher revenues partly offset by cost and hedge headwinds
- Negative FX income 9.8 million
- Negative impact on tax liability is due to deferred tax assets being held in ISK
- Net currency impact on the profit totaling USD 12.2 million

Currency impact on EBIT and net earnings compared to last year

USD million Q226 vs. Q225

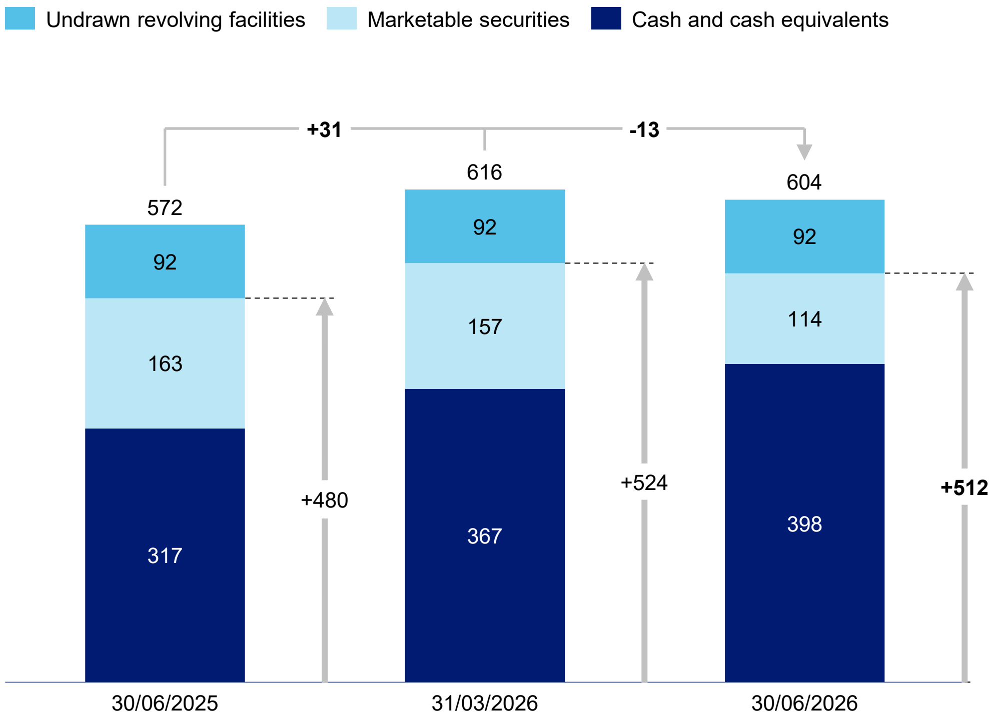


Strong total liquidity of USD 604 million at quarter-end

Up USD 31 million compared with the end of the second quarter last year

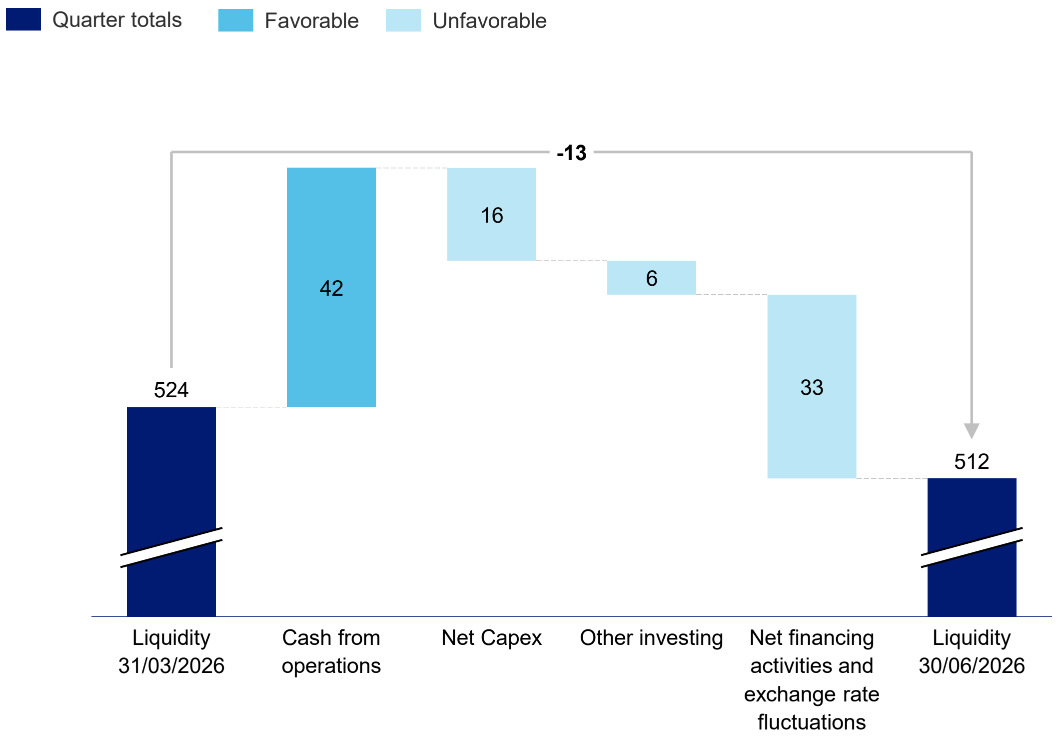
Total liquidity[1]

Breakdown in USD million



Liquidity[2] development

In USD million



[1]Total Liquidity = Cash, cash equivalents, marketable securities, and undrawn revolving facilities [2]Liquidity = Cash and cash equivalents and marketable securities

Shareholders equity totaling USD 230 million and an equity ratio of 10.5%

Assets
USD million

	30 Jun 2026	31 Dec 2025	% chg.
Operating assets	548	564	-3%
Right-of-use assets	551	483	14%
Intangible assets and goodwill	58	58	1%
Other non-current assets	200	182	10%
Total non-current assets	1,357	1,287	5%
Inventories	31	28	10%
Derivatives used for hedging	28	4	606%
Trade and other receivables	266	179	49%
Marketable securities	114	170	-33%
Cash and cash equivalents	398	195	104%
Total current assets	837	577	45%
Total assets	2,193	1,864	18%

Equity and liabilities
USD million

	30 Jun 2026	31 Dec 2025	% chg.
Shareholders' equity	230	286	-20%
Loans and borrowings non-current	129	138	-7%
Lease liabilities	520	462	13%
Other non-current liabilities	152	147	3%
Total non-current liabilities	801	747	7%
Loans and borrowings current	26	39	-32%
Lease liabilities	87	78	12%
Derivatives used for hedging	0	4	-100%
Trade and other payables	457	319	43%
Defferred income	592	391	51%
Total current liabilities	1,163	831	40%
Total liabilities	1,964	1,577	24%
Total equity and liabilities	2,193	1,864	18%
Equity ratio	10.5%	15.4%	

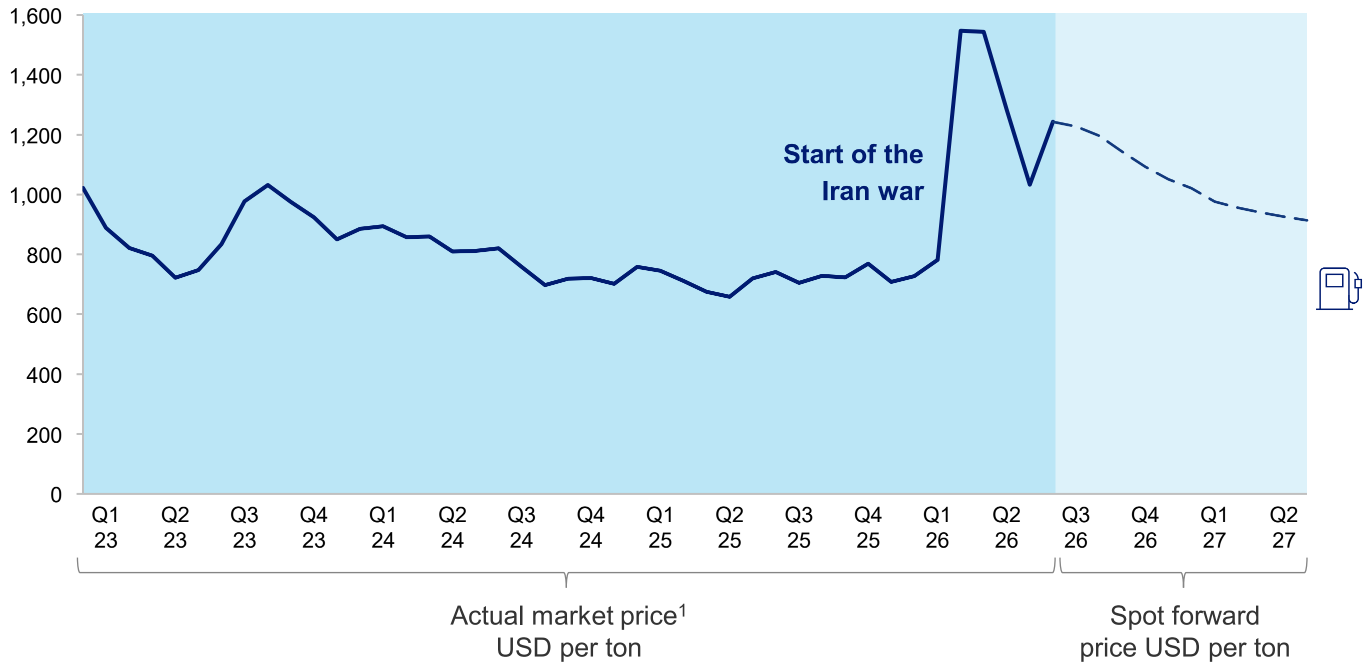
Business update and outlook

Bogi Nils Bogason, President and CEO

Fuel prices remain elevated despite easing from recent peaks

Fuel price development

Actual Jan 2023-Jul 2026, spot forward price Aug 2026-Jun 2027



~$1,300	~20%	~$900
current, USD/t	down from Q1 peak	forward, mid-2027

Market backdrop

- Fuel prices have eased from their Middle East–escalation peak but **remain well above pre-war levels**
- Forward markets point to further moderation, though **uncertainty stays high**

Our response

- We've **raised fares across markets** and are **holding strict cost discipline** to offset elevated fuel costs
- We've **accelerated the B757 phase-out** and **strategically reduced capacity**

[1] Market price: Jet CIF NWE

Changing market dynamics reinforce the importance of flexibility and efficiency

What's happening in the market

1

More cost-focused competition

Finnair and SAS are adding flexible, wet-leased capacity to KEF, while Lufthansa's Discover and Air Canada Rouge position Iceland within their leisure portfolios

2

Capacity discipline across the Atlantic

Aer Lingus is reducing three U.S. routes and making Seattle seasonal – underlining pressure in the non-premium part of the transatlantic market

3

Keflavik capacity returning to growth

Overall KEF capacity is estimated to be down approximately 10% in Q3 but is expected to return to growth in Q4, increasing by approximately 8% year-on-year

What this means for us

- **Network, stopover and optimized product offering keeps us well positioned**
  Key differentiators against the competition on the transatlantic market
- **ONE transformation program more relevant than ever**
  The shifting competitive landscape reinforces the value of the efficiency and agility work already underway
- **Focus on cost competitiveness and flexibility**
  We continue to adapt our cost base and increase flexibility to compete profitably across markets

Icelandair has invested USD 1 billion in fleet renewal since 2018

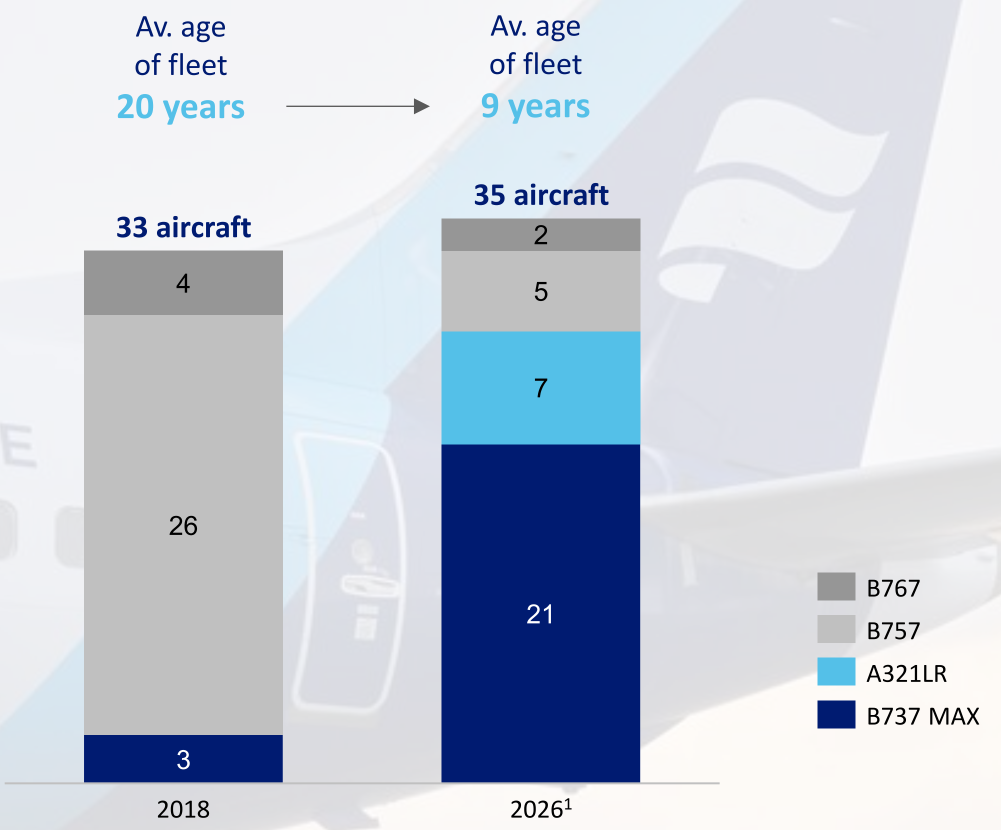
Fleet transformation has **reduced average fleet age from 20 to 9 years** while improving fuel efficiency and lowering emissions

The fleet renewal continues, with **four additional A320neo aircraft** secured for delivery in 2027, supporting further growth and fleet modernization

Together with the accelerated **phase-out of the B757 and B767** fleet, these additions are expected to **further reduce the average fleet age to 5 years** in 2027

Significant modernization of the international network fleet

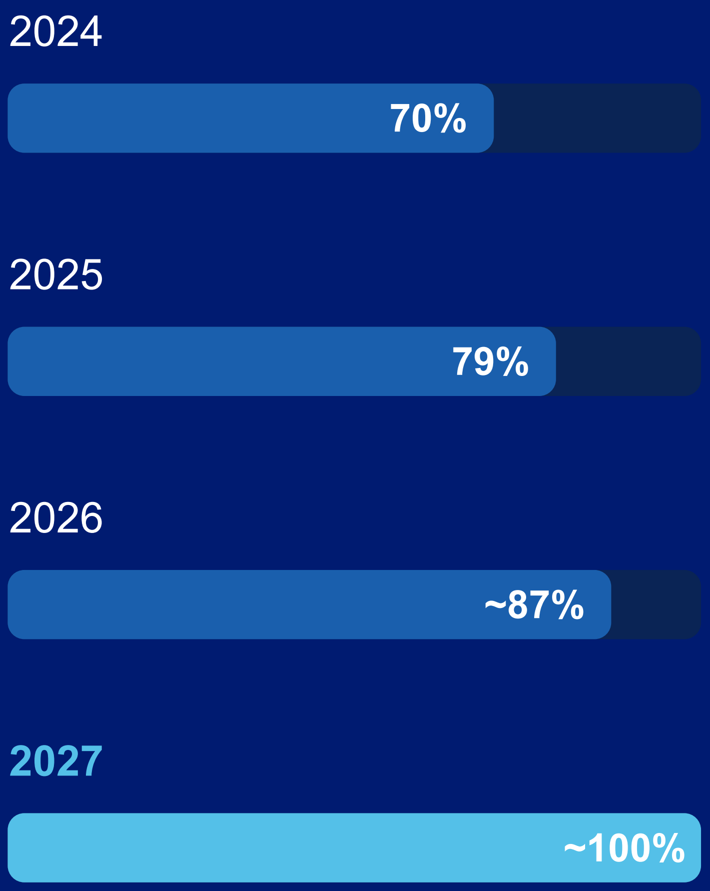
Fleet composition 2018-2026



[1] Delivery delay of one A321LR mitigated through wet lease of an A320ceo

Fleet modernization

New-generation aircraft share of block hours



INCREASED USE OF NEW-GENERATION AIRCRAFT

~100%

of block hours[1] flown on new-generation aircraft

in 2027

[1]In international route network

Continued progression of the ONE transformation program

Over 300 initiatives successfully implemented from 2024, estimated to deliver above USD 120m in annual impact

ONE

transformation program update

Transformation status

- Continued execution of strategic initiatives through the ONE transformation model
- Current focus on structural cost improvements, including procurement optimization, productivity initiatives and fuel efficiency
- Revenue initiatives continue to deliver results, supporting stronger pricing and commercial agility

Digital & AI transformation

- AI vision, governance framework, and phased roadmap, establishing the foundation for enterprise-wide adoption

Looking ahead

- Leverage digital and AI capabilities to support long-term productivity and customer experience improvements
- ONE remains to be the foundation for continuous transformation and value creation

Actual impact in Q2

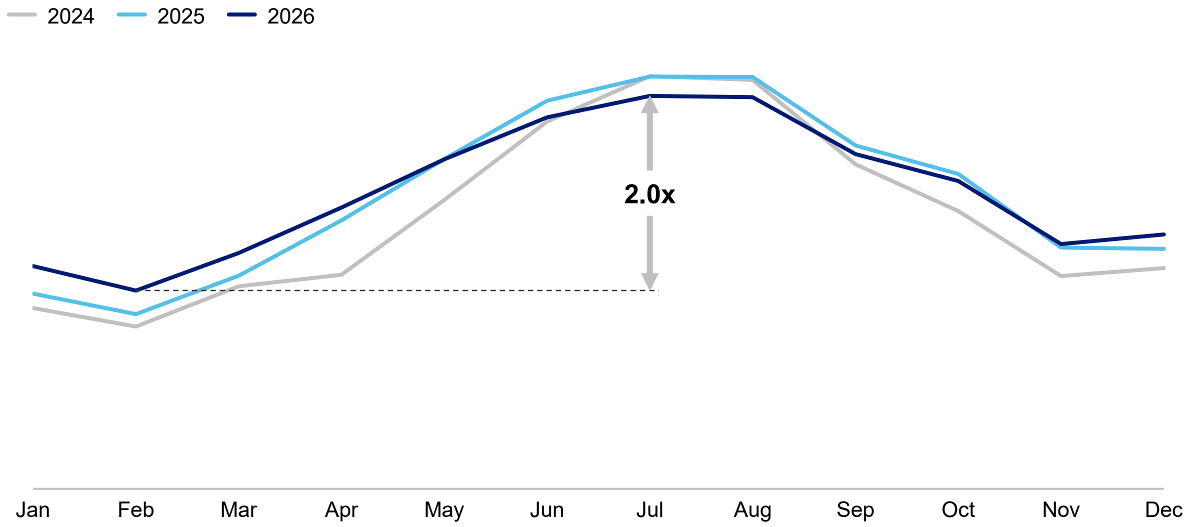
USD 29m

actual impact realized in Q2 from successfully implemented initiatives

A second AOC in Malta strengthens utilization, flexibility and profitability

Our production is concentrated in the summer

Available seat kilometres (ASK), monthly 2024-2026



2.0×
more capacity in July than in February in 2026

~42%
of annual ASK flown in June-September in 2026

Why this creates value for us

1. **Smooths our seasonality**
2. **Improves asset utilization and operational efficiency**
3. **Creates additional revenue and leasing opportunities**
4. **Simplifies & strengthens our core operation in Iceland**
5. **Enables future growth**

Building a stronger KEF hub for profitable long-term growth

By our centenary in 2037, we aim to strengthen connectivity, expand the network and enhance hub economics

2037 AMBITION 75–90 destinations • 8.5m passengers • 75–100 aircraft

Progress on our goals

Since 2023

International destinations

2023	52
2026	65

Passengers

2023	4.3m
2025	5.1m

First half of the year 2026 +27% compared to 2023

Block hours on new-generation fleet

2023	64%
2026	87%

100% new-generation by 2027

The momentum behind it

Key drivers since 2023

67%
KEF hub capacity share
up from 53%

+29%
Revenue increase
first half of the year

3×
Partnership airlines
grown from 5 to 14

$123m
ONE transformation impact
est. annual, fully implemented

>30%
Reduction in seasonality
Jul/Feb capacity ratio decrease

+6pp
On-time performance
first half of the year

A321XLR to strengthen connectivity and unlock the next phase of hub development

Icelandair has secured **13 Airbus A321XLR aircraft**, with the first delivery expected in 2029.

The A321XLR will enable Icelandair to **expand its network reach** beyond the capabilities of the current fleet, unlocking new destinations and **improving connectivity** across the KEF hub.

By increasing network connectivity, the aircraft will strengthen hub economics, support **greater economies of scale**, and further enhance Icelandair's **long-term competitiveness and profitability**.

Negotiations of new collective bargaining agreements

Negotiations with unions representing pilots, cabin crew, and aircraft maintenance technicians remain ongoing, aimed at reaching agreements that support Icelandair's **long-term competitiveness**, **operational flexibility**, and **future growth** while providing attractive aviation jobs in Iceland

Positive financial outlook for Q3 2026

1. For Q3 26, EBIT is expected to improve compared to last year

2. Strong demand and record unit revenues are expected to more than offset the impact of higher fuel costs

3. Q3 guidance for the route network: capacity -5% year-on-year; unit revenue +11-15%; unit costs, excluding fuel on fixed FX rates +5-8%, USD/ISK remains flat

Key takeaways

Strong underlying business performance

Record revenue, high load factor and improved unit revenues demonstrate the strength of the business despite the fuel cost pressure

Transforming for higher profitability

Fleet renewal, the ONE journey and simplification are driving efficiency and improved margins, while Cargo and Leasing continue to support profitability

Building a stronger KEF hub

A larger network, stronger partnerships and future opportunities with the A321XLR are enhancing connectivity and long-term hub economics

Positive outlook for Q3

Demand remains strong, we expect profitability to improve in Q3, and we remain focused on long-term value creation

Thank you

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