

STRONG BOOKINGS DRIVE POSITIVE CASHFLOW FROM OPERATIONS

Summary

In Q2 Icelandair Group started to ramp up its operations to meet increased demand. The quarter showed strong booking inflow for travel in the second half of the year resulting in net cash from operating activities of USD 65.0 million compared to negative USD 96.8 million in the same quarter last year. The improvement year-on-year was USD 161.8 million. At the end of the quarter total liquidity amounted to USD 362.5 million, thereof cash and marketable securities amounted to USD 190.5 million, increasing by 80.6 million during the quarter.

The Q2 operational results were impacted by the ramp-up of the international route network and COVID-19. During the quarter, 15 destinations were re-introduced to the flight schedule and weekly flights increased from 28 in April to 160 in June. Realizing a positive profit contribution from flights during ramp-up is generally challenging and this year it was further impacted by the pandemic. The passenger load factor increased steadily throughout the quarter despite the extensive growth in the flight schedule. In addition, the Company invested substantially in operating expenses in preparation for an ambitious flight schedule for the second half of the year to meet the increase in demand. These costs included the reintroduction of aircraft to the fleet after months of storage, the implementation of three new MAX aircraft to the fleet, training of employees returning to duty and increased advertising spend, which in return will generate earnings in later quarters. EBIT for the quarter was negative of 62.2 million USD, an improvement of 35.6 million USD between years. Net loss amounted to USD 54.9 million compared to USD 90.8 million in the previous year.

Cargo revenues were strong in the quarter, up by 35% and freight volumes remain on pre-COVID levels. Outlook for the cargo operations continues to be strong.

Icelandair's capacity in July will be 43% of the 2019 level compared to 15% in Q2 and the load factor is expected to be around 70% compared to 47% in Q2. Based on the current outlook capacity will increase further in August and load factor will improve from July. However, the final outcome is dependent on how the development of the pandemic and changes in travel restrictions will impact demand.

BOGI NILS BOGASON, PRESIDENT & CEO

"The ramp-up has started – we are expanding our operations and increasing the number of flights every week. The second quarter results were still heavily impacted by the COVID-19 pandemic and costs incurred in the quarter associated with ramp-up of the network, however, strong booking flow in June for the second half of the year is the main driver for positive cashflow from operations of over USD 65 million. This is a remarkable turnaround from the previous year. We are grateful and honored for the trust that our customers in all our markets show our Company and our brand.

Since the pandemic hit, we have ensured to safeguard our infrastructure and the flexibility to be able to respond quickly to rapid changes in our markets. With this focus, we have been able to successfully manage our route network, increasing our international network capacity five-fold in the second quarter and transporting over four times more passengers than in Q2 last year. Our domestic operation has been strong in the quarter with our capacity reaching 85% of Q2 2019 levels.

As the airline that brings the majority of tourists to Iceland and as an important employer in the country, a successful ramp-up of our operations is vital for Icelandic tourism, the local economy and society at large. We expect to transport over 400 thousand tourists to Iceland this year that we estimate will generate around USD 646 million in export revenue. We are delighted to welcome back many of our

great colleagues following extensive recruitment alongside our ramp-up. We expect to have almost 2,100 full time employees on average in 2021 and estimate that the direct contribution of Icelandair Group's operations to the Icelandic economy in the form of salary, salary-related expenses and pension contributions will amount to around USD 210 million. The indirect contribution is significantly greater, driving economic benefits not only to the local tourism industry but the Icelandic economy as a whole.

We continue to see strong interest in Iceland as a tourist destination and with a significantly improved booking status in our international route network, our flight schedule is ambitious in the second half of the year. However, we continue to face some uncertainty going forward and will use the flexibility of our route network to adjust to the situation as needed at any given time. We are optimistic that the US will open for European travelers in the third quarter. The demand for cargo transport remains strong and is also increasing for charter flights in the second half of the year, supporting our revenue generation and sustainable future growth of the Company.

I would like to use this opportunity to thank our employees and partners for their dedication, flexibility and teamwork that has been the key to the successful restart of our network in such a short time in very challenging circumstances."

WEBCAST 23 JULY 2021

An investor presentation will be webcast in relation to the publication of the results at 8:30 local time on Friday, 23 July 2021, at <http://icelandairgroup.is>. Bogi Nils Bogason, President & CEO of Icelandair Group, and Ivar S. Kristinsson, Interim CFO, will present the Company's results and answer questions. The presentation and Q&A will take place in Icelandic. 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

		Q2 2021	Q2 2020	Change	6M 2021	6M 2020	Change
Operating results							
Total revenue	USDk	77,524	60,807	16,717	134,852	269,788	-134,936
Total operating cost excl. depreciation	USDk	114,464	98,331	16,133	189,844	355,916	-166,072
EBIT	USDk	-62,232	-97,756	35,524	-108,442	-306,232	197,790
EBT	USDk	-67,932	-91,867	23,935	-108,093	-356,224	248,131
Net loss	USDk	-54,939	-90,821	35,882	-85,038	-331,046	246,008
Balance sheet and cash flow¹							
Total assets	USDk	-	-	-	1,185,626	1,034,238	151,388
Total equity	USDk	-	-	-	163,827	232,809	-68,982
Interest bearing debt	USDk	-	-	-	271,117	263,588	7,529
Net interest-bearing debt	USDk	-	-	-	80,625	104,218	-23,593
Net lease liabilities	USDk	-	-	-	254,584	133,894	120,691
Net interest-bearing debt and lease liab.	USDk	-	-	-	335,209	238,112	97,098
Net cash from/to operating activities	USDk	65,025	-96,789	161,814	19,731	-19,409	39,140
CAPEX	USDk	152,163	12,429	139,734	160,562	40,408	120,154
Key Ratios							
EPS	US cent	-0.19	-1.70	1.51	-0.29	-6.12	5.83
Equity ratio	%	-	-	-	14%	23%	-8.5 ppt
Equity ratio excluding warrants	%	-	-	-	16%	25%	-9.0 ppt
EBIT ratio	%	-80.3%	-100.0%	19.7 ppt	-80.4%	-113.5%	33.1 ppt
RASK ²	US cent	5.60	9.00	-3.4	5.90	6.00	-0.1
CASK ²	US cent	15.20	85.90	-70.7	18.90	14.40	4.5
Traffic figures							
Passenger flights	no.	1,240	489	154%	1,998	3,041	-34%
Passengers	no.	154,885	43,133	259%	221,116	646,872	-66%
Passenger load factor	%	47.3%	40.4%	6.9 ppt	44.6%	69.6%	-25.0 ppt
Available seat-kilometers (ASK)	mill	718,136	145,928	392%	913,549	2,463,469	-63%
ASK as % of 2019 capacity	%	15.1%	3.1%	12.0 ppt	11.9%	32.1%	-20.2 ppt
Revenue seat-kilometers (RPK)	mill	339,476	59,023	475%	407,258	1,713,758	-76%
On-Time-Performance	%	92.0%	90.0%	2.0 ppt	91.0%	82.0%	9.0 ppt
Freight tonne-kilometers (FTK)	k	34,158	27,013	26%	67,852	57,096	19%
Sold charter block hours	no.	3,495	3,470	1%	6,719	10,528	-36%
Employees							
Average number of employees	no.	1,783	2,619	-32%	1,648	2,929	-44%

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

SECOND QUARTER OPERATIONS

EBIT was negative of USD 62.2 million, compared to a negative EBIT of USD 97.8 million in Q2 2020. The results are characterized by the incremental increase in cost related to the ramp-up of the network. Around 600 employees were recruited to prepare the high season mainly pilots, cabin crew and ground handling staff which have undergone training in the last weeks. Eight aircraft were brought back from storage and three additional MAX aircraft were received from Boeing in the quarter who are currently in modification in Iceland and will return to service in the coming weeks. USD 3.8 million were expensed in the quarter in marketing campaigns to stimulate demand for the coming months.

Acceleration of vaccinations and some lifting of travel restrictions enabled Icelandair to increase its flight schedule, both by opening routes from Iceland to popular summer destinations and by increasing capacity on existing routes. Despite significant increase in capacity between years, the quarter continued to be heavily impacted by the COVID-19.

During the COVID-period, the company's focus has been on safeguarding its infrastructure and maintaining the flexibility needed to be able to quickly increase capacity as soon as market recovery would begin.

SEGMENT OVERVIEW

USD thousand	Icelandair		Other entities		Total	
	Q2 21	Chg. Q2 20	Q2 21	Chg. Q2 20	Q2 21	Chg. Q2 20
Total revenue	65,903	25,022	11,621	-8,305	77,524	16,717
EBIT	-62,377	42,036	145	804	-62,232	35,524
EBT	-68,116	41,238	185	-17,302	-67,931	23,935

Icelandair

Icelandair's seat capacity almost tripled in May compared to June and was five-fold in the second quarter compared to Q2 last year although being only 15% of the capacity in 2019. Icelandair carried 103 thousand passengers in the second quarter, with the market "to" Iceland accounting for 63%. The US restrictions on travel of visitors from Europe since March 2020 and similar restrictions imposed within Europe, have had a severe effect on the "via" market which was Icelandair's largest market pre-COVID. These restrictions remain in effect, but the European Union announced mid-June the lifting of travel restriction for US travelers visiting Europe. This will surely have a positive impact on the N-Atlantic market in the coming months. However, the development of travel restrictions remains uncertain and stricter restrictions could negatively affect Icelandair's operations.

Available Seat Km	2021	2020	% Change	2019	2021 as % of 2019
April	64,267	30,449	111%	1,170,135	5%
May	185,790	24,149	669%	1,601,003	12%
Jun	446,421	82,882	439%	1,959,084	23%
Total Q2	696,478	137,480	407%	4,730,222	15%
Passenger mix					
To	65,008	14,452	350%	482,361	13%
From	21,269	8,730	144%	195,909	11%
Via	16,550	191	-	611,952	3%
Total passengers Q2	102,827	23,373	340%	1,290,222	8%

Icelandair's domestic operation is showing ongoing recovery. The capacity in the second quarter reached 85% of 2019 volumes and increased by 163% year-on-year. The passenger load factor on domestic flights was 69.8% in the quarter. The integration of Air Iceland Connect and Icelandair, which was completed at the end of Q1 2021, has been successful and is in line with Icelandair Group's strategy to simplify and streamline the organization.

In March, the Boeing 737 MAX was reintroduced to service following all necessary updates and training. At the end of June, Icelandair had five MAX aircraft in operation and an additional four are gradually being added in the coming weeks. The operational capabilities of the aircraft have exceeded expectations, both regarding fuel efficiency and flight range.

The cargo operation continued to be strong in the quarter, with Freight Ton-Kilometers (FTK) increasing between years by 26% and remained on pre-COVID levels. The increase in FTK between years is driven by more export to the US, mainly salmon products. Transit freight between Europe and N-America continued to increase compared to last year. The share of transit freight was 7% of total freight in Q2 2021 compared to 3% in Q2 2020. Due to decreased capacity in the Icelandair route network, most of the freight volume was transported with cargo aircraft in the first five months of the year. A shift back to utilizing the cargo hold in the passenger aircraft has started alongside the ramp-up of the passenger network. In the first quarter, 82% of freight volumes were carried on freighter flights compared to 62% in the second quarter. This proportion is expected to decrease to 40% as the year progresses.

Other entities

Loftleidir-Icelandic's operations continued to be significantly impacted by COVID-19 in Q2 2021. Revenues and EBIT decreased compared to last year. Results in the second quarter of 2020 were positively impacted by extensive cargo charter projects, where COVID-related medical equipment for health care providers was flown from China to Europe and the US.

VITA and Iceland Travel, Icelandair's outbound and inbound travel agencies, faced almost a complete drop in revenues in Q2 2020 and onwards. Both companies experienced improvement of demand and increase of revenue in the second quarter of 2021. In February 2021 Icelandair Group's Board of Directors resolved to divest from the inbound travel business and the sale of Iceland Travel was announced in June. The timing of closure of the transaction is dependent on fulfillment of all condition's precedent.

REVENUE AND EXPENSES

Revenue

Total revenue increased by 27% and amounted to USD 77.5 million, as compared to USD 60.8 million in Q2 2020. **Transport revenue** amounted to USD 55.0 million, doubling between years. **Passenger revenue** amounted to USD 29.1 million and tripled compared to last year. **Cargo revenue** increased by 35% compared to Q2 2020 and amounted to USD 21.3 million. Cargo volume increased by 26% between years, mainly driven by more export to the US and increased transit freight between Europe and N-America. **Revenue from aircraft and aircrew lease** amounted to USD 7.8 million and decreased by 71% between years. Included in last year's figures is revenue from an extensive cargo charter project from China to Europe and the US. **Other operating revenue** was USD 14.7 million, as compared to USD 6.3 million. **Revenue from tourism** is showing signs of recovery.

USD thousand	Q2 2021	Q2 2020	Change	% Change
Transport revenue:	55,008	27,612	27,396	99%
<i>Passengers</i>	29,140	9,407	19,733	210%
<i>Passenger ancillary revenue</i>	4,543	2,435	2,109	87%
<i>Cargo</i>	21,325	15,770	5,555	35%
Aircraft and aircrew lease	7,804	26,893	-19,089	-71%
Other operating revenue:	14,712	6,302	8,410	133%
<i>Revenue from tourism</i>	3,305	26	3,279	-
<i>Aircraft and cargo handling services</i>	4,561	3,243	1,318	41%
<i>Sale profit of operating assets</i>	3,800	133	3,667	-
<i>Other</i>	3,047	2,900	147	5%
Total	77,524	60,807	16,717	27%

Expenses

Operating expenses excluding depreciation amounted to USD 114.5 million and increased by 16% compared to 2020. **Salaries and salary-related** expenses amounted to USD 52.5 million and are at same level as last year. Included in last year's figure was net cost due to term of notice payments in relation to COVID in the amount of USD 19.7 million. **Aviation expenses** amounted to USD 39.0 million, up by USD 7.4 million. An extensive cargo charter project between China and Europe and US last year, where six passenger aircraft were retrofitted to fly 80 flights, skews the comparison between years. **Other operating expenses** amounted to USD 22.9 million, up by USD 8.4 million.

USD thousand	Q2 2021	Q2 2020	Change	% Change
Salaries and salary related expenses	52,503	52,233	270	1%
Aviation expenses	39,027	31,584	7,444	24%
<i>Aircraft fuel</i>	19,451	8,822	10,629	120%
<i>Aircraft lease</i>	322	3,659	-3,336	-91%
<i>Aircraft handling, landing and communication</i>	9,562	8,206	1,356	17%
<i>Aircraft maintenance expenses</i>	9,692	10,897	-1,205	-11%
Other operating expenses	22,934	14,514	8,420	58%
<i>Operating cost of real estate and fixtures</i>	1,005	1,386	-381	-28%
<i>Communication</i>	4,511	3,800	711	19%
<i>Advertising</i>	3,765	907	2,857	315%
<i>Booking fees and commission expenses</i>	863	-1,327	2,190	-165%
<i>Cost of goods sold</i>	322	134	188	140%
<i>Customer services</i>	1,464	1,840	-376	-20%
<i>Travel and other employee expenses</i>	4,659	3,282	1,377	42%
<i>Tourism expenses</i>	1,709	568	1,141	201%
<i>Other operating expenses</i>	4,638	3,924	713	18%
Total	114,464	98,331	16,133	16%

Total RASK (revenue per available seat kilometer) in the second quarter 2021 was 5.6 US cent compared to 9.0 US cent in the second quarter 2020. **Total CASK** (cost per available seat kilometer) was 15.2 US cent in the second quarter 2021 compared to 85.9 US cent in the second quarter 2020. It should be noted that the year-on-year comparison of RASK and CASK figures is skewed due to the COVID-19 impact. The operations of Air Iceland Connect are included in the RASK and CASK figures from 16 March 2021.

Net finance income

Net finance loss amounted to USD 4.5 million in Q2 2021 compared to net finance income of USD 18.2 million in Q2 2020. Due to share price increase in the quarter, positive change in the fair value of warrants amounted to USD 5.6 million. A further breakdown of net finance income is stated in the table below.

USD thousand	Q2 2021	Q2 2020	Change	% Change
Finance income	3,261	931	2,330	-
Finance costs	-4,183	-4,076	-107	3%
Interest on Pre-Delivery Payments	0	-1,713	1,713	-
Changes in fair value of warrants	-5,626	0	-5,626	-
Changes in fair value of derivatives	0	3,560	-3,560	-
Foreign exchange gain/loss	2,029	-2,934	4,963	-
Gain in sale of subsidiary	0	22,454	-22,454	-
Total	-4,519	18,222	-287	-

FINANCIAL POSITION

Total assets amounted to USD 1,185.6 million, increasing from USD 1,034.2 million at year-end 2020. Operating assets amounted to USD 440.7 million decreasing by USD 57.7 million due to depreciation and the sale of two B757-200 aircraft and one engine amounting to USD 19.3 million. Cash and marketable securities including assets held for sale totaled USD 190.5 million, increasing by USD 31.1 million from the beginning of the year.

Total equity amounted to USD 163.8 million at the end of Q2 2021. Equity ratio at the end of June was 14% compared to 23% at the beginning of the year. When excluding the temporary balance sheet effects of warrants, the equity ratio was 16% at the end of the quarter.

Interest-bearing debt amounted to USD 271.1 million, up by USD 7.5 million from the beginning of the year. **Net interest-bearing debt, excluding net lease liabilities**, amounted to USD 80.6 million, decreasing by 23.6 million from year-end 2020. **Net lease liabilities** amounted to USD 254.6 million and increase due to addition of three MAX aircraft and one spare engine.

USD thousands	30.06.2021	31.12.2020	Change
<i>Loans and borrowings</i>	270,969	263,588	7,381
<i>Loans and borrowings held for sale</i>	148	0	148
Interest-bearing debt	271,117	263,588	7,529
<i>Cash and marketable securities</i>	187,913	159,370	28,543
<i>Cash held for sale</i>	2,579	0	2,579
Net interest-bearing debt	80,625	104,218	-23,593
<i>Net lease liabilities</i>	254,024	133,894	120,131
<i>Lease liabilities held for sale</i>	560	0	560
Net lease liabilities	254,584	133,894	120,691
Net interest-bearing debt and liabilities	335,209	238,112	97,098

Liquidity position

Total cash and marketable securities, including assets held for sale, amounted to USD 190.5 million on 30 June 2021 and increased by USD 80.6 million in the quarter. Net cash from operations amounted to USD 65.0 million in the quarter. Net working capital was positive of USD 107.1 million driven by increased forward bookings.

Cash from investing activities totaled USD 44.9 million. Capex amounted to USD 152.2 million, driven by the addition of three new MAX aircraft and one MAX spare engine to the fleet. Proceeds from sale of operating assets, mainly being sale and leaseback contracts related to MAX assets, amounted to USD 169.6 million. Total cash used in financing activities in Q1 2021 amounted to USD 8.3 million.

At the end of the quarter, the Company had undrawn committed credit lines in the amount of USD 52.0 million. 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. Total liquidity amounted to USD 362.5 million on 30 June 2021.

USD thousand	Q2 2021	Q2 2020	Change
Cash and cash equivalents	155,500	153,625	1,875
Cash and cash equivalents in assets held for sale	2,579	0	2,579
Marketable securities	32,413	0	32,413
Total cash and marketable securities	190,492	153,625	36,867
Undrawn revolving facilities	52,000	62,500	-10,500
Government guaranteed credit facility	120,000	0	120,000
Total liquidity position	362,492	216,125	146,367
Net cash to/from operating activities	65,025	-96,789	161,814
Capex	152,163	12,429	139,734
Proceeds from sale of operating leases	169,563	8	169,555

PROSPECTS

Air travel rebounding

Bookings in the **international route network** have been steadily increasing alongside the acceleration of vaccinations and opening of markets. Strong interest from N-America continues and Icelandair has seen a very good pickup in bookings on the N-Atlantic market with Europe opening to vaccinated US travelers. The European market is showing signs of recovery with bookings from Scandinavia and Central Europe increasing. However, the UK market is showing slower recovery than anticipated and the start of flights for various UK routes has been postponed until September.

Icelandair's capacity in July will be 43% of the 2019 level compared to 15% in Q2 and the load factor is expected to be around 70% compared to 47% in Q2. Based on the current outlook capacity will increase further in August and load factor will improve from July, however changed travel restrictions will impact the final outcome as they have in the last 16 months.

The capacity in the fourth quarter 2021 is expected to reach 70-80% of the company's 2019 production. However, although gradual recovery of demand is in sight, uncertainty still remains regarding the progress of the pandemic in Icelandair's main markets in the coming months. The company's plans are also dependent on the timing of the opening of the US and Canadian borders to European citizens in the fall.

Icelandair has ambitious plans for 2022 with flight schedule amounting to 80% of the 2019 capacity. This plan is also dependent on the progress of the pandemic and how travel demand will develop into the winter months.

Bookings for **Icelandair's domestic** flights are strong for July and August. Considering the good status of the Icelandic economy and status of vaccinations in Iceland, the outlook for the fall and winter is good. The integration of Air Iceland Connect and Icelandair was successfully completed in Q1 2021, resulting in estimated annual cost synergies of about USD 3 million. In addition, increased revenues are also expected in the coming years from leveraging the strength of Icelandair's brand and its international distribution setup. A fully integrated international, regional and domestic network is also expected to drive increased traffic.

Outlook continues to be favorable for Icelandair Cargo

The outlook for **Icelandair Cargo** is favorable and the freight volumes have regained pre-COVID levels. Demand continues to be strong for export and transit and demand for imports is increasing. Since the start of COVID over a year ago, most of the freight volume has been transported with dedicated cargo aircraft. With the Icelandair route network ramping up again a shift back to cargo transport on passenger

aircraft can be expected. The company has entered into an agreement regarding the sale and leaseback of two Boeing 767-300ER aircraft that will be converted into freighters. These aircraft carry around 50% more freight than the company's current two B757-200 freighters and fit well into the fleet and network of Icelandair Group. The aim is to increase the capacity in the company's markets, as well as strengthen Iceland as a hub for cargo between Europe and North America in a similar way as Icelandair's passenger hub that provides attractive connections between the continents. The aircraft will be introduced into the fleet in September 2022.

Loftleidir Icelandic is seeing increased interest in the global market for ad-hoc and long-term charters for the second half of the year. When these potential projects can be realized is, however, dependent on the development of COVID-related travel restrictions in the diverse markets around the world that Loftleidir Icelandic operates in.

VITA, Icelandair Group's outbound tour operator is optimistic for the second half of the year, especially from September and onwards for city breaks, holidays in the sun and special tours.

Due to considerable uncertainty posed by COVID-19 the Company will not provide a financial guidance for the full year 2021.

Great capabilities of the Boeing 737 MAX aircraft creating new opportunities in Icelandair's network

Icelandair is in the process of renewing its passenger fleet with the implementation of the Boeing 737 MAX aircraft and the gradual retirement of the Boeing 757 aircraft. The MAX aircraft has been proving its worth with better technical reliability, fuel efficiency and payload range than initially assumed, and generates 36% less CO2 emissions than the Boeing 757. Currently there are five Boeing 737 MAX operating in the Icelandair network with four more being added in the upcoming weeks. To complete Icelandair's order of the MAX, two new aircraft will be delivered from Boeing to Icelandair in December 2021 and one in January 2022. Following these deliveries, Icelandair's MAX fleet will comprise eight Boeing 737 MAX8 and four Boeing 737 MAX9.

With favorable conditions on the commercial aircraft market following the COVID-19 pandemic, Icelandair is currently looking into further additions to its fleet for the summer 2022 given that the right opportunities arise. A strategic initiative to review Icelandair Group's long-term fleet strategy is being resumed after being put on hold during the COVID period. The aim is that this work will be completed before the end of year.

Icelandair Group's positive impact is critical for the Icelandic economy and society

As the leading airline in Iceland and an important employer, a successful ramp-up of Icelandair's operations is vital for Icelandic tourism, the local economy and society at large. Iceland is dependent on good flight connections for international relations, business, travel and to maintain a good quality of life. Icelandair Group expects to transport around a total of 400 thousand tourists to Iceland in 2021 that are expected to generate over USD 646 million (ISK 80 billion) in export revenue in 2021. Following extensive recruiting over the past weeks alongside the ramp-up, the number of full-time employees this year is expected to be around 2,100 on average. The Company expects its direct contribution to the Icelandic economy, in the form of salary, salary-related expenses and pension contributions, to amount to around USD 210 million (ISK 26 billion) in 2021. The indirect contribution is significantly greater, driving economic benefits not only to the local tourism industry but the Icelandic economy as a whole. Contributing to the Icelandic economy is one of the key focus areas of Icelandair Group's corporate responsibility strategy which is based on four United Nations' Sustainable Development Goals (SDGs). They are decent jobs and economic growth, climate action, responsible production and consumption, and gender equality.

EVENTS AFTER REPORTING PERIOD

Shareholders' Meeting on 23 July 2021

A shareholders' meeting will be held on 23 July 2021 where a proposal will be submitted to authorize the Board of Directors to increase the Company's share capital in relation to a subscription agreement made with Blue Issuer Designated Activity Company (BIDAC) and affiliates which is part of Bain Capital on 23 June 2021. The Board of Directors will also submit a proposal, to issue warrants to BIDAC and propose that Mr. Matthew Evans will replace Mr. Ulfar Steindorsson as a member of the Board of Directors effective immediately for the remainder of the Board's term.

The Board of Directors will propose to increase the Company's share capital by ISK 5,659,094,470, from ISK 28,437,660,653 to ISK 34,096,755,123 of nominal value, by issuing new shares to BIDAC at a price ISK 1.43 per share, which corresponds in total to ISK 8,092,505,092. The Board of Directors will also propose to issue warrants to BIDAC corresponding to up to ISK 1,414,773,617 in nominal terms. Subscription rights under the warrants may be exercised all at once following the publishing of the Company's Q2 2022 interim financial statements. Each warrant allows for subscription of one new share in the Company at a price of ISK 1.43 per share plus 15% annual interest from the issuance date of the warrants.

Issuance of warrants

As part of the share offering completed on 17 September 2020 the Company issued warrants to investors that purchased shares. The warrants, which have been listed on the Nasdaq Iceland main market, are in three classes the first of which will be exercisable in August 2021. If all warrant holders in the ICEAIRW130821 warrant class opt to exercise their warrants the total amount of shares subsequently issued would be 1,916,666,667 and the total proceeds to the Company would be ISK 2,165,833,334.

Financing of three 737 MAX for delivery in Q4 2021 and Q1 2022

The company is progressing well in discussion with prospective financiers on financing for the three undelivered 737 MAX aircraft under the Boeing purchase agreement from 2013. Two aircraft are to be delivered in December 2021 and one aircraft in January 2022. Financing of these aircraft is expected to be completed in Q3 2021.

Finalizing of the sale of Icelandair Hotels and Iceland Travel

In February the Company reached an agreement with its co-owner Berjaya Property Ireland Limited on the sale of its remaining 25% equity share in **Icelandair Hotels**. A share purchase agreement regarding the sale of **Iceland Travel**, the inbound tour operator of Icelandair Group, was signed in June. Delivery of the shares in Icelandair Hotels and Iceland Travel will take place following fulfillment of all condition's precedent.

The decision to sell the entities is in line with the Group's strategy to focus on its core business, aviation and related services.

INFORMATION

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FINANCIAL CALENDAR

- **Q3 2021 results – 21 October 2021**
- **Q4 2021 results – 3 February 2022**