

Icelandair Group hf.

Condensed Consolidated Interim Financial Statements

3

1 January – 30 September 2021



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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 30 September 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Interim Financial Statements comprise the Consolidated Interim Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries together referred to as the "Group". All amounts are stated in thousands of USD.

According to the Consolidated Statement of Comprehensive Income, loss for the period from 1 January to 30 September 2021 amounted to USD 65.4 million. Total comprehensive loss for the period was USD 54.0 million. Equity at 30 September 2021 amounted to USD 259.8 million, including share capital in the amount of USD 272.2 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.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. The Condensed Consolidated Interim Financial Statements have neither been audited nor reviewed by the Company's independent auditors.

The third quarter of 2021 showed improved demand and strengthening of passenger load factor. However, in August, concerns related to the spread of the Delta variant caused travel restrictions in many markets to be prolonged or even increased. Higher infection rates in Iceland resulted in the re-introduction of border testing and demands for proof of negative tests even for fully vaccinated travelers. Due to this development the Company saw net bookings temporarily taper off.

As in most years the Company's capacity peaked in the quarter with a total of around 700 thousand passengers carried. Passengers carried in July alone nearly equaled the total passengers carried in the first half of the year combined. Icelandair's flight schedule in the third quarter translated to 50% of ASK compared to Q3 2019.

On 24 June 2021 the Company announced an agreement with Bain Capital on their purchase of new shares in Icelandair Group. All agreed conditions precedent were fulfilled at a shareholders' meeting on July 23 and payment was completed on 28 July. Total proceeds to the Company amounted to approximately USD 64 million. The new shares are subject to lock-up for a period of 180 days therefrom.

In addition to the new shares, Bain received a warrant for subscription rights amounting to 25% of the number of new shares purchased. The warrant will be exercisable following the publishing of the Company's Q2 2022 results. The warrant allows Bain to purchase the shares at a price equaling the price per share of the new shares plus 15% annual interest.

As part of the share offering completed on 17 September 2020 the Company issued warrants to investors that purchased shares. The first of three classes of warrants, was exercisable in August 2021. Majority of warrant holders (97.1%) opted to exercise their warrants. Total proceeds to the Company amounted to USD 16.4 million.

On 11 June 2021 the Company signed a share purchase agreement with Nordic Visitor for the latter's acquisition of Iceland Travel. When approved by the Icelandic Competition Authority, the shares are expected to be delivered against payment, pending other conditions precedent being fulfilled. The sale of the Company's 25% remaining share in Icelandair Hotels was finalized in early August.

The Group has entered into favorable financing agreements for the final three Boeing 737 MAX aircraft of the amended MAX order book. The aircraft is to be delivered in December 2021 and January 2022. The financing is in the form of a sale and leaseback of two MAX8 aircraft and an asset-backed loan for one MAX9 aircraft.

The Company is looking into adding further up to three additional MAX 8 aircraft to its fleet before the summer 2022. Discussions with aircraft lessors are going well and expected to be concluded before the end of the year.

Flexibility has always been one of Icelandair's key strengths, as demonstrated repeatedly during the Covid crisis. The Company will continue to adapt quickly to changes as progress is made in the fight against the pandemic. The opening of the Canadian borders in September and the United States borders as of November 8th is very welcomed in that respect. Both these countries are an important component of the Company's business model of connecting N-America and Europe through Iceland.

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

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

From the outset of the pandemic Icelandair has been committed to securing and preserving a strong financial and liquidity position. Despite considerable ramp-up of production in the quarter, and the implications that brings for operating costs, the Group's cash, and liquidity position at the end of the quarter was extremely strong and stood at USD 454 million in total. Thereof USD 120 million is in the form of a government guaranteed credit facility. The Company will continue to seize all viable opportunities for cash and liquidity preservation thus safeguarding the ability to meet increased demand as travel restrictions ease, the most meaningful of which is the re-opening of the US market to fully vaccinated travelers.

In the fourth quarter 2021, Icelandair will serve 11 destinations in North America and 15 in Europe and capacity on international routes is expected to be around 65% of the Company's 2019 capacity levels. However, adverse development of the pandemic may result in changes in travel restrictions and could impact those capacity plans.

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance of the Group for the nine month period ended 30 September 2021, its assets, liabilities and consolidated financial position as at 30 September 2021 and its consolidated cash flows for the period then ended.

Further, in our opinion, the Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements of Icelandair Group hf. for the period from 1 January to 30 September 2021 and confirm them by means of their signatures.

Reykjavík, 20 October 2021.

Board of Directors:

Guðmundur Hafsteinsson, Chairman of the Board

Nina Jonsson

John F. Thomas

Matthew Evans

Svafa Grönfeldt

CEO:

Bogi Nils Bogason

Consolidated Income Statement and other Comprehensive Income for the period from 1 January to 30 September 2021

| | Notes | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|--|-------|------------|------------|-------------|-------------|
| Operating income | | | | | |
| Transport revenue | 7 | 206,829 | 56,073 | 297,393 | 227,691 |
| Aircraft and aircrew lease | | 9,601 | 4,404 | 28,414 | 57,992 |
| Other operating revenue | 7 | 41,094 | 43,104 | 66,569 | 87,686 |
| | | 257,524 | 103,581 | 392,376 | 373,369 |
| Operating expenses | | | | | |
| Salaries and salary related expenses | | 60,395 | 29,045 | 148,188 | 161,803 |
| Aviation expenses | | 90,173 | 22,964 | 150,595 | 145,129 |
| Other operating expenses | | 66,531 | 18,652 | 108,160 | 119,645 |
| | 8 | 217,099 | 70,661 | 406,943 | 426,577 |
| Operating profit (loss) before depreciation and amortization (EBITDA) | | | | | |
| | | 40,425 | 32,920 | (14,567) | (53,208) |
| Depreciation and amortization | 9 | (32,248) | (29,454) | (85,697) | (133,400) |
| Impairment | | 0 | 0 | 0 | (116,158) |
| Operating profit (loss) (EBIT) | | | | | |
| | | 8,177 | 3,466 | (100,263) | (302,766) |
| Finance income | | 4,946 | (3,015) | 12,350 | 9,001 |
| Finance costs | | (6,474) | (4,300) | (14,857) | (29,680) |
| Fair value changes | | 11,103 | 19,860 | 15,076 | (27,587) |
| Gain on sale of associate/subsidiary | | 4,653 | 0 | 4,653 | 22,454 |
| Net finance income (loss) | | | | | |
| | 10 | 14,228 | 12,545 | 17,222 | (25,812) |
| Share of loss of associates, net of tax | 19 | (1,144) | (638) | (3,789) | (12,273) |
| Profit (loss) before tax (EBT) | | | | | |
| | | 21,261 | 15,373 | (86,830) | (340,851) |
| Income tax | | (1,615) | 22,778 | 21,440 | 47,956 |
| Profit (loss) for the period | | | | | |
| | | 19,646 | 38,151 | (65,390) | (292,895) |
| Other comprehensive (loss) profit: | | | | | |
| Currency translation differences | | (5,316) | 16,530 | (3,615) | (12,432) |
| Net loss on hedge of investment, net of tax | | (2,487) | (8,662) | (1,321) | (10,103) |
| Cash flow hedges - effective portion of changes in fair value, net of tax | | 3,120 | (22,030) | 16,309 | (24,662) |
| Other comprehensive (loss) profit for the period | | | | | |
| | | (4,683) | (14,162) | 11,373 | (47,197) |
| Total comprehensive profit (loss) for the period | | | | | |
| | | 14,963 | 23,989 | (54,017) | (340,092) |
| Profit (loss) attributable to: | | | | | |
| Owners of the Company | | 19,722 | 38,444 | (65,243) | (283,566) |
| Non-controlling interest | | (76) | (293) | (147) | (9,329) |
| Profit (loss) for the period | | | | | |
| | | 19,646 | 38,151 | (65,390) | (292,895) |
| Total comprehensive profit (loss) attributable to: | | | | | |
| Owners of the Company | | 15,040 | 24,218 | (53,870) | (339,353) |
| Non-controlling interest | | (77) | (229) | (148) | (740) |
| Total comprehensive profit (loss) for the period | | | | | |
| | | 14,963 | 23,989 | (54,017) | (340,092) |
| Earnings per share: | | | | | |
| Basic earnings per share in US cent per share | | 0.07 | 1.12 | (0.22) | (5.00) |
| Diluted earnings per share in US cent per share | | 0.07 | 1.04 | (0.22) | (5.08) |

The notes on pages 9 to 21 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Financial Position

as at 30 September 2021

| | Notes | 30.9.2021 | 31.12.2020 |
|--|-------|------------------|------------------|
| Assets | | | |
| Operating assets | | 407,207 | 498,438 |
| Right-of-use assets | | 232,039 | 119,790 |
| Intangible assets and goodwill | | 55,992 | 60,261 |
| Investments in associates | 19 | 11,100 | 9,603 |
| Deferred cost | | 2,047 | 3,537 |
| Receivables and deposits | | 19,006 | 21,686 |
| Deferred tax asset | | 55,552 | 38,836 |
| Non-current assets | | 782,943 | 752,151 |
| Inventories | | 21,458 | 23,383 |
| Derivatives used for hedging | | 3,374 | 0 |
| Trade and other receivables | | 128,518 | 99,334 |
| Assets held for sale | 6 | 13,664 | 0 |
| Marketable securities | | 59,899 | 41,713 |
| Cash and cash equivalents | | 216,978 | 117,657 |
| Current assets | | 443,891 | 282,087 |
| Total assets | | 1,226,834 | 1,034,238 |
| Equity | | | |
| Share capital | | 272,204 | 212,969 |
| Share premium | | 34,179 | 13,208 |
| Reserves | 11 | 20,615 | 8,373 |
| Accumulated deficit | | (65,318) | 0 |
| Equity attributable to equity holders of the Company | | 261,680 | 234,550 |
| Non-controlling interest | | (1,889) | (1,741) |
| Total equity | | 259,791 | 232,809 |
| Liabilities | | | |
| Loans and borrowings | 12 | 237,447 | 239,575 |
| Lease liabilities | 13 | 219,769 | 119,707 |
| Payables | | 19,348 | 17,087 |
| Derivatives used for hedging | | 0 | 5,958 |
| Warrants | 14 | 0 | 18,635 |
| Non-current liabilities | | 476,564 | 400,962 |
| Loans and borrowings | 12 | 25,861 | 24,013 |
| Lease liabilities | 13 | 36,671 | 26,890 |
| Warrants | 14 | 11,474 | 9,129 |
| Derivatives used for hedging | | 1,992 | 11,333 |
| Liabilities held for sale | 6 | 11,561 | 0 |
| Trade and other payables | | 146,267 | 141,700 |
| Deferred income | 15 | 256,653 | 187,402 |
| Current liabilities | | 490,479 | 400,467 |
| Total liabilities | | 967,043 | 801,429 |
| Total equity and liabilities | | 1,226,834 | 1,034,238 |

The notes on pages 9 to 21 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2021

Attributable to equity holders of the Company

| 1 January to 30 September 2020 | Share capital | Share premium | Reserves* | Accumulated deficit | Total | Non-controlling interest | Total equity |
|--|---------------|---------------|------------|---------------------|-------------|--------------------------|--------------|
| Equity 1 January 2020 | 44,199 | 174,299 | 45,449 | 219,132 | 483,079 | (601) | 482,478 |
| Total comprehensive loss | | | (55,787) | (283,566) | (339,353) | (740) | (340,092) |
| Shares issued | 168,770 | | | (1,899) | 166,871 | | 166,871 |
| Warrants issued | | | | (16,197) | (16,197) | | (16,197) |
| Effects of profit or loss and of subsidiaries | | | (11,831) | 11,831 | 0 | | 0 |
| Equity 30 September 2020 | 212,969 | 174,299 | (22,169) | (70,697) | 294,402 | (1,341) | 293,061 |

1 January to 30 September 2021

| | | | | | | | |
|--|---------|--------|--------|------------|------------|-----------|------------|
| Equity 1 January 2021 | 212,969 | 13,208 | 8,373 | 0 | 234,550 | (1,741) | 232,809 |
| Total comprehensive loss | | | 11,373 | (65,243) | (53,870) | (148) | (54,017) |
| Shares issued | 59,235 | 20,971 | | | 80,206 | | 80,206 |
| Warrants issued | | | | (3,300) | (3,300) | | (3,300) |
| Warrants excised | | | | 4,095 | 4,095 | | 4,095 |
| Effects of profit or loss of subsidiaries | | | 870 | (870) | 0 | | 0 |
| Equity 30 September 2021 | 272,204 | 34,179 | 20,615 | (65,318) | 261,680 | (1,889) | 259,791 |

* See further in note 11.

The notes on pages 9 to 21 are an integral part of these Interim Consolidation Financial Statements.

Consolidated Statement of Cash Flows for the nine months ended 30 September 2021

| | Notes | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|---|-------|------------|-------------|-------------|-------------|
| Cash flows from (to) operating activities | | | | | |
| Profit (loss) for the period | | 19,646 | 38,151 | (65,390) | (292,895) |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairment | | 32,248 | 29,454 | 85,697 | 249,558 |
| Expensed deferred cost | | 4,559 | 3,867 | 10,410 | 10,598 |
| Net finance (income) cost | | (14,228) | (12,545) | (17,222) | 25,812 |
| Gain on sale of operating assets | | (1,218) | 0 | (7,514) | (2) |
| Share in loss of associates | 19 | 1,144 | 638 | 3,789 | 12,273 |
| Deferred income tax | | 1,615 | (22,778) | (21,440) | (47,956) |
| | | 43,766 | 36,787 | (11,670) | (42,612) |
| Changes in: | | | | | |
| Inventories | | 104 | (1,576) | 1,639 | (842) |
| Trade and other receivables | | 20,184 | 14,481 | (27,478) | 23,790 |
| Trade and other payables | | 6,454 | (180,686) | 17,441 | (90,810) |
| Deferred income | | (40,823) | 45,965 | 78,125 | 11,293 |
| | | (14,081) | (121,816) | 69,727 | (56,569) |
| Net financial expenses paid | | (4,493) | (3,231) | (13,133) | (15,553) |
| Net cash from (used in) operating activities | | 25,192 | (88,260) | 44,924 | (114,734) |
| Cash flows (to) from investing activities: | | | | | |
| Acquisition of operating assets | | (6,140) | (7,945) | (163,980) | (35,264) |
| Proceeds from sale of operating assets | | 13,618 | 0 | 194,978 | 8 |
| Deferred cost | | (3,112) | 0 | (5,597) | (5,380) |
| Acquisition of intangible assets | | 0 | (27) | (237) | (671) |
| Proceeds from sale of a subsidiary | | 3,400 | 0 | 3,400 | 45,312 |
| Investment in associates | 19 | 0 | 0 | (1,759) | 0 |
| Non-current receivables, change | | (1,887) | 11,016 | 4,646 | 21,536 |
| Cash attributable to assets held for sale | 6 | (2,953) | 0 | (5,532) | (4,920) |
| Marketable securities, change | | (29,639) | (36,030) | (18,728) | (36,030) |
| Net cash (used in) from investing activities | | (26,713) | (32,986) | 7,190 | (15,409) |
| Cash flows from financing activities: | | | | | |
| Shares issued | | 80,206 | 166,396 | 80,206 | 166,396 |
| Proceeds from non-current borrowings | | 0 | 0 | 3,229 | 0 |
| Repayment of non-current borrowings | | (5,601) | (2,827) | (16,039) | (15,436) |
| Repayment of lease liabilities | | (10,313) | (5,097) | (19,247) | (19,653) |
| Repayment of short term borrowings | | 0 | 0 | 0 | (42,258) |
| Net cash from financing activities | | 64,292 | 158,472 | 48,148 | 89,049 |
| Change in cash and cash equivalents | | 62,771 | 37,226 | 100,262 | (41,094) |
| Effect of exchange rate fluctuations on cash held | | (1,292) | 175 | (941) | (2,953) |
| Cash and cash equivalents at beginning of the period | | 155,500 | 153,625 | 117,657 | 235,073 |
| Cash and cash equivalents at 30 September | | 216,978 | 191,026 | 216,978 | 191,026 |
| Investment and financing without cash flow effect: | | | | | |
| Acquisition of right-of-use assets | | (191) | (357) | (132,590) | (5,295) |
| New or renewed leases | 13 | (899) | 357 | 133,802 | 5,295 |
| Gain on sale of operating assets | | (158) | 0 | (2,460) | 0 |
| Non-current receivables | | 1,248 | 0 | 1,248 | 0 |
| Loans and borrowings | | 0 | 0 | 16,492 | 0 |
| Trade and other payables | | 0 | 0 | (16,492) | 0 |
| Warrants | | (795) | 16,197 | (795) | 16,197 |
| Retained earnings | | 795 | (16,197) | 795 | (16,197) |

The notes on pages 9 to 21 are an integral part of these Interim Consolidation Financial Statements.

Notes

1. Reporting entity

Icelandair Group hf. (the "Company") is a public limited liability company incorporated and domiciled in Iceland. The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2021 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 and tourism sectors. The Company is listed on the Nasdaq Iceland Main Market.

The Group's audited Consolidated Financial Statements as at and for the year ended 31 December 2020 are available upon request from the Company's registered office at Reykjavíkurlugvöllur in Reykjavík, Iceland or at its website address, www.icelandairgroup.is and at The Icelandic Stock Exchange website address, <http://www.nasdaqomxnordic.com>.

2. Basis of accounting

The Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Icelandic disclosure requirements for Consolidated Financial Statements of listed companies. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting. The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities, which are valued at fair value through other Comprehensive Income. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated Financial Statements as at and for the year ended 31 December 2020.

The accounting policies and methods of computation applied in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2020.

These Condensed Consolidated Interim Financial Statements are presented in U.S. dollars (USD), which is the Group's functional currency. All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors on 20 October 2021.

These Condensed Consolidated Interim Financial Statements are prepared on a going concern basis. Despite substantial uncertainty the Board of Directors believes that it is appropriate to prepare these Condensed Consolidated Interim Financial Statements on a going concern basis given actions already taken to strengthen the Group's financial standing and liquidity.

3. Use of judgements and estimates

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements, estimates and assumptions that affect the application of 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. Due to COVID-19, the aviation and travel industries continue to face uncertainty. Travel and/or social restrictions are still in place in many of the Group's important geographical segments. Uncertainty further remains as to when demand for travel will return to more normal levels, i.e. as they were prior to COVID-19. In preparation of the Condensed Consolidated Interim Financial Statements, management adjusted its estimations and assumptions towards the current circumstances.

The remaining significant judgements made by management in applying the Group's accounting policies and the key sources of estimations of uncertainty were the same as those that applied to the audited Consolidated Financial Statements as at and for the year ended 31 December 2020.

4. Changes in accounting policies

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Condensed Consolidated Interim Financial Statements and they are not considered to have significant impact on the Condensed Consolidated Interim Financial Statements.

Notes, contd.:

5. 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. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis.

Each entity operates as a single business unit and the management of Icelandair Group assesses performance based on measures including operating profit, and makes resource allocation decisions for the entities based on various performance metrics. The objective in making resource allocation decisions is to optimize consolidated financial results.

Passenger and cargo operations

The largest entity of the Group, the international and domestic passenger airline Icelandair ehf., including its subsidiary Icelandair Cargo, has been identified for financial reporting purposes as a reportable operating segment. Iceland's unique geographical position provides Icelandair with significant strategic advantages. This is encapsulated in Icelandair's ability to serve four markets simultaneously (to, from, via and within Iceland). Icelandair Cargo offers freight services by utilizing the capacity within the aircraft of the Icelandair passenger network as well as with their own freighters.

The parent, Icelandair Group hf., is listed on the Nasdaq Iceland stock exchange and is the holding company. Iceeignir, a real estate company that holds the real estate of Icelandair Group and IceCap, a captive insurance company are platform functions of the business that primarily support the Group entities in this segment and are therefore classified within this segment.

Other group entities

Loftleidir Icelandic, which offers aircraft leasing and consulting services to international passenger airlines and tour operators and Feria, which operates under the name VITA as an outgoing tour operator are also operating segments but do not exceed the quantitative thresholds to be reportable and management has concluded that there are currently no other reasons why they should be separately disclosed.

Iceland Travel is classified as an asset held for sale. A share purchase agreement has been signed that awaits the approval of the Icelandic Competition Authority. Once that along with other conditions precedent have been fulfilled the shares will be delivered against payment.

In Q1 2020 Icelandair Hotels was also classified within this segment. From 3 April 2020, the remaining 25% equity share in Icelandair Hotels has been classified as an investment in associates. The sale of the remaining share was finalized on 6 August 2021 with the shares delivered against payment.

Notes, contd.:

5. Operating segments, contd.:

Reportable segments for the nine months ended 30 September 2021

| | Passenger and cargo operations | Other group entities | Total |
|---|-----------------------------------|-------------------------|-------------|
| External revenue | 333,749 | 58,627 | 392,376 |
| Inter-segment revenue | 31,981 | 105 | 32,086 |
| Segment revenue | 365,730 | 58,732 | 424,462 |
| Depreciation and amortization | (77,603) | (8,094) | (85,697) |
| Segment EBIT | (100,163) | (100) | (100,263) |
| Finance income | 23,405 | 591 | 23,996 |
| Finance costs | (26,141) | (362) | (26,503) |
| Gain on sale of associate | 0 | 4,653 | 4,653 |
| Fair value change | 15,076 | 0 | 15,076 |
| Share of profit (loss) of associates * | 114 | (3,903) | (3,789) |
| Reportable segment (loss) profit before tax | (87,709) | 879 | (86,830) |
| Reportable segment assets | 1,435,545 | 78,864 | 1,514,409 |
| Capital expenditure | 162,211 | 7,603 | 169,814 |
| Liabilities | 1,329,664 | 66,772 | 1,396,436 |

Reportable segments for the nine months ended 30 September 2020

| | | | |
|--|-------------|------------|-------------|
| External revenue | 285,108 | 88,261 | 373,369 |
| Inter-segment revenue | 57,138 | 711 | 57,849 |
| Segment revenue | 342,246 | 88,972 | 431,218 |
| Depreciation and amortization | (123,177) | (10,223) | (133,400) |
| Impairment | (82,859) | (33,299) | (116,158) |
| Segment EBIT | (248,699) | (54,066) | (302,766) |
| Finance income | 22,076 | 1,170 | 23,246 |
| Finance costs | (35,371) | (8,554) | (43,925) |
| Gain on sale of a subsidiary | 0 | 22,454 | 22,454 |
| Fair value change | (27,587) | 0 | (27,587) |
| Share of loss of associates * | (1,889) | (10,384) | (12,273) |
| Reportable segment loss before tax | (291,470) | (49,380) | (340,851) |
| Reportable segment assets | 1,396,174 | 73,290 | 1,469,464 |
| Capital expenditure | 39,822 | 1,493 | 41,315 |
| Liabilities | 1,151,222 | 55,392 | 1,206,614 |

* Share of loss of an associate has been restated between segments

Notes, contd.:

5. Operating segments, contd.:

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items

| | 2021 YTD | 2020 YTD |
|---|-------------|-------------|
| Revenue | | |
| Total revenue for reportable segments | 424,462 | 431,218 |
| Elimination of inter-segment revenue | (32,086) | (57,849) |
| Consolidated revenue | 392,376 | 373,369 |
| Profit or loss | | |
| Consolidated loss before tax | (86,830) | (340,851) |
| Assets | | |
| Total assets for reportable segments | 1,514,409 | 1,469,464 |
| Investments in associates | 11,100 | 22,875 |
| Elimination of inter-segment assets | (298,675) | (354,749) |
| Consolidated total assets | 1,226,834 | 1,137,590 |
| Liabilities | | |
| Total liabilities for reportable segments | 1,396,436 | 1,206,614 |
| Elimination of inter-segment liabilities | (429,393) | (362,086) |
| Consolidated total liabilities | 967,043 | 844,528 |

Other material items

| | Reportable segment totals | Adjust- ments | Consoli- dated totals |
|-------------------------------------|---------------------------------|------------------|-----------------------------|
| 1.1.-30.9.2021 | | | |
| Segment EBIT | (100,263) | | (100,263) |
| Finance income | 23,996 | (11,646) | 12,350 |
| Finance costs | (26,503) | 11,646 | (14,857) |
| Depreciation and amortization | (85,697) | | (85,697) |
| Share of loss of associates | (3,789) | | (3,789) |
| Capital expenditure | 169,814 | | 169,814 |
| 1.1.-30.9.2020 | | | |
| Segment EBIT | (302,766) | | (302,766) |
| Finance income | 23,246 | (14,245) | 9,001 |
| Finance costs | (43,925) | 14,245 | (29,680) |
| Depreciation and amortization | (133,400) | | (133,400) |
| Share of loss of associates | (12,273) | | (12,273) |
| Capital expenditure | 41,315 | | 41,315 |

Notes, contd.:

5. Operating segments, contd.:

Geographic information

The geographic information 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 geographic location of customers.

Due to the COVID-19 pandemic and the associated wide-ranging travel restriction and decrease in travel demand, the numbers for YTD 2021 are not directly comparable to the numbers for YTD 2020.

| | 2021 YTD | 2020 YTD |
|---|-------------|-------------|
| <i>Revenue</i> | | |
| North America | 34% | 20% |
| Iceland | 32% | 40% |
| West Continental Europe | 19% | 20% |
| Scandinavia | 5% | 6% |
| United Kingdom | 3% | 4% |
| Other | 7% | 10% |
| Total revenue | 100% | 100% |
| Available Seat Kilometers (ASK'000) International flights | 3,781,464 | 2,958,635 |
| Available Seat Kilometers (ASK'000) Domestic flights | 70,111 | 43,074 |
| Freight Tonn Kilometer (FTK'000) Icelandair Cargo | 102,940 | 83,455 |
| Sold Block Hours Loftleidir Icelandic | 10,146 | 12,136 |

Notes, contd.:

6. Assets held for sale

On 11 June 2021 the Company signed a share purchase agreement regarding the sale of Iceland Travel, the Group's inbound tour operator. The transaction currently awaits the approval of the Icelandic Competition Authority. As a result Iceland Travel continues to be classified as an asset held for sale.

Impacts on the Condensed Consolidated Interim Financial Statements

(i) Comprehensive income (loss)

| | 2021 Q3 | 2021 YTD |
|--|------------|-------------|
| Revenue | 18,811 | 20,483 |
| Expenses | 17,215 | 20,512 |
| Elimination of expenses of inter-segment sales | (181) | (181) |
| External expenses | 17,034 | 20,331 |
| Profit from operating activities | 1,777 | 152 |
| Net finance income | 289 | 258 |
| Profit before tax (EBT) | 2,066 | 410 |
| Income tax | (413) | (82) |
| Profit, net of tax | 1,653 | 328 |

(ii) Balance Sheet

| | 30.9.2021 |
|--------------------------------------|-----------|
| Operating assets | 20 |
| Right-of-use assets | 746 |
| Intangible assets and goodwill | 2,440 |
| Deferred tax assets | 540 |
| Trade and other receivables | 4,386 |
| Cash and cash equivalents | 5,532 |
| Total assets | 13,664 |
| Loans and borrowings | 556 |
| Lease liabilities | 687 |
| Trade and other payables | 8,345 |
| Deferred income | 1,973 |
| Total liabilities | 11,561 |
| Net assets and liabilities | 2,103 |

(iii) Cash flows from (used in)

| | 2021 Q3 | 2021 YTD |
|---|------------|-------------|
| Net cash from operating activities | 3,213 | 4,620 |
| Net cash used in investing activities | (57) | (74) |
| Net cash used in financing activities | (49) | (59) |
| Net cash flows for the period | 3,107 | 4,487 |

Notes, contd.:

7. Operating income

| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|--|------------|------------|-------------|-------------|
| Transport revenue is specified as follows: | | | | |
| Passengers | 171,775 | 36,005 | 212,110 | 161,944 |
| Passenger ancillary revenue | 14,960 | 3,271 | 22,069 | 19,889 |
| Cargo | 20,094 | 16,797 | 63,214 | 45,858 |
| Total transport revenue | 206,829 | 56,073 | 297,393 | 227,691 |
| Other operating revenue is specified as follows: | | | | |
| Sale in airport and hotels | 2,347 | 215 | 3,405 | 12,555 |
| Revenue from tourism | 25,148 | 2,521 | 29,440 | 17,478 |
| Aircraft and cargo handling services | 6,350 | 3,964 | 14,654 | 12,401 |
| Maintenance revenue | 435 | 144 | 2,628 | 1,042 |
| Gain on sale of operating assets | 1,218 | 0 | 7,514 | 2 |
| Other operating revenue | 5,596 | 36,260 | 8,928 | 44,208 |
| Total other operating revenue | 41,094 | 43,104 | 66,569 | 87,686 |

8. Operating expenses

| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|--|------------|------------|-------------|-------------|
| Salaries and salary related expenses are specified as follows: | | | | |
| Salaries | 49,367 | 40,110 | 118,093 | 163,727 |
| Contributions to pension funds | 7,785 | 8,940 | 19,108 | 26,736 |
| Other salary-related expenses | 3,243 | (16,462) | 10,987 | (861) |
| Reduction of salary cost due to general government measures | 0 | (3,543) | 0 | (27,799) |
| Total salaries and salary related expenses | 60,395 | 29,045 | 148,188 | 161,803 |
| Aviation expenses are specified as follows: | | | | |
| Aircraft fuel | 50,069 | 9,394 | 77,368 | 69,773 |
| Aircraft lease | 69 | (146) | 582 | 3,937 |
| Aircraft handling, landing and navigation | 27,811 | 6,600 | 41,841 | 35,543 |
| Aircraft maintenance expenses | 12,224 | 7,116 | 30,804 | 35,876 |
| Total aviation expenses | 90,173 | 22,964 | 150,595 | 145,129 |
| Other operating expenses are specified as follows: | | | | |
| Operating cost of real estate and fixtures | 1,664 | 783 | 3,819 | 5,512 |
| Communication | 6,818 | 3,908 | 15,399 | 14,373 |
| Advertising | 2,795 | 1,918 | 8,452 | 7,223 |
| Booking fees and commission expenses | 10,936 | (365) | 12,293 | 18,951 |
| Cost of goods sold | 1,318 | 192 | 1,832 | 2,316 |
| Customer services | 5,497 | 2,065 | 8,027 | 16,022 |
| Travel and other employee expenses | 11,624 | 3,614 | 18,384 | 17,158 |
| Tourism expenses | 17,915 | 1,747 | 19,646 | 8,263 |
| Allowance for bad debt | 1,610 | 1,601 | 1,880 | 12,839 |
| Other operating expenses | 6,354 | 3,189 | 18,428 | 16,988 |
| Total other operating expenses | 66,531 | 18,652 | 108,160 | 119,645 |

9. Depreciation and amortization

| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|---|------------|------------|-------------|-------------|
| The depreciation and amortization charge in profit or loss is specified as follows: | | | | |
| Depreciation of operating assets | 25,449 | 24,379 | 68,786 | 114,677 |
| Depreciation of right-of-use assets | 6,290 | 4,360 | 15,021 | 16,171 |
| Amortization of intangible assets | 509 | 715 | 1,890 | 2,552 |
| Depreciation and amortization | 32,248 | 29,454 | 85,697 | 133,400 |

Notes, contd.:

10. Finance income and finance costs

| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|--|------------|------------|-------------|-------------|
| Finance income and finance costs are specified as follows: | | | | |
| Interest income on cash and cash equivalents | 21 | 33 | 189 | 478 |
| Interest income on lease receivables | 89 | 163 | 196 | 390 |
| Other interest income | 227 | 287 | 3,632 | 1,596 |
| Net currency exchange gain (loss) | 4,609 | (3,498) | 8,333 | 6,537 |
| Finance income total | 4,946 | (3,015) | 12,350 | 9,001 |
| Interest expenses on loans and borrowings | 2,092 | 1,953 | 6,363 | 7,319 |
| Interest on lease liabilities | 2,405 | 1,552 | 4,932 | 6,636 |
| Interest on Pre Delivery Payments for aircraft (PDP) .. | 0 | 392 | 0 | 14,647 |
| Other interest expenses | 1,977 | 403 | 3,562 | 1,078 |
| Finance costs total | 6,474 | 4,300 | 14,857 | 29,680 |
| Changes in fair value of warrants, see note 14 | 11,103 | 4,986 | 15,076 | 4,986 |
| Changes in fair value of derivatives | 0 | 14,874 | 0 | (32,573) |
| Fair value changes | 11,103 | 19,860 | 15,076 | (27,587) |
| Gain on sale of associate/subsidiary | 4,653 | 0 | 4,653 | 22,454 |
| Net finance costs | 14,228 | 12,545 | 17,222 | (25,812) |

11. Equity

| | Hedging reserve | Translation reserve | Other reserves | Total reserves |
|---|--------------------|------------------------|-------------------|-------------------|
| Reserves are specified as follows: | | | | |
| Reserves 1 January 2020 | 28 | 24,346 | 21,075 | 45,449 |
| Changes during the period | (57,065) | (31,351) | (11,775) | (100,191) |
| Recognized loss in the income statement | 32,573 | 0 | 0 | 32,573 |
| Reserves 30 September 2020 | (24,464) | (7,005) | 9,300 | (22,169) |
| Reserves 1 January 2021 | (16,720) | 8,402 | 16,690 | 8,373 |
| Changes during the period | 16,309 | (4,936) | 870 | 12,243 |
| Reserves 30 September 2021 | (411) | 3,466 | 17,560 | 20,615 |

12. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost, and changes during the year.

| | 30.9.2021 | 31.12.2020 |
|--|------------|------------|
| Non-current loans and borrowings: | | |
| Secured bank loans | 244,355 | 263,588 |
| Unsecured loans | 18,953 | 0 |
| Total loans and borrowings | 263,308 | 263,588 |
| Current maturities | (25,861) | (24,013) |
| Total non-current loans and borrowings | 237,447 | 239,575 |
| Current loans and borrowings: | | |
| Current maturities | 25,861 | 24,013 |
| Total current loans and borrowings | 25,861 | 24,013 |
| Total loans and borrowings | 263,308 | 263,588 |

Notes, contd.:

12. Loans and borrowings, contd.:

Terms and debt repayment schedule:

| | Currency | Nominal interest rates | Year of maturity | Total remaining balance | |
|--|----------|------------------------|------------------|-------------------------|------------|
| | | | | 30.9.2021 | 31.12.2020 |
| Secured bank loans | USD | 3.3% | 2023-2028 | 182,276 | 164,404 |
| Secured bank loans | EUR | 0.9% | 2028 | 62,079 | 67,559 |
| Secured bank loans | ISK | | | 0 | 31,625 |
| Unsecured loans | ISK | 4.4% | 2026 | 18,953 | 0 |
| Total interest-bearing liabilities | | | | 263,308 | 263,588 |

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 calculated interest revenue USD 2.8 million is included in Other interest income. The deferred payments granted in 2020 are payable in monthly installments over a 48-month period from July 2022 – June 2026. Payments deferred in 2021 are at present payable in a single payment in January 2022.

As at 30 September 2021, the Company had undrawn committed commercial credit lines with local banks in the amount of USD 52 million.

Additionally, the Company has access to a government guaranteed credit facility in the amount of USD 120 million. The facility is arranged through two local commercial banks and is 90% guaranteed by the government. The facility was undrawn at 30 September 2021.

Repayments of loans and borrowings are specified as follows:

| | 30.9.2021 | 31.12.2020 |
|--|-----------|------------|
| Repayments in 2021 (3 months)(2020: 12 months) | 4,448 | 24,013 |
| Repayments in 2022 | 36,187 | 33,450 |
| Repayments in 2023 | 46,295 | 44,080 |
| Repayments in 2024 | 58,486 | 46,908 |
| Repayments in 2025 | 34,753 | 28,120 |
| Subsequent repayments | 83,139 | 87,017 |
| Total loans and borrowings | 263,308 | 263,588 |

According to the Company's restructured financial covenants, that took affect at the end of Q3 2020, the Company's equity ratio shall be a minimum of 8-10% in terms of loan agreements with lenders and a minimum of 2% in terms of the government guaranteed credit facility. The Company was not in breach of the covenants at 30 September 2021.

13. Lease liabilities

This note provides information of the Group's lease liabilities, which are measured at amortized cost, and changes during the year.

| | Currency | Interest rates | Year of maturity | Total remaining balance | |
|---------------------------------|----------|----------------|------------------|-------------------------|------------|
| | | | | 30.9.2021 | 31.12.2020 |
| Lease liabilities | USD | 3.7% | 2021-2030 | 243,437 | 131,294 |
| Lease liabilities indexed | ISK | 4.0% | 2021-2038 | 11,353 | 13,217 |
| Lease liabilities | GBP | 2.2% | 2021-2025 | 1,033 | 1,237 |
| Lease liabilities | other | 2.9% | 2021-2028 | 617 | 849 |
| Current maturity | | | | (36,671) | (26,890) |
| Total lease liabilities | | | | 219,769 | 119,707 |

Notes, contd.:

13. Lease liabilities, contd.:

| | | |
|---|------------------|-------------------|
| Repayments of lease liabilities are specified as follows: | 30.9.2021 | 31.12.2020 |
| Repayments in 2021 (3 months)(2020: 12 months) | 8,764 | 26,890 |
| Repayments in 2022 | 32,546 | 22,223 |
| Repayments in 2023 | 31,358 | 21,649 |
| Repayments in 2024 | 28,783 | 18,542 |
| Repayments in 2025 | 28,020 | 17,426 |
| Subsequent repayments | 126,969 | 39,867 |
| Total loans and borrowings | 256,440 | 146,597 |

The Group has made sale and leaseback agreements for three aircraft, two 737 MAX aircraft and one 767 freighter. The first 737 MAX is scheduled to be delivered in Q4 2021, the second 737 MAX in Q1 2022 and the 767 freighter in the second half of 2022. The lease liability for these three aircraft will amount to approx. USD 86.8 million.

14. Warrant liabilities

Warrant liabilities are specified as follows:

| Assumptions | ICEAIRW 180222 | ICEAIRW 120822 | Bain Capital 120822 |
|--|---------------------------|---------------------------|--------------------------------|
| Issue date | 18.9.2020 | 18.9.2020 | 23.7.2021 |
| Exercise period end date | 18.2.2022 | 12.8.2022 | 12.8.2022 |
| Share price (ISK) at issue date | 1.00 | 1.00 | 1.43 |
| Share price (ISK) at reporting date | 1.51 | 1.51 | 1.51 |
| Exercise price (ISK) | 1.22 | 1.30 | 1.64 |
| Interest rate (annual) | 15.0% | 15.0% | 15.0% |
| First interest date | 23.9.2020 | 23.9.2020 | 24.7.2021 |
| Volatility (annual) | 35.7% | 50.1% | 50.1% |
| Risk free rate | 2.3% | 2.3% | 2.3% |
| Time to maturity (Years) | 0.38 | 0.87 | 0.87 |
| Fair value per warrant (ISK) at reporting date | 0.28 | 0.34 | 0.21 |

The warrants outstanding and the fair value (USD) of each class of warrants on the respective exercise dates are as follows:

| Warrant liabilities | ICEAIRW 130821 | ICEAIRW 180222 | ICEAIRW 120822 | Bain Capital 120822 | Total |
|--|---------------------------|---------------------------|---------------------------|--------------------------------|---------------|
| Fair value at issuance date | 5,168 | 5,255 | 5,774 | 0 | 16,197 |
| Loss on change in fair value of warrant liability | 3,605 | 3,385 | 3,462 | 0 | 10,452 |
| Foreign exchanges difference | 355 | 361 | 398 | 0 | 1,114 |
| Fair value at 31.12.2020 | 9,129 | 9,001 | 9,634 | 0 | 27,764 |
| Issued warrants | 0 | 0 | 0 | 3,300 | 3,300 |
| Gain on change in fair value of warrant liability | (5,043) | (4,688) | (4,443) | (902) | (15,076) |
| Foreign exchanges difference | 9 | (150) | (164) | (114) | (419) |
| Exercised warrants | (4,095) | 0 | 0 | | (4,095) |
| Fair value as of period ending | 0 | 4,163 | 5,027 | 2,284 | 11,474 |

The fair value of the warrants at issue date, amounting to USD 19.5 million was recognized through retained earnings and as a liability. During the period from the issue date until 30 September 2021 the Company recognized gain on changes in fair value of its warrant liabilities in the amount of USD 4.6 million.

Notes, contd.:

14. Warrant liabilities, contd.

The warrant liabilities are considered Level 2 liabilities on the fair value hierarchy as the determination of fair value includes various assumptions about the future activities and the Company's share price and historical volatility as inputs. Warrant class ICEAIRW130821 was exerciseable in Q3 with 97.1% of warrant holders opting to exercise their rights to purchase new shares in the Company at a price of 1.13 ISK pr. share. The total proceeds to the Company amounted to USD 16.4 million.

15. Deferred income

Sold unused tickets, fair value of unutilized frequent flyer points and other prepayments are presented as deferred income in the Consolidated Statement of Financial Position.

| Deferred income is specified as follows: | 30.9.2021 | 31.12.2020 |
|--|-----------|------------|
| Sold unused tickets and vouchers | 212,807 | 157,753 |
| Frequent flyer points | 22,539 | 20,641 |
| Other prepayments | 21,307 | 9,008 |
| Total deferred income | 256,653 | 187,402 |

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 known future travel dates amounted to USD 123.4 million and vouchers amounted to USD 89.4 million. The vouchers are generally valid for 3 years from the date of 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.

16. Financial instruments and fair values

The fair values 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:

| | 30.9.2021 | | 31.12.2020 | |
|------------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Derivatives used for hedging | (1,992) | (1,992) | (17,291) | (17,291) |
| Unsecured bond issue | (18,953) | (19,055) | 0 | 0 |
| Secured loans | (244,355) | (256,854) | (263,588) | (279,654) |
| Warrants | (11,474) | (11,474) | (27,764) | (27,764) |
| Lease liabilities | (256,440) | (256,440) | (146,597) | (146,597) |
| Total | (533,214) | (545,815) | (455,240) | (471,306) |

Notes, contd.:

17. Capital commitments

The Group has taken delivery of nine 737 MAX8 / MAX9 aircraft out of the total twelve included in the purchase agreement with the Boeing Company which was signed in 2013 and amended in 2020.

The Pre-Delivery Payments (PDP) of the three aircraft that remain undelivered are financed under the (PDP) financing agreement with BOC Aviation (BOCA) signed in 2018.

The remaining deliveries of Boeing 737 MAX aircraft to the Group are scheduled as follows:

| | Q4 2021 | Q1 2022 | Total |
|-----------------------|---------|---------|-------|
| Boeing 737 MAX8 | 1 | 1 | 2 |
| Boeing 737 MAX9 | 1 | 0 | 1 |
| Total | 2 | 1 | 3 |

In September 2021, the Group secured financing of these three aircraft with Aviation Capital Group (ACG). The two 737 MAX 8 aircraft as Sale Leaseback transactions and the one 737 MAX 9 under an asset-backed loan agreement.

18. Group entities

The Company held the following significant subsidiaries at the end of September 2021.

| | Share |
|----------------------------------|-------|
| Passenger and cargo operations | |
| IceCap Insurance PCC Ltd. | 100% |
| Iceignir ehf. | 100% |
| Icelandair ehf. * | 100% |
| Other Group entities | |
| Loftleiðir - Icelandic ehf. | 100% |
| FERIA ehf. (VITA) | 100% |
| Iceland Travel ehf. ** | 100% |

* Icelandair Cargo ehf. and Flugfélag Íslands ehf. are a subsidiary of Icelandair ehf.

** See note 6.

The subsidiaries further own ten subsidiaries that are also included in the Condensed Consolidated Interim Financial Statements. Three of those have non-controlling shareholders.

19. 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:

| | Ownership | Carrying amount 30.9.2021 | Share of profit/loss in associates 1.1.-30.9.2021 | Carrying amount 31.12.2020 | Share of profit/loss in associates 1.1.-30.9.2020 |
|---------------------------------------|-----------|------------------------------|--|-------------------------------|--|
| EBK ehf. | 25% | 1,059 | (133) | 1,230 | 124 |
| ITF 1 slhf. | 29% | 6,779 | 221 | 6,291 | (1,977) |
| Lindarvatn ehf. | 50% | 3,089 | 26 | 1,893 | (29) |
| Icelandair Hotels | 0% | 0 | (3,903) | 13 | (10,392) |
| Other investments | | 173 | 0 | 176 | 1 |
| Total investments in associates | | 11,100 | (3,789) | 9,603 | (12,273) |

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

Lindarvatn ehf. is the owner of a property at Thorvaldsensstræti in downtown Reykjavík and other properties located near Austurvöllur which are being rebuilt as a hotel.

ITF 1 slhf. is a fund managed by Landsbréf. The Fund's purpose is to invest in Icelandic companies focusing on entertainment and leisure activities for foreign tourists. The main focus is on full-year projects which contribute to the better utilization of the infrastructure in the Icelandic Tourism industry.

Notes, contd.:

19. Investment in associates, contd.

The sale of the Company's 25% remaining share in Icelandair Hotels has been finalized with payment for and delivery of the shares executed in early August. Icelandair Hotels have twelve months to rebrand the hotel chain and seize use of the Icelandair brand. In its capacity as parent company the Company had issued guarantees in relation to rental obligations for Icelandair Hotels. The guarantees were provided in solidum. However, the Company has a back-to-back guarantee from the buyer Berjaya Land Berhad. Until the Company is formally released from these guarantees towards lessors it will defer USD 2.0 million of the realized gains of the sale with the rest, USD 4.7 million, recognized in the income statement.

Until 9 July 2021 the Company held a 36% share in Cabo Verde Airlines (TACV) when the Cabo Verde government nationalized the airline. The book value of the Group's holding in TACV was fully expensed in 2020 and thus no loss is realized in relation to the government's actions. Reserves had further already been made against all receivables on TACV. The Company's subsidiary Loftleiðir Icelandic is the owner of an aircraft that is currently located in Cabo Verde and expected to be relocated in the coming months.

20. Ratios

The Group's primary ratios are specified as follows:

| | 30.9.2021 | 31.12.2020 |
|--|-----------|------------|
| Current ratio | 0.91 | 0.70 |
| Equity ratio | 0.21 | 0.23 |
| Equity ratio without warrants | 0.22 | 0.25 |
| Intrinsic value of share capital | 0.95 | 1.09 |

21. General government measures

Changes in legislation benefiting the Group are as follows:

Some entities within the Group are eligible for and have applied for Income Loss Grants. The total amount available to the Group as a whole under this measure is USD 1.0 million of which USD 0.6 million have already been received.

At the outset of the COVID-19 pandemic the Group and the Icelandic Government entered into agreements whereby Icelandair committed to maintain a certain number of international flights per week to ensure minimum passenger flight transportation to and from North America. Under these agreements, the Group received payments from the Icelandic Government which have been accounted for as other revenue of USD 0.6 million.

As part of its COVID relief efforts the government offered deferral of up to three months' payroll tax payments in the spring of 2020. This was a general relief measure available to all companies in Iceland that met the associated criteria. The payments were initially deferred until January 2021 with a first extension granted until summer 2021. The deferred 2020 obligations amount to USD 16.5 million due in 48 equal instalments starting on 1 July 2022. The obligations carry zero interest and are classified as loans and borrowings. The government offered a further deferral in 2021 for two month's payroll tax payments which the Company has utilized and amount to USD 10.3 million. At present these 2021 deferrals are payable in a single payment in January 2022 and are classified as trade and other payables..

Alternative performance measures (APMs)

Traffic

| APM | Definitions |
|-------------------------|--|
| ASK | Available seat kilometers, which is 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 operational cost per available seat kilometer is calculated by dividing total operational cost on a given flight by available seat kilometers (ASK) on that flight |
| RPK | Revenue passenger kilometers, the number of revenue passengers carried on scheduled flights multiplied by the number of kilometers those seats were flown |
| PAX - Passenger | 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 |
| OTP | Arrival on time performance, 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, freight and mail according to a published timetable for which it receives commercial remuneration |
| LF | Passenger load factor, calculated by dividing RPK by ASK |
| BH | Block hours - 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 |
| FTK | The number of tonnes of freight carried, obtained by counting each tonne of freight on a particular flight (with one flight number) |
| Passenger mix: | |
| To | The tourist market with Iceland as the destination |
| From | The Icelandic domestic market where Iceland is the point of departure |
| VIA | The interantional market between Europe and North America |
| Within | The domestic operation within Iceland |

Capital sturcture

| APM | Definitions |
|--|--|
| 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 equity and liabilities |
| Equity ratio without warrants | As warrants are reversable over retained earnings (if used or not) we adjust the equity ratio for warrants. This is calculated by dividing total equity and warrants with total equity and liabilities less warrants |
| Intrinsic value of share capital | Indicates the book value of each share and is calculated by dividing total equity with share capital |

Other

| APM | Definitions |
|----------------------------|--|
| Effective fuel price | Cost of jet fuel and surcharges, including hedging results, but excluding de-icing and emissions trading cost (pr. tonn) |
| 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 |
| FTE | Average full time employee equivalent |

Alternative performance measures (APMs), contd.:

| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
|---|--------------|---------------|---------------|-------------|
| Traffic | | | | |
| ASK ('000) | 2,938,026 | 538,240 | 3,851,575 | 3,001,709 |
| RASK (USD cent) | 6.7 | 13.7 | 6.5 | 7.3 |
| CASK (USD cent) | 6.6 | 12.7 | 9.5 | 14.0 |
| RPK ('000) | 2,002,676 | 358,191 | 2,409,934 | 2,071,949 |
| PAX | 695,703 | 192,190 | 916,817 | 839,062 |
| OTP | 86.0% | 95.0% | 87.0% | 84.0% |
| Passenger flights | 3,193 | 1,128 | 5,190 | 4,169 |
| LF | 68.2% | 66.5% | 62.6% | 69.0% |
| BH | 3,427 | 1,607 | 10,146 | 12,136 |
| FTK ('000) | 35,087 | 26,359 | 102,940 | 83,455 |
| Passenger mix | | | | |
| To | 364,431 | 116,825 | 442,045 | 432,701 |
| From | 75,286 | 32,624 | 107,051 | 141,982 |
| Via | 188,692 | 3,316 | 205,618 | 160,982 |
| Within | 67,294 | 39,425 | 162,103 | 103,397 |
| | 2021 30.9 | 2020 31.12 | 2020 30.9. | |
| Capital structure | | | | |
| Total cash and marketable securities (USD '000) | 282,409 | 159,370 | 227,056 | |
| Liquidity (USD '000) | 454,409 | 331,370 | 399,056 | |
| Liquidity (USD '000) without government guaranteed credit facility | 334,409 | 211,370 | 279,056 | |
| Net interest-bearing debt (USD '000) | (19,101) | 104,218 | 37,202 | |
| Net lease liabilities (USD '000) | 247,859 | 133,894 | 130,597 | |
| Current ratio | 0.91 | 0.70 | 0.82 | |
| Equity ratio | 0.21 | 0.23 | 0.26 | |
| Equity ratio without warrants | 0.22 | 0.25 | 0.27 | |
| Intrinsic value of share capital | 0.95 | 1.09 | 1.38 | |
| | 2021 Q3 | 2020 Q3 | 2021 YTD | 2020 YTD |
| Other | | | | |
| Effective fuel price (USD pr. Metric tonn) | 716 | 1,398 | 702 | 931 |
| CAPEX, gross | 9,252 | 7,972 | 169,814 | 41,315 |
| CAPEX, net | (4,366) | 7,972 | (25,164) | 41,307 |
| FTE | 2,535 | 2,337 | 1,969 | 2,749 |

