

IMPROVED OPERATING RESULTS IN Q4 2021

Summary Q4 2021

The recovery of Icelandair's operations continued in the fourth quarter with capacity in the route network reaching 65% of Q4 2019 levels compared to 50% in the third quarter. Unit revenues in the quarter were only 3% lower than Q4 2019 despite a significant negative impact from the Omicron wave in December and lingering effects of the Delta wave in October. Total income totaled USD 193 million and more than tripled compared to the fourth quarter 2020. The opening of the US borders for European travelers in November was an important milestone allowing travel between all of Icelandair's markets for the first time since March 2020.

Icelandair carried around 545 thousand passengers in the fourth quarter 2021 compared to 52 thousand in the same quarter 2020. The market "to" Iceland was the Company's largest market and accounted for 45% of total passengers. The load factor in the fourth quarter 2021 was 70.3% and improved by 1.9 percentage points compared to the third quarter despite the considerable negative impact of the Omicron variant on travel in December. On-time-performance in the international route network was 78%. The hard work and resourcefulness of the Company's employees ensured minimal disruption to the flight schedule and smooth traveling for customers in the quarter, especially around the holiday season when many of the Company's employees were impacted by the Omicron variant.

Cargo operations continued to be strong with volumes and revenues exceeding pre-Covid levels, especially on the transit market. Revenue from the Company's leasing operation increased between years although still being 60% of 2019 levels. Two of the leasing projects included 13 flights to Antarctica with scientists and tourists. These flights were successful and required extensive preparation by many departments within Icelandair, including flight and technical operations, maintenance, crew and training.

Net loss in the quarter was USD 39.4 million and decreased by USD 43.9 million compared to 2020. EBIT improved between years by USD 24.6 million, which is the strongest EBIT result in the fourth quarter since 2016. The market price of fuel was on average 12% higher than in Q3 and 91% higher compared to Q4 last year. The Company's financial position was strong at year-end with total liquidity amounting to USD 435.0 million and equity ratio at 19%.

BOGI NILS BOGASON, PRESIDENT & CEO

"The year 2021 was a year of recovery. After having focused on preserving our infrastructure, knowledge and maintaining financial strength throughout the pandemic, we were in a strong position for an efficient ramp-up as soon as passenger demand started to increase in 2021. Using our flexibility to adapt to the situation at any given time, we went from serving only four destinations with 10 weekly departures from Iceland early in the year to 200 departures a week to 34 destinations during the summer peak. The total number of passengers on international and domestic flights was around 1.5 million and at the end of the year we had reached 65% of our 2019 capacity. We also strengthened our team, recruiting almost one thousand employees during the year. Our cargo services continued to return good results in 2021 with both volumes and revenue exceeding pre-Covid levels. Although our leasing operation was challenging during the year, we seized new opportunities on this front that contributed greatly to the Company's revenue generation. At the same time as we ramped up our services, we took strategic actions to streamline and simplify our operations and further strengthen our focus on our core business, aviation. This included the integration of Air Iceland Connect, our domestic flight operation, into Icelandair, the sale of Iceland Travel and completing the sale of Icelandair Hotels. Our clear goals and focused strategy resulted in a strong recovery and robust financial position at the end of the year.

Sustainability is at the center of our strategy, and we monitor our economic, social and environmental impacts throughout the year. It is a pleasure to announce ambitious new goals of reducing our carbon emissions. In line with the airline industry's goals, we have made a commitment to reach net zero emissions by 2050. In addition, we have set a medium-term target of reducing our carbon emissions by

50% per operational ton kilometer by 2030 compared to 2019. Reaching these goals will require continued efforts through a combination of measures, such as fleet renewal, operational improvements, the implementation of sustainable aviation fuels as well as carbon offsetting. The implementation of the Boeing 737 MAX aircraft into our fleet is an important contributor to reducing our emissions, in addition to the operational efficiencies that they bring to our business and the great fit within our network and future plans. We took delivery of three new MAX aircraft during the year and are receiving additional five in 2022, bringing the total number of MAX aircraft to 14 this summer out of a total of 30 aircraft within our international passenger network fleet.

To better reflect our ambitious strategy, focusing on digital transformation and customer experience, we have made changes to our organizational structure and strengthened our team. With a clear strategy, a robust financial position and an outstanding team of employees, I believe we are in a strong position to take advantage of market opportunities and reach our primary post-pandemic objective to return to sustainable operating results. We are aiming for a 3-5% EBIT ratio and to turn a net profit for the full year 2022. However, various factors, such as possible continued impact of the pandemic on demand and fluctuations in fuel price can affect the Company's operations and financial results.

I would like to thank our employees for their sheer dedication and hard work, our shareholders for their continued support and last but not least our customers for their trust throughout challenging times and their encouragement as we step into a brighter future."

WEBCAST 4 FEBRUARY 2022

An investor presentation will be webcasted in relation to the publication of the results at 8:30 GMT on Friday, 4 February 2022, at <http://icelandairgroup.is>. Bogi Nils Bogason, President & CEO of Icelandair Group, and Ivar S. Kristinsson, CFO, will present the Company's results and answer questions. **The presentation and Q&A will take place in English.** The presentation will be available after the meeting on the Icelandair Group website: <http://icelandairgroup.is> and under Company News on: <http://www.nasdaqomxnordic.com/news/companynews>

KEY INDICATORS

		Q4 2021	Q4 2020	Change	12M 2021	12M 2020	Change
Operating results							
Total revenue	USDk	192,537	60,222	132,315	584,913	433,591	151,322
Total operating cost	USDk	228,212	93,508	134,704	720,851	796,586	-75,735
EBIT	USDk	-35,675	-60,229	24,554	-135,938	-362,995	227,057
EBT	USDk	-43,228	-96,983	53,755	-130,058	-437,834	307,776
Net loss	USDk	-39,406	-83,281	43,875	-104,796	-376,176	271,380
Balance sheet and cash flow¹							
Total assets	USDk	-	-	-	1,171,559	1,034,236	137,323
Total equity	USDk	-	-	-	222,384	232,809	-10,425
Financial liabilities	USDk	-	-	-	495,922	397,482	98,440
Net financial liabilities	USDk	-	-	-	232,957	238,112	-5,154
Net cash from/to operating activities	USDk	5,688	-78,485	84,173	50,612	-193,218	243,830
CAPEX, gross	USDk	14,263	7,845	6,418	184,077	49,159	134,918
CAPEX, net	USDk	12,205	-17,873	30,078	-12,959	23,433	-36,392
Key Ratios							
EPS	US cent	-0.11	-0.34	0.23	-0.33	-3.04	2.71
Equity ratio	%	-	-	-	19%	23%	-3.5 ppt
Equity ratio excluding warrants	%	-	-	-	21%	25%	-3.3 ppt
EBIT ratio	%	-18.5%	-100.0%	81.5 ppt	-23.2%	-83.7%	60.5 ppt
RASK ²	US cent	6.9	9.7	-2.8	6.7	7.5	-0.8
CASK ²	US cent	8.7	45.1	-36.4	9.2	15.8	-6.6
Traffic figures							
Passenger flights	no.	2,323	562	314%	7,512	4,730	59%
Passengers	no.	544,628	51,843	951%	1,461,446	890,905	64%
Passenger load factor	%	70.3%	38.2%	32.1 ppt	65.3%	67.2%	-1.9 ppt
Available seat-kilometers (ASK)	mill	2,111	189	1018%	5,963	3,191	87%
ASK as % of 2019 capacity	%	64.8%	5.8%	59.0 ppt	35.7%	19.1%	16.6 ppt
Revenue seat-kilometers (RPK)	mill	1,485	72	1957%	3,895	2,144	82%
On-Time-Performance	%	78.0%	74.0%	4.0 ppt	84.0%	85.0%	-1.0 ppt
Freight ton kilometers (FTK'000)	k	39,774	31,502	26%	142,713	114,956	24%
Sold charter block hours	no.	3,346	2,045	64%	13,492	14,180	-5%
Employees							
Average number of employees	no.	2,444	1,669	46%	2,087	2,621	-20%

¹ Comparison figures for balance sheet are 31.12.2020 ² RASK: Revenue and CASK: Cost per ASK is Icelandair total including domestic operation from 16 March 2021

Q4 2021 SEGMENT OVERVIEW

USD thousand	Icelandair			Other entities			Total		
	Q421	Q420	Chg. Q420	Q421	Q420	Chg. Q420	Q421	Q420	Chg. Q420
Total revenue	169,724	54,244	115,480	22,813	5,978	16,835	192,537	60,222	132,315
EBIT	-34,942	-63,258	28,316	-733	3,028	-3,761	-35,675	-60,229	24,554
EBT	-46,483	-99,053	52,570	3,255	2,069	1,186	-43,228	-96,983	53,755

Icelandair

Icelandair passenger flight operation continued to recover in the fourth quarter of 2021. The total capacity reached 65% of 2019 capacity levels, compared to 50% of 2019 levels in the third quarter. Icelandair served 15 destinations in Europe, 11 destinations in North America, two in Greenland and three destinations in Iceland in the quarter.

With the opening of the US borders to vaccinated travelers from Europe in the second week of November all the Company's markets were open for the first time in 20 months although certain restrictions still applied. This had an immediate positive impact on bookings especially for December and the first months of 2022. The surge of the Omicron variant in the beginning of December, however, negatively affected the near-term booking status and the Company used its flexibility to adjust its flight schedule accordingly, as it has done throughout the pandemic.

In November, Icelandair announced further expansion of its codeshare agreement with JetBlue to offer customers more ways to book and connect their travel between the two airlines' networks across Europe and North America. This will contribute to strengthening the booking inflow and revenue generation for the long term.

The total number of passengers on international and domestic flights was around 545 thousand in the fourth quarter 2021 compared to 52 thousand in the fourth quarter 2020. Icelandair divides its route network into four markets – to, from, via and within Iceland. The market “to” Iceland was the largest market and accounted for 45% of total passengers. As a leading airline in Iceland the recovery of Icelandair's flight operation is vital for the Icelandic tourism industry and economy. The “via” market which was almost nonexistent majority of last year due to the travel restrictions between North America and Europe accounted for 25% of total passengers in the quarter. Domestic passengers “within” Iceland accounted for 12% of total passengers and have reached pre-Covid levels.

Passenger mix	Q421	Q421 %	Q420	Q419
To	245,067	45%	13,353	375,298
From	100,790	19%	14,622	164,956
Via	135,453	25%	999	330,991
Within	63,318	12%	22,869	61,691
Total	544,628	100%	51,843	932,936

The load factor in the fourth quarter 2021 was 70.3% and improved by 1.9 percentage points compared to the third quarter 2021 despite the considerable negative impact of the Omicron variant on travel in December.

Icelandair had nine Boeing 737 MAX aircraft in its fleet in the fourth quarter and an additional five will be added in the coming months. The MAX aircraft has proved its worth with better technical reliability, fuel efficiency and payload-range than initially assumed, and generates around 20% less CO2 emissions per Operational Ton Kilometer (OTK) than the Boeing 757.

The cargo operation continued to be strong in Q4 2021 with Freight Ton Kilometers (FTK) increasing by 26% compared to the same period last year and exceeding the fourth quarter in 2019 by 19%. Demand was strong and carried freight increased between years in all markets with the largest increase, 38%, on the transit market. In addition, 24 Boeing 757 cargo flights were flown between Milano and New York as part of a short-term charter project in the quarter.

Other entities

The Company's leasing operation returned negative results but improved between years in the fourth quarter. The number of sold block hours increased by 64% although its customer operations continued to be impacted by Covid. Part of the projects carried out in the quarter were 13 flights to Antarctica – of

which 11 were flights from Punta Arenas to Union Glacier and two flights were from Oslo to the Troll research station with tourists, scientists and hikers. The projects, which were very successful, required extensive preparation by many departments within Icelandair, including technical operations, maintenance, aviation, crew and training.

VITA, Icelandair's outbound travel agency, turned profit in the fourth quarter of 2021 with revenue increasing significantly between years. Iceland Travel, Icelandair's inbound travel agency, also returned positive results. The sale of the company was completed on 1 December 2021.

INCOME AND EXPENSES

Income

Total income amounted to USD 192.5 million in Q4 2021 and more than tripled compared to Q4 2020. **Transport revenue** amounted to USD 156.5 million, increasing by USD 118.6 million between years. **Passenger revenue** increased significantly and amounted to USD 121.7 million compared to USD 15.4 million last year. Revenue increased in all markets due to increased capacity and improved load factor. The largest increase was in the tourist market to Iceland, followed by the trans-Atlantic market. **Cargo revenue** increased by 17% compared to Q4 2020 and amounted to USD 24.2 million. Cargo volume increased by 26% between years, driven by increased demand in all markets especially in the transit market. **Revenue from aircraft and aircrew lease** amounted to USD 14.3 million compared to USD 6.7 million last year, due to more production in long-term and new charter projects, such as ad-hoc projects with freight. **Total other operating revenue** amounted to USD 21.8 million, as compared to USD 15.6 million last year. **Revenue from tourism** amounted to USD 12.5 million with demand increasing significantly between years, both in the inbound tourist market to Iceland as well as in the domestic outbound market. **Revenue from aircraft and cargo handling services** amounted to USD 6.0 million, increasing by 2.2 million. **Other revenue** amounted to USD 3.3 million, decreasing by USD 8.0 million, of which capital gain from sale of assets in Q4 2020 amounted to USD 7.9 million.

USD thousand	Q4 2021	Q4 2020	Change	% Change
Transport revenue:	156,475	37,832	118,643	314%
<i>Passengers</i>	121,675	15,377	106,298	691%
<i>Passenger ancillary revenue</i>	10,628	1,830	8,798	481%
<i>Cargo</i>	24,172	20,625	3,547	17%
Aircraft and aircrew lease	14,262	6,747	7,515	111%
Other operating revenue:	21,800	15,643	6,157	39%
<i>Revenue from tourism</i>	12,527	591	11,936	2020%
<i>Aircraft and cargo handling services</i>	6,011	3,806	2,205	58%
<i>Other</i>	3,263	11,246	-7,983	-71%
Total	192,537	60,222	132,315	220%

Expenses

Operating expenses excluding depreciation amounted to USD 200.8 million and increased by USD 107.3 million compared to Q4 2020. The main drivers are a larger flight schedule, higher fuel price and preparation for the 2022 production, i.e. training of crew for the MAX aircraft. **Salaries and salary-related** expenses amounted to USD 67.3 million compared to USD 46.1 million last year, due to significant increase in the number of employees compared to Q4 2020 and pilot training for a total of 14 Boeing MAX aircraft in 2022. **Aviation expenses** amounted to USD 84.9 million, up by USD 58.5 million due to increased production. **Fuel cost** amounted to USD 42.5 million compared to USD 6.7 million in Q4 2020. The increase is largely due to more capacity but also a 91% higher average fuel price than in Q4 2020. **Other operating expenses** amounted to USD 48.6 million, up by USD 27.5 million. Tourism expenses were up by USD 6.0 million in relation to more revenues from tourism. Other cost increased in line with increased scope of business.

USD thousand	Q4 2021	Q4 2020	Change	% Change
Salaries and salary related expenses	67,297	46,089	21,208	46%
Aviation expenses	84,858	26,322	58,536	222%
<i>Aircraft fuel</i>	42,518	6,677	35,841	537%
<i>Aircraft lease</i>	122	3,486	-3,364	-96%
<i>Aircraft handling, landing and communication</i>	23,238	4,856	18,382	379%
<i>Aircraft maintenance expenses</i>	18,979	11,303	7,676	68%
Other operating expenses	48,619	21,097	27,522	130%
<i>Operating cost of real estate and fixtures</i>	1,965	1,136	829	73%
<i>Communication</i>	6,024	3,514	2,510	71%
<i>Advertising</i>	4,833	2,220	2,613	118%
<i>Booking fees and commission expenses</i>	7,493	934	6,559	702%
<i>Cost of goods sold</i>	1,126	355	771	217%
<i>Customer services</i>	5,881	1,508	4,373	290%
<i>Travel and other employee expenses</i>	5,206	3,506	1,700	48%
<i>Tourism expenses</i>	6,396	362	6,034	1667%
<i>Other operating expenses</i>	9,696	7,562	2,134	28%
Total	200,773	93,508	107,265	115%

Total RASK (revenue per available seat kilometer) in Q4 2021 was 6.9 US cent compared to 9.7 US cent in Q4 2020. **Total CASK** (cost per available seat kilometer) was 8.7 US cent in Q4 2021 compared to 45.1 US cent in Q4 2020. Comparison of RASK and CASK between 2021 and 2020 is skewed due to COVID impacting operations in 2020 more heavily. The figures for the domestic and Greenland operation previously flown by Air Iceland Connect, which has now been integrated into Icelandair, are included in the RASK and CASK figures from 16 March 2021.

Net finance cost

Net finance cost amounted to USD 11.9 million in Q4 2021 compared to USD 21.6 million in Q4 2020. Change in the fair value of outstanding warrants was negative of USD 6.9 million. A further breakdown of net finance income is stated in the table below.

USD thousand	Q4 2021	Q4 2020	Change	% Change
Finance income	303	271	32	12%
Finance costs	-5,922	6,248	-12,170	-195%
Changes in fair value of warrants	-6,894	-15,438	8,544	-55%
Changes in fair value of derivatives	0	-1	1	-100%
Foreign exchange gain/loss	589	-12,684	13,273	-105%
Total	-11,924	-21,604	9,680	-45%

FINANCIAL POSITION

Liquidity

Total cash and marketable securities amounted to USD 263.0 million at 31 December 2021. Net cash from operations amounted to USD 5.7 million in the quarter. Cash used in investing activities totaled USD 2.6 million. Gross CAPEX amounted to USD 14.3 million. Repayment of borrowings and lease liabilities amounted to USD 15.3 million.

The sale of Iceland Travel was completed in the beginning of December 2021. The sale profit amounted to USD 4.4 million in addition there might be further payments of up to USD 2.7 million that will become due in 2023 and 2024, subject to certain performance metrics.

At the end of the year, the Company had undrawn committed credit lines in the amount of USD 52.0 million from its commercial banks. Total liquidity thus amounted to USD 315.0 million on 31 December 2021. In addition, the Company has access to a USD 120 million back-stop credit facility from two

domestic banks which is 90% guaranteed by the Icelandic Government, bringing total liquidity up to USD 435.0 million.

USD thousand	Q4 2021	Q4 2020	Change
Cash and cash equivalents	204,767	117,657	87,110
Marketable securities	58,197	41,713	16,484
Total cash and marketable securities	262,965	159,370	103,595
Undrawn revolving facilities	52,000	52,000	0
Liquidity less government facility	314,965	211,370	103,595
Government guaranteed credit facility	120,000	120,000	0
Total liquidity position	434,965	331,370	103,595
Net cash from/to operating activities	5,688	-78,485	84,173
Gross CAPEX	14,263	7,845	6,418
Net CAPEX	12,205	-17,873	30,078

Balance sheet

Total assets amounted to USD 1,171.5 million at year-end, increasing from USD 1,034.2 million at year-end 2020. Operating assets amounted to USD 391.3 million decreasing by USD 107.1 million due to depreciation and sale of assets. Right-of-use of assets amounted to USD 224.8 million, increasing by USD 105.0 million due to sale-leaseback of three new MAX aircraft, a spare engine and one B767 aircraft. Cash and marketable securities including assets held for sale totaled USD 263.0 million, increasing by USD 103.6 million from the beginning of the year. Proceeds from the issuance of new shares totaled USD 80.2 million.

Total equity amounted to USD 222.4 million at the year-end 2021. Equity ratio at the end of 2021 was 19% compared to 23% at the beginning of the year. When excluding the temporary balance sheet effects of warrants, the equity ratio was 21% at year-end 2021.

Net financial liabilities amounted to USD 233.0 million and decreased by USD 5.2 million compared to the beginning of the year by USD 5.2 million. **Total financial liabilities** amounted to USD 495.9 million and increased during the year due to sale and leaseback of three MAX aircraft and one spare engine.

USD thousands	31.12.2021	31.12.2020	Change
Loans and borrowings	257,785	263,588	-5,803
Lease liabilities	238,137	133,894	104,243
Financial liabilities	495,922	397,482	98,440
Cash and marketable securities	262,965	159,370	103,595
Net financial liabilities	232,957	238,112	-5,154

PROSPECTS

The Company's goal coming out of the pandemic is to return to a level of sustainable operating results. During the current adaptation period, as the Company and the aviation industry move closer to normal operations again, Icelandair has been strengthening its position by shifting its focus towards selective investments in its infrastructure as it identifies opportunities in a post-Covid world, continuing to use its flexibility to adapt quickly to market developments while preserving its strong financial position.

Bookings accelerating into the spring and summer

The Omicron variant negatively affected travel throughout January resulting in a load factor at around 60%. This short-term impact will continue into February and therefore negatively affect the results for the first quarter of 2022. However, due to indications that the nature of this variant is less severe, the Company started to see a positive turnaround in booking development from mid-January for the months ahead. There is significant pent-up demand in all key markets, not least from tourists wishing to

experience Iceland's nature, culture and hospitality. Therefore, bookings are expected to remain strong going forward.

Ambitious 2022 flight schedule

To fulfill expected demand, Icelandair has presented an ambitious flight schedule that is expected to bring capacity to around 80% of 2019 levels. The Company will ramp up gradually as traffic returns through the spring with an increased frequency of flights to both Europe and North America and aiming at around 420 weekly departures during the summer peak. At the same time, Icelandair continues to retain its flexibility to meet any potential developments with regards to the pandemic.

Icelandair will offer flights to 50 destinations during the year – 16 in North America, 27 in Europe, 3 within Iceland and 4 in Greenland. Thereof four destinations are new: Raleigh-Durham in the US along with Rome, Nice and Salzburg in Europe. Furthermore, Alicante is a new addition to Icelandair's route network, after solely being operated as a charter destination. The Company has also re-introduced a number of destinations, such as Baltimore, Anchorage, Montreal and Vancouver in North America, and Bergen and Madrid in Europe.

Strong outlook in the cargo operation

The outlook in the cargo operation remains strong. Demand continues to be robust for export and the growth in import is strong. The transit market was the fastest growing market in 2021 and the forward outlook is very positive. Due to the strong outlook in international freight markets, the Company entered into lease agreements for two B767-300ER aircraft in March 2021 that will be converted to freighters with the aim to increase capacity and strengthen Iceland as a hub for cargo between Europe and North America. The aircraft are expected to be taken into operation next autumn. These additions will bring the total freighters in the Icelandair fleet to four, two Boeing 757-200 and two Boeing 767-300.

The outlook in the global market for ad-hoc and long-term charters has improved although it has not reached pre-Covid levels. In addition to the ongoing long-term leasing projects the Company has secured new short-term projects, such as charter flights between Orlando and Havana in connection with scheduled Icelandair flights from Iceland to Orlando. These flights contribute to better aircraft utilization and generate important revenue for the Company. In addition, Icelandair will add flights to Havana from Houston and Miami in February. The outlook for VITA, Icelandair's outbound tour operator is good. In line with Icelandair's strategy to streamline and simplify its operations while constantly improving its service offering, the Company is currently creating better synergies between the services provided by VITA and Icelandair's package travel and holiday service. This work will continue into 2022.

Result of future fleet strategy review

Over the past months, Icelandair has been conducting an extensive review of its long-term fleet strategy. The results of this work demonstrated that in the short term, the Company's current fleet composition is well suited for Icelandair's route network. In the next few years, Icelandair will therefore focus on ensuring the continued growth and renewal of its fleet with current aircraft types. The Boeing 737 MAX opens opportunities to introduce new destinations and increase the frequency to current destinations, especially in the off-peak. At the same time, the results of the review provided a clear guidance on the development of the Company's fleet over the next decade. That is, in the second half of this decade, Icelandair will be considering another type of larger aircraft to replace the 757s. This provides the Company with several options, both in terms of larger narrow-body aircraft and wide-body aircraft. The development of the future fleet will therefore, to some extent, be determined by the agreements that will be reached with different aircraft providers. The next steps in this extensive project have already been initiated.

Agreement signed for two further Boeing MAX aircraft

Icelandair entered agreements with Dubai Aerospace Enterprise Ltd (DAE), regarding long-term operating leases of two new Boeing 737 MAX 8 aircraft in January 2022. These aircraft are scheduled to be delivered from Boeing in spring 2022. This transaction is in line with the Company's strategy of strengthening its MAX fleet in the short- and medium term and will bring the total number of 737 MAX in the Icelandair fleet up to 14 out of a total of 30 aircraft in the fleet by next summer. In addition to the MAX, the Company will operate 13 Boeing 757 and three Boeing 767 aircraft.

Sustainability at the core

Icelandair has an ambitious sustainability strategy based on the United Nations' Sustainable Development Goals (SDGs). Four SDGs have been chosen as strategic focus areas: decent work and economic growth (#8), climate action (#13), responsible production and consumption (#12), and gender equality (#5). The Company also sets the standard high for other elements of responsible business, such as health and safety, human rights, diversity and inclusion, business ethics and anti-corruption, as well as environmental management and community involvement. Icelandair is a signatory of the UN Global Compact and is compliant to IATA's environmental assessment, IEnvA, which is based on the ISO 14001 standard.

Iceland is dependent on efficient flight connections for international relations, business, travel and to maintain a good quality of life. As the leading airline in Iceland and an important employer, a successful ramp up of its operations is crucial for Icelandic tourism, the economy and society at large. Icelandair transported around 350 thousand tourists to Iceland and recruited almost 1,000 employees in 2021, bringing the number of FTEs to almost 2,400 at year-end 2021.

Commitment to net zero emissions by 2050

Icelandair recognizes the negative impact that air travel has on the environment, particularly through carbon emissions. The Company is committed to achieving improved environmental performance and has set clear goals in this area throughout the years, taking measures to reduce carbon emissions from its operations through fleet renewal, operational efficiencies and carbon offsetting. Icelandair also engages in international partnerships to work towards more sustainable aviation, such as participation in the Nordic Initiative for Sustainable Aviation (NISA) and the Nordic Network for Electric Aviation (NEA). Furthermore, Icelandair is currently exploring opportunities of adopting hydrogen and electric aviation technology for its domestic operations.

Icelandair has now set ambitious new goals to reduce its carbon emissions. In line with the airline industry's goals, Icelandair has made a commitment to reaching net zero emissions by 2050. In addition, the Company has set a medium-term target to reduce its carbon emissions by 50% per operational ton kilometer (OTK) by 2030 compared to 2019 levels. This is a measurement of carbon emissions relative to carried passengers and cargo loads.

Reaching these goals will require a combination of measures, such as new aircraft technologies, continued operational improvements, the introduction of sustainable aviation fuels as well as carbon offsetting. The implementation of the Boeing 737 MAX aircraft into the fleet is an important contributor to reducing Icelandair's carbon emissions. The Company has started the work on developing a strategy and a roadmap to reach its goals in this area as well as initiated discussions with key stakeholders.

Guidance for 2022

The Company expects capacity in 2022 to be around 80% of 2019 capacity levels. However, following the pandemic, the Company's key goal is to return to profitability, which means that the Company will continue to use its flexibility to adjust its capacity to demand at any given time to ensure sustainable operations.

The Company is aiming for a 3-5% EBIT ratio and to turn a net profit for the full year 2022. However, the Company, and the industry, is still facing considerable uncertainty and fluctuations in fuel price, possible continued impact of the pandemic on demand, and various other factors can affect the Company's operations and results. This guidance is based on an average fuel price of USD 800 per ton, EUR 90 per ETS credit and an average ISK exchange rate index of 190.

INFORMATION

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FINANCIAL CALENDAR

- **AGM – 3 March 2022**
- **Q1 2022 – week 17 2022**
- **Q2 2022 – week 29 2022**
- **Q3 2022 – week 42 2022**
- **Q4 2022 – week 5 2023**