



Icelandair Group  
Annual Report  
2020





# Icelandair Group at a glance

Icelandair Group operates in the international airline sector. With Iceland as its hub and home, its core business is built around Icelandair’s route network and the unique geographical location of the country which serves as a connecting hub between Europe and North America. Icelandair Group also operates an airfreight and logistics business through Icelandair Cargo, domestic airlines services through Air Iceland Connect, aircraft leasing and consulting services through its subsidiary Loftleidir Icelandic, as well as the tour operators Iceland Travel and VITA.

The COVID-19 pandemic had a significant impact on Icelandair Group's operations and financial performance. This is clearly reflected in its key figures and comparisons with the previous year.



**\$ 434m**

Revenue  
2019: \$ 1,505m



**891k**

Passengers  
2019: 4,690k



**\$ 331m**

Total liquidity  
2019: \$ 302m



**\$ 1.0bn**

Assets  
2019: \$ 1.7bn



**46**

Aircraft  
2019: 51



**36k**

Freight tonne  
2019: 44k



**2,621**

Full time employees  
2019: 4,715



**23%**

Equity ratio  
2019: 29%



**\$ 376m**

Net loss  
2019: \$ 58m



# Our markets

The impact of the COVID-19 pandemic and related travel restrictions explain the considerable drop in passenger numbers in 2020. Icelandair's focus during the year was on keeping vital air routes open to and from Iceland. Due to the closure of the US and external Schengen borders, the via market decreased significantly in 2020.

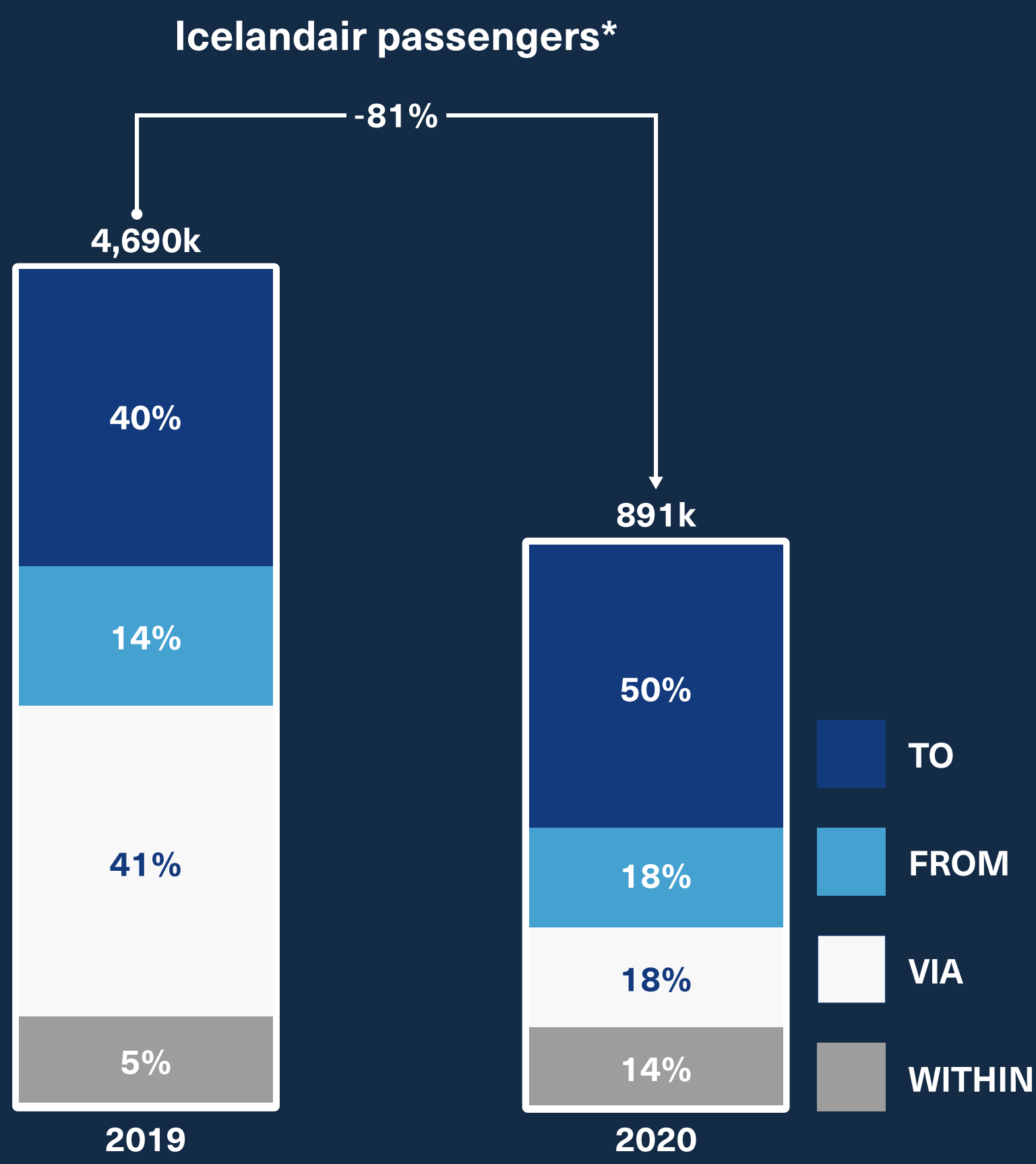
## Serving four key markets

**TO**  
The tourist market with Iceland as the destination

**FROM**  
The Icelandic domestic market

**VIA**  
The international market between Europe and North America

**WITHIN**  
The domestic airline operations within Iceland





# Strategic overview



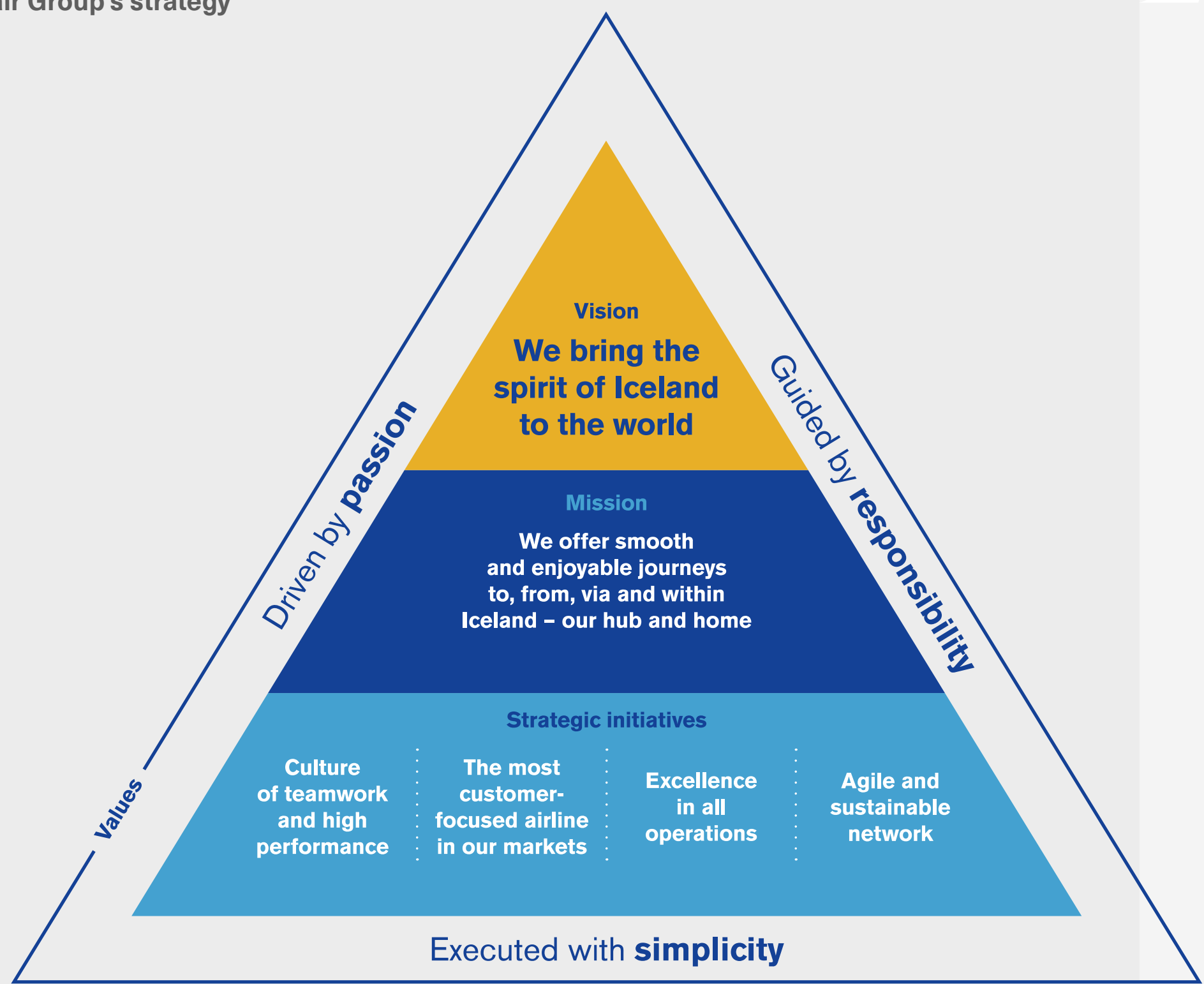


# Strategy and structure

The heart of Icelandair Group’s business model is the international route network and the unique geographical location of Iceland which serves as a connecting hub between Europe and North America, creating sustainable value for the Company's shareholders and other stakeholders.

During 2020, Icelandair Group’s strategy was further aligned to the Company’s increased focus on its core business, aviation. Furthermore, the strategic importance of Iceland as the Company's hub was reinforced. The vision of bringing the spirit of Iceland to the world and the mission of offering smooth and enjoyable journeys to, from, via and within Iceland – our hub and home, are supported by four strategic initiatives. These are: Sustaining a culture of teamwork and high performance, becoming the most customer-focused airline in our markets, achieving excellence in all operations and operating an agile and sustainable network.

## Icelandair Group's strategy



Icelandair Group's organizational structure



Changes in the organizational structure in 2020

In 2020, as the Company prepared for an extended period of minimum operations, changes were made to its organizational structure. The changes were aimed at simplifying the Company structure but at the same time securing necessary core operations to maintain the flexibility to be able to scale up quickly when markets would start to recover again. The Company’s operations now consist of seven divisions instead of eight before:

- Sales & Customer Experience
- Air Freight & Logistics (Icelandair Cargo)
- Aircraft Leasing & Consulting (Loftleidir Icelandic)
- Flight Operations
- Finance
- People & Culture
- Business Development & Digital

Following the changes, the Executive Committee consists of eight members instead of nine before. Tómas Ingason, who has served as Chief Information Officer since the beginning of March 2019, heads up the new division Business Development & Digital, which focuses on digital innovation as well as business development and the management of the route network. Ívar S. Kristinsson, who had served as Managing Director of Fleet & Network, left the Executive Committee but has taken on a Director's role within Finance. In addition, organizational changes were made within each of the divisions and their departments to reduce the number of next level Directors.

## Chairman's address



**Úlfar Steindórsson**  
Chairman

### **Importance of aviation before and after the pandemic**

The year 2020 was heavily marked by the tremendous impact of the global COVID-19 pandemic on people's lives, businesses and society as a whole. Global aviation is one of the industries that has been hit the hardest as closed borders and prolonged travel restrictions since March and throughout the year have made it almost impossible for airlines to continue normal operations. At the same time the importance of air transport has become even more evident during the pandemic. Airlines have played an essential role during the past months ensuring vital connectivity and important transport of both people and cargo around the world.

As an island nation in the middle of the North Atlantic, Icelanders depend heavily on efficient air transport. It is an essential part of how we connect with the world and maintain a good quality of life. Icelandair, as the lead carrier in Iceland, has taken its responsibility very seriously during the pandemic to maintain vital air routes open for passengers and ensure important cargo transport.

### **Resilience through a challenging year**

Of course, the COVID-19 crisis has had a significant impact on the operations, people and the financial results of Icelandair Group. The management team and other employees of the Company have shown remarkable resilience since the pandemic hit, and stood by the Company through every challenge with tremendous effort and dedication. Swift actions were taken to adjust the Company to minimum operations and at the same time an extensive financial restructuring completed, which included a successful share offering. Through the resourcefulness of Icelandair Group's employees, the Company was able to seize various opportunities, for example in its cargo and aircraft leasing operations, securing new important revenue streams during this challenging time.

### **Invaluable support from a unique shareholder base**

Having a broad shareholders base has never been as important and was demonstrated by the strong participation in the share offering in September 2020. Around ten thousand new shareholders joined our shareholders group during the year, increasing the number of shareholders from around three thousand to over 14 thousand in 2020. We are grateful for the trust and the support from our shareholders, new investors and the Icelandic public. As in the past two years, the Icelandair Group's Board of Directors proposes that no dividends will be paid out to shareholders for the year 2020.

## Proven business model

Icelandair's route network is the heart of Icelandair Group's business model, and Iceland is our hub and home. Our hub-and-spoke network is built upon the country's unique location in the North Atlantic and serves the markets to, from and within Iceland, but also provides extensive possibilities of connections between Europe and North America via Iceland. Historically, Icelandair Group's business model has resulted in healthy profitability and our focus of steadily expanding our route network over the years has been key to enhancing Iceland's position as an international connecting hub. Furthermore, Icelandair Group has been at the forefront in transforming Iceland into a year-round tourist destination through direct involvement and significant investments in key tourism services and infrastructure in Iceland. Through its efforts, Icelandair Group has contributed significantly to Iceland's economy and society over the years with a direct contribution of around ISK 300 billion to the Icelandic economy in 2011-2019. Not to mention the extensive indirect economic impact of the Company's operations.

## Expertise and strong foundations

Icelandair Group has over the decades built valuable strategic infrastructure that supports its business model and will prove essential in the rebound following the pandemic. First of all, the highly capable and loyal group of employees is one of the Company's greatest strategic assets. In addition, the Company has a valuable ecosystem of subsidiaries supporting its core business and providing value for the Group, such as cargo operations, aircraft leasing and consulting services and domestic flight operations. Icelandair holds valuable slots at strategic airports which are instrumental for its hub business model. Furthermore, Icelandair has built a strong, international brand through its 83-year aviation history, recognized by customers for its value-for-money service. Extensive and effective distribution channels have been developed over a long time and valuable strategic partnership agreements with other airlines enable passengers to extend their journey above the Icelandair network. Finally, Icelandair Group's operations are underpinned by its flexible fleet of varying sizes, capabilities and ownership cost. Preserving its key infrastructure during the hiatus mode has been crucial to be prepared to seize the opportunities that will arise as soon as air travel resumes.

## Shift of focus to aviation

We are proud of our direct contribution to the development of the tourism industry in Iceland over the past decade. We have, however, been in the process since 2019 to divest our tourism operations and shift our focus to our core business, aviation. In 2019 we divested our majority share in Icelandair Hotels and are now in the process of closing the sale of the remaining 25% share in the hotel company. In addition, we have announced that we have started the sales process of Iceland Travel, our tour operator and destination management company. As mentioned before, aviation is one of the main foundations for progress and quality of life in Iceland and we believe that by focusing on what we do best is how Icelandair Group will maximize its value creation going forward.

## Looking to the future

During its over 80-year history, the Company has experienced various crises related to the forces of nature, economic downturns and other challenges that have affected our operations. However, the spread of the COVID-19 pandemic is by far the most serious crisis that we and the airline industry as a whole have experienced in our times.

We believe that post-COVID there will be opportunities for Iceland as a tourist destination and as an important hub for cross-Atlantic connections. Following important short- and long-term actions during the year, Icelandair Group is in a good position to seize these opportunities. With a focused strategy, flexible route network that allows us to quickly adapt to changes in our markets, solid foundations, sound financial position and the vast experience and dedication of our employees, Icelandair Group has what it takes to be able to drive long-term sustainable value for our shareholders and at the same time continue to benefit the Icelandic society, economy and our valuable customers for the years to come.

## President & CEO's address



**Bogi Nils Bogason**  
President and CEO Icelandair Group

### **Strong position despite unprecedented challenges**

We were optimistic at the start of 2020, with performance improving in the first two months of the year. However, shortly after COVID-19 started spreading, borders were closed and travel restrictions became effective across our markets, causing almost a complete halt to air travel. We had to reduce our flight schedule to only a small fraction of the prior schedule to adjust to the drop in demand but ensured to keep vital air routes open for passengers and cargo, both in Europe and North America. Excess aircraft were prepared for long-term storage. We took immediate measures to scale down our business and started an extensive financial restructuring process with the aim to strengthen the liquidity of the Company as well as improving its long-term competitiveness, and at the same time preserve as many jobs as possible.

### **Successful financial restructuring**

Although specific COVID measures introduced by the Icelandic Government somewhat mitigated the impact on our employees, we still had to make painful but necessary decisions, carrying out over two thousand redundancies. The remaining employees either moved to part-time employment temporarily or accepted a short-term salary reduction.

The financial restructuring included new long-term collective bargaining agreements with our pilots, cabin crew and aircraft maintenance technicians, concessions from lenders, lessors and vendors, an agreement with Boeing on future deliveries and compensation due to the 737-MAX grounding, as well as a government-guaranteed credit line. The final step of the process was a successful share offering where we raised USD 167 million in new share capital. We were honored by the strong participation in the offering and the trust that we are shown by investors and the Icelandic public.

### **Safeguarding infrastructure and seizing opportunities**

During the course of the year, we made sure to safeguard the necessary infrastructure to be able to react quickly to changes in our markets. This proved successful during the summer when border restrictions were eased temporarily and we were able to ramp up quickly to meet increased demand. Furthermore, we managed to create important value through our cargo and leasing operations by seizing various new opportunities during the year. We, for example, retrofitted two passenger aircraft for cargo transport, operating 80 flights with important medical equipment from China to Europe and North America. We also operated various repatriation flights for stranded passengers, such as transporting thousands of Armenian residents from Los Angeles to their home country.



## Cargo services less affected

In 2020, we only carried a total of 763 thousand passengers, which was an 83% decrease between years. The number of passengers to and from Iceland decreased by 76% and the number of via passengers decreased by 92% due to our main focus on flights to and from Iceland because of the closure of the US and the external Schengen borders. However, our freight services decreased much less than our passenger operations and we compensated for the reduction of the passenger network by scheduling additional air cargo flights. Carried cargo amounted to around 115 million freight tonne kilometres, decreasing only by 14% year on year. The number of sold block hours in charter flights decreased by 70% year-on-year. Our total fleet comprised around 46 aircraft, including our leasing and cargo businesses in comparison to 51 in 2019.

Despite the significant impacts of COVID-19 on our operations and financial results, following our extensive short- and long-term actions, our financial position was strong at year end. Assets amounted to USD 1,034 million at year end 2020, net debt was USD 104 million, total liquidity USD 331 million and equity amounted to USD 233 million with a warrant-adjusted equity ratio of 25% at the end of 2020.

## Development of subsidiaries

The operations of our domestic and regional operations through **Air Iceland Connect**, our aircraft leasing and consulting company **Loftleidir Icelandic**, as well as our tour operators, **VITA** and **Iceland Travel**, were also significantly impacted by the COVID-19 pandemic.

We transported around 128 thousand passengers on domestic and regional flights, which is a 55% decrease between years. We are currently working on integrating Air Iceland Connect into the Icelandair operations which will drive considerable synergies for the Group, simplify our business and at the same time strengthen our domestic and regional operations.

Considerable reduction was in Loftleidir's services during the year but the company managed to seize opportunities in the cargo market by teaming up with Icelandair Cargo on converting passenger aircraft to so-called preighters, transporting medical equipment as detailed above.

Our tour operators VITA and Iceland Travel were also heavily impacted by the decrease in travel demand. In line with our strategy of shifting our focus to our core flight operations, we have announced the sales process of Iceland Travel.

## Our responsibility towards employees and customers

The responsibility towards our customers and employees was at the top of our agenda during 2020, securing health and safety across our operations and ensuring clear communication during fast-changing conditions. We put all efforts in finding solutions for our customers and getting those that needed to travel to their destinations. In addition, we completed the processing of the vast majority of refunds, travel credits and other changes to bookings during the year.

## **Sustainable future**

In every challenge there is an opportunity. Following such a serious crisis for the aviation and tourism industries we should use the opportunity to draw from our experience over the past decade that was characterized by tremendous growth of the tourism industry in Iceland. It is important to follow a focused strategy of how we are going to rebuild the industry. The policy framework presented by the Ministry of Tourism in 2019 provides a great guideline. It focuses on profitability and value creation, and at the same time ensuring sustainability and respect for the environment. I believe Iceland is well equipped to become a leader in high-value and sustainable tourism. This is in line with Icelandair Group's strategy and we will continue to contribute to this development through the implementation of our corporate responsibility strategy.

## **Outlook – modest ramp up in Q2**

We are still facing considerable uncertainty as we continue to be dependent on the status of the pandemic, vaccine distribution and border closures in our markets for air travel to resume. However, we are optimistic that we will be able to start a modest ramp-up of our network in the second quarter of this year and we estimate to have reached our 2019 production levels in 2024.

It is great news that the 737 MAX has now been recertified as safe to fly, with a number of airlines already having taken the aircraft into operation. We return the aircraft to service in March 2021 following extensive updates and pilot training where safety is our priority. The aircraft is both cost-effective and more environmentally friendly, giving us additional operational flexibility during the ramp-up as well as supporting the future development of our route network.

## **Iceland remains a popular tourist destination**

I am confident that there will be plenty of opportunities for Iceland and thereby the Icelandair route network post COVID. Iceland has the ability to continue to be an attractive tourist destination and, due to changes in the competitive landscape, we also see additional opportunities for our transatlantic service, where we offer convenient connections between Europe and North America through Iceland.

I would like to use the opportunity and thank our outstanding team of employees for their dedication and resilience during this unprecedented year as well as our customers for their patience. I would also like to thank our shareholders for their continued support, as well as the members of our Board of Directors for their invaluable contribution during the year.

It is fair to say that 2020 was the most challenging year in aviation history. However, I believe that with a clear vision for the future, focus on the right priorities and a team effort, we will come out of this crisis stronger than before.



# Business review



# Icelandair Group

Icelandair Group operates in the international airline sector. With Iceland as its hub and home, its core business is built around Icelandair's route network and the unique geographical location of the country which serves as a connecting hub between Europe and North America. Icelandair Group also operates an airfreight and logistics business through Icelandair Cargo, domestic airlines services through Air Iceland Connect, aircraft leasing and consulting services through its subsidiary Loftleidir Icelandic, as well as the tour operators Iceland Travel and VITA.



The route network based out of Iceland – our hub and home – is the heart of our business model



Our strategic infrastructure

Icelandair Group's business model is supported by strategic infrastructure that the Company has built up over the past decades.



Our excellent people



Valuable ecosystem of businesses



Slots at strategic airports



Strong international brand



Effective distribution channels



Beneficial partnership



Flexible fleet



# Icelandair's international flight operations

## Our strong and flexible hub-and-spoke network

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). In the morning Icelandair's aircraft take off towards the east for all the destinations in Europe. They reach Europe at around midday and start the return flights early in the afternoon. The fleet is typically back in Keflavik in mid-afternoon, Icelandic time. The North America operation begins late afternoon and the fleet arrives in the US and Canada in the early evening and returns to Keflavik at the dawn of the next day, just in time to depart again for Europe.

The running of the 24-hour hub through the heart of the network at Keflavik Airport provides Icelandair with great flexibility to change its market emphasis in line with different conditions and the capability to serve abroad range of transatlantic markets with high aircraft utilization. Furthermore, it enables Icelandair to draw from a larger pool of potential passengers than point-to-point competitors flying to and from Iceland, and thus to fly more routes at a higher profitability. In addition, the hub location allows Icelandair to serve a wide range of transatlantic markets on a cost-efficient narrow body fleet. By mixing TO/FROM and VIA passengers in the same aircraft, Icelandair can fly to destinations that are not feasible for point-to-point competitors.

## The route network put to the test in 2020

As travel restrictions in Europe and North America were implemented in early March, the via market was significantly reduced. Soon after that, Icelandair had to reduce its schedule to only 2% of its 2019 schedule. However, the flexibility of the route network operations was aptly demonstrated during the summer when Icelandic border restrictions were relaxed in June and restrictions in Europe partly lifted. Icelandair swiftly adapted its strategy in line with local conditions in Europe, adding new destinations to the network on a short notice, focusing on the to and from markets as the US and external Schengen borders were closed. This adaptability will be an important factor in the ramp-up of the network, as the vaccination process gains momentum and the spread of the virus diminishes.

Icelandair's aim is to react quickly to changes in its markets and leverage the strong market position through its hub in Keflavik and in Iceland's tourism market. Additionally, with reduced capacity of direct flights on the transatlantic market, opportunities may arise for Icelandair's one stop product and the ability to connect Europe and North America with narrow body aircraft, leading to lower cost-base and attractive fares.



The biggest challenge in network planning in 2020 was the unpredictability of the situation. Constant changes in the status of the virus and travel restrictions in our markets resulted in unreliable booking trends, leaving us with extremely limited forward looking view. The flexibility of the route network and the ability of the Icelandair team to find solutions in the midst of chaos, constantly adapting to the situation at any given time, was the absolute key to successfully manage the situation.

**Ásdís Sveinsdóttir**

Director - Network Planning & Scheduling





**Our passenger markets**

Icelandair has by far the largest network operated out of Keflavik Airport, offering maximum connectivity for passengers. Icelandair’s route network serves four independent and distinct passenger markets – to, from, via and within Iceland.

TO	The tourist market with Iceland as the destination.
FROM	The Icelandic domestic market.
VIA	The international market between Europe and N-America.
WITHIN	The domestic airline operations within Iceland

The impact of the COVID-19 pandemic and related travel restrictions caused considerable drop in passenger numbers in 2020. Icelandair's focus during the year was on keeping vital routes open for passengers and cargo to and from Iceland. Due to the closure of the US and external Schengen borders, the via market decreased significantly in 2020. The market to Iceland accounted for 50% of the total number of passengers in 2020 compared to 40% in 2019, the market from Iceland accounted for 18% compared to 14% in 2019 and the via market accounted for 18% compared to 41% in 2019 when it was the Company's largest market. The domestic market within Iceland accounted for 14% of the total number of passengers in 2020 compared to 5% in 2019. In recent years, the United States has been Icelandair’s single largest destination country, while its European network focuses mainly on Scandinavia and Northern Europe, with the United Kingdom as the Company’s second largest destination country.

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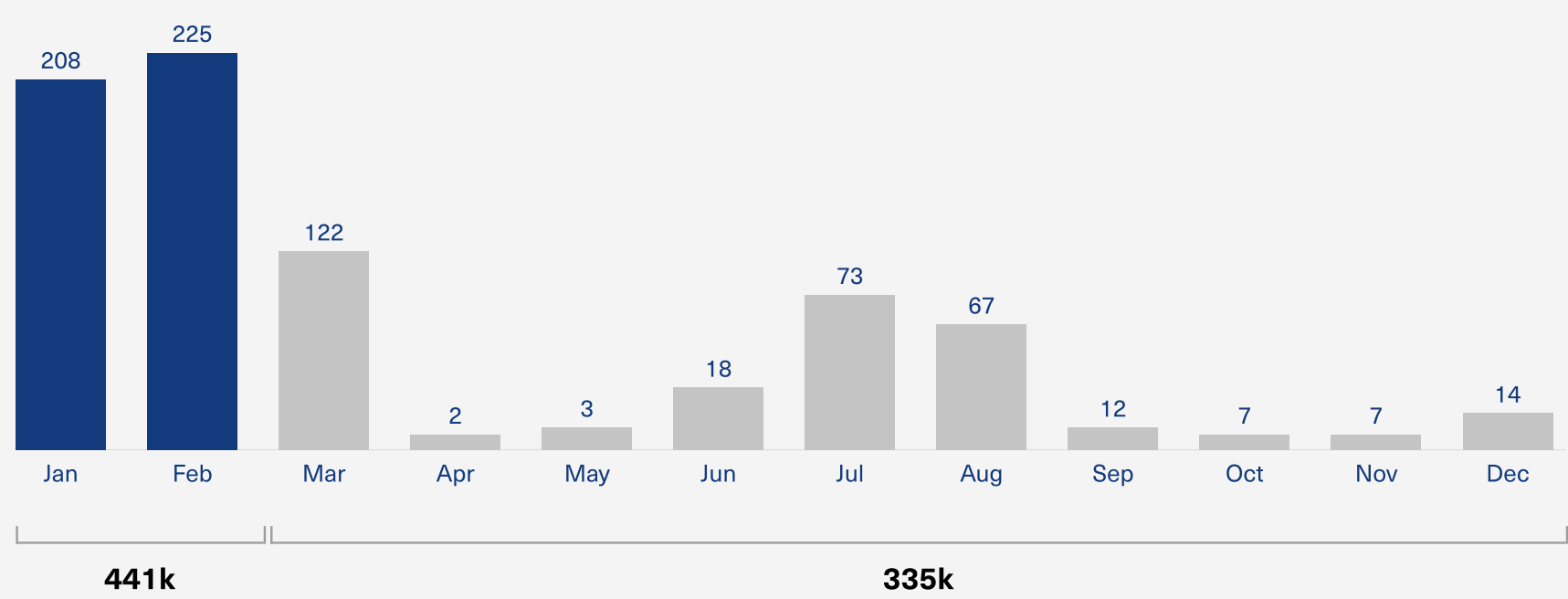


# Operations in 2020

In 2019, Icelandair’s flight schedule was the largest in the Company’s history, growing by 3% from the year before, with the number of passengers just over 4.4 million. Focusing on profitability and sustainable growth, the number of passengers was projected at 4.2 million in 2020 with emphasis on the markets to and from Iceland. The first two months of the year gave reason to be optimistic, with an increase in the number of passengers to and from Iceland.

However, in early March 2020, the Company had to react quickly due to the effects of the COVID-19 pandemic. With a sharp decline in demand for travel, Icelandair’s flight schedule was immediately reduced. Travel restrictions in the US and various countries in Europe, and later at the Icelandic borders, heavily affected travel demand throughout the year. Travel restrictions were partially lifted mid-June, and the Company was able to respond quickly and expand its flight schedule until restrictions were tightened again in mid-August.

## Icelandair carried more passengers in the first two months than the remaining ten months of 2020



During these challenging times, we showed how teamwork and flexibility are at the core of our company culture. Our sales teams in the markets were always accessible towards the travel trade, provided support and all relevant information on travel policies, flight schedule and border restrictions. We implemented our „Simply Travel“ policy, as flexibility was the key factor for our customers to plan and book their next journey.

**Bjarni Birkir Harðarson**  
Director - Sales



## Initial response to the pandemic

Following the spread of the COVID-19 pandemic, the situation was closely monitored. Various measures were taken according to guidelines of the health authorities to ensure the health and well-being of the Company's passengers and employees. Icelandair flew several special flights to bring residents of Iceland home who were traveling abroad.

The Company placed special emphasis on efficient communication to passengers, with regular updates on the Company's website, social media and through press releases, especially due to changes in the flight schedule and due to new rules that were implemented to ensure its passenger safety. Various health and safety measures were implemented on board the aircraft as well as across the Company's operations. As an increased safety measure, wearing a mask was made mandatory on all Icelandair flight from mid-June onward. Service on board has been limited to minimize contact between passengers and crew members. On long-haul flights, food packed under the strictest safety conditions is served and a bottle of water is handed when boarding.



## Ongoing service to passengers

When it became clear that the epidemic would continue to affect the flight schedule for the next few months, Icelandair took various further measures, i.e., 20 aircraft were prepared for on-ground storage. Due to major changes to the flight schedule, cancellation of flights and uncertainty about the near future, new customer service measures had to be taken swiftly.

Icelandair emphasised providing passengers with flexibility. The Company trained 300 employees, including pilots and cabin crew, to help handling questions from its clients. A new cancellation policy was introduced to assist customers in these uncertain times. The Company also introduced a new solution called Travel Credit, that ensures customers receive a voucher instantly. Saga, an automated solution, was applied to help answering customers. The system handled over thousands of inquiries the first month, reducing considerably the number of calls in the call center. With these new technical and automated solution, Icelandair was able to complete the processing of the vast majority of refunds and travel credits during the year.



## Outlook for Icelandair in 2021

The near-term outlook for the operations of Icelandair remains challenging. Icelandair's international passenger network will continue to be operated at a minimum level while travel restrictions are still in place parallel to limited demand for travel. However, the Company expects a modest ramp-up will begin in Q2 of 2021.

Icelandair's flights schedule will be adjusted accordingly. The route network has been simplified to strengthen Icelandair's flexibility to respond quickly to the fast-changing market conditions and align capacity to demand at any given time. The focus is on Icelandair's key markets to and from Iceland as well as providing convenient connections between Europe and North America.

### The return to service of the Boeing 737 MAX

After completing the most thorough global inspection process in aviation history, major aviation authorities around the world have recertified the Boeing 737 MAX as safe to fly, after almost two years on the ground. These include the Federal Aviation Administration (FAA) in the US, the European Union Aviation Safety Agency (EASA) and Transport Canada (TC). From early March 2021, the Boeing 737 MAX aircraft has re-entered Icelandair's fleet. The aircraft is both cost-effective and more environmentally friendly, giving the Company additional operational flexibility during the ramp-up, as well as supporting the future development of its route network.

### Active storage of airplanes on the ground

Aircraft are designed and maintained to fly. When they stay for long periods on the ground, special maintenance procedures need to be adopted to maintain the aircraft airworthiness and to keep them prepared to fly. This includes a combination of maintenance tasks, such as regular inspections of the condition of the aircraft, testing of systems and reacting to any issues that may arise. These procedures are a part of a specific storage program that is built upon documentation from the manufacturer and then approved by the Icelandic Transport Authority (ICETRA).

There are two types of storage programs. In **active storage**, the emphasis is on maintaining the aircraft active for example by regularly running the engines and other aircraft systems. Aircraft are put in **long-term storage** programs when they need to stay for a longer period on the ground. That involves preserving and protecting further aspects of the aircraft. Storage programs are adjusted to the environment the aircraft are stored in where different procedures apply. Currently, there are Icelandair aircraft in storage in four countries - Iceland, Spain, USA and Canada.

Good cooperation between Technical and Maintenance Operations at Icelandair during the year has been key to be able to react quickly to adjust the maintenance and storage programs as needed and bring aircraft in and out of storage in line with the need for aircraft in our network at any given time.





## Icelandair Cargo

Icelandair's airfreight and logistics operation focuses on air freight services to and from Iceland, by leveraging the passenger route network together with scheduled air freighter flights, operating two B757- 200 cargo aircraft in addition to the passenger fleet.

Despite the COVID pandemic, Icelandair Cargo managed to maintain a strong position in 2020. The pandemic had a significant impact on Icelandair's Cargo operation during 2020 as all other Icelandair Group units, however in a different way. In recent years Icelandair Cargo has increased the cargo utilization of the Icelandair passenger network considerably. Before the pandemic, around 70% of the goods were transported by the passenger network. After the passenger operation almost disappeared due to the pandemic, the challenge was to re-establish the cargo operation by increasing the freighter aircraft operation. It was decided to simplify the freighter operation by focusing on two destinations, Liege in Europe and Boston in USA. Freighters were flown out of Iceland up to 20 times a week to those two destinations, and the main emphasis was to secure access for fresh Icelandic fish to its fundamental markets. At the same time, it was essential to secure access for import to Iceland, both traditional import as well as medical supplies. A great share of cargo capacity disappeared due to global collapsing of the passenger network. Due to this change, some opportunities opened in different markets. Icelandair Cargo managed to benefit from some of them by generating revenues from transit freight transported from Europe to N-America.

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Providing excellent service to our customers is the most important thing in our operation, where flexibility and adaptability play a major role. When the Covid-19 pandemic hit, we were able to maintain unreduced cargo capacity to all of our customers main markets by taking advantage of the great flexibility we have through combined network of passenger and freighter aircraft. By immediately increasing freighter aircraft capacity we were able to serve markets that were previously served by our passenger planes. Our flexibility played a key role in keeping important markets open for our customers to and from Iceland.

**Fjölfnir Þór Árnason**

Director - Cargo Operations





## Restructuring freight operations

With almost a total drop in the passenger network due to the pandemic, we lost 70% of the total cargo capacity. We realized how important it was to build up a cargo operation to our main markets in a short time. We had to find a way to bring the fresh fish to its markets as well as medical supplies to Iceland. With our logistic expertise

and experience, we managed to replace the passenger network by restructuring our freight operation in a very short time. By doing that, we managed to move most of the freight during COVID to and from Iceland as we usually do.



**With our logistic expertise and experience, we managed to replace the passenger network by restructuring our freight operation in a very short time. By doing that, we managed to move most of the freight during COVID to and from Iceland as we usually do.**



## Moving medical supplies from China

At the beginning of the pandemic, the world was in a need of cargo capacity to move medical supplies from China. Together with Loftleidir Icelandic and employees from other business units within the Group, six Icelandair passenger aircraft were modified to cargo aircraft. By taking out the cabin interior it was possible to load boxes into the cabin and change the aircraft from passenger to freighter aircraft. Many complicated operational and security challenges needed to be solved in a very short time, as well as getting allowances for traffic rights approved. With great energy and clear focus, the cooperation was successful, resulting in operating successfully around 80 trips between China and Europe and China and N-America.





# Air Iceland Connect

Icelandair Group's regional carrier, Air Iceland Connect, offers domestic flights to five destinations in Iceland and regional flights to four destinations in Greenland. Air Iceland Connect aims to inspire customers to experience an adventure by visiting remote North Atlantic destinations. The company's focus is on offering a smooth and enjoyable travel experience. Dependable regional flight services also enable business undertakings and public agencies requiring travels to operate more efficiently. Co-operation with other airlines enables interregional connections, both domestically in Iceland and to other North-Atlantic destinations.



## Integration of Icelandair and Air Iceland Connect

At the beginning of last year, Icelandair announced the integration of Icelandair and Air Iceland Connect (AIC). Since then, a lot of effort and work has been put into integrating the two companies to create a unified organization. The objective of the integration is to ensure a sustainable future for domestic operations and the West Nordic region and at the same time strengthen and simplify the company's operations. From mid-March 2021 onwards, the network of Icelandair and AIC will be integrated into one stronger network and all sales and marketing efforts joined under the Icelandair brand. Icelandair's products and services will from then on be accessible in one place, for both the domestic and international market on the Icelandair website.

## The year of COVID-19 and change

Like the rest of the tourism industry, Air Iceland Connect was heavily hit by the impact of COVID-19. In the

spring, demand dropped down by over 90%. However, the domestic market was relatively quick to recover and AIC was operating at around 65% of its flights' schedule during the summer. When the second COVID-19 wave hit after the summer, demand fell dramatically again, with a much slower recovery rate this time around. Greenland closed its borders in June and remained heavily restricted throughout the year. These restrictions led to very limited flights to Greenland. Air Iceland Connect only flew one flight a week to Nuuk for the most part of that time.

Air Iceland Connect added a new route to its flight schedule, Vestmannaeyjar, an island located south of Iceland. The Icelandic Government initiated a tender for a limited schedule to Vestmannaeyjar for the winter 20/21 which Air Iceland Connect won and started its schedule in December 2020. Air Iceland Connect is currently preparing its summer schedule to and from Vestmannaeyjar in 2021.

The proposal for a scheme to support air travel for the local population in remote regions in Iceland was agreed upon and is called Loftbrú. Loftbrú was implemented in September with a user-friendly solution that entitles eligible customers a 40% discount on their airfare. The scheme was very well perceived by customers and was utilised significantly.



128,400 passengers



100 employees



3,900 flights



60 million available seat kilometers

**Outlook for Air Iceland Connect in 2021**

Air Iceland Connect domestic operation has historically shown a strong correlation with the local economy's underlying performance. With the Icelandic economy slowing down and the tourism industry slowly recovering as the year progresses, the outlook for 2021 is moderate. Adjusting the production according to market conditions is the key to the sustainability of the operation.

Although mining and oil exploration in Greenland are currently at a low, the demand for Greenland as a tourist destination, in the long run, is growing. However, short term, there is uncertainty when borders will open and tourism services resume. Air Iceland Connect long-term focus on the tourist market to Greenland will be further extended as the demand for travel to Greenland continues to grow in both existing and new markets. With new and extended airports in Greenland, scheduled to open in 2023, the accessibility to Greenland will be improved, giving Air Iceland Connect exciting opportunities for both passenger and cargo operation between Iceland and Greenland.



## Loftleiðir Icelandic

Loftleiðir Icelandic is a capacity solution provider for airlines and tour operators, concentrating mainly on AM (Aircraft, Maintenance) projects, VIP Private Jet services, ACMI (Aircraft, Crew, Maintenance, Insurance), part trading and consulting services. Loftleiðir Icelandic operated five B757 200s, two B767 300s, one B737 800s and one B737 700 aircraft in 2020.

### Operations in 2020

In 2020, Loftleiðir Icelandic's operations were heavily affected by the COVID-19 pandemic like many other players in the aviation industry. The industry has had to reduce capacity as global demand has plummeted severely. Almost all governmental entities have taken drastic measures to contain the outbreak by imposing physical distancing, movement restrictions and nationwide lockdowns. In the AM market, operations slowed down in the first quarter of 2020 and were low to none for the rest of the year. The VIP Private Jet market has also suffered from the global pandemic. Loftleiðir Icelandic added the second B757 aircraft to the VIP Private Jet fleet at the start of the year. With two aircraft, only a handful of VIP Private Jet flights were completed in the first quarter before the operation came to a grinding halt.

It was soon apparent that there was tremendous demand for cargo aircraft when the pandemic started spreading across the world. "Freighters" is a new word in aviation,

meaning passenger aircraft operating as freighters, with Personal Protection Equipment (PPE) cargo in the passenger cabin, usually with seats removed. Loftleiðir Icelandic teamed up with Icelandair Cargo and acquired projects for four Boeing 767 and two Boeing 757-300 passenger aircraft in these freighter configurations, moving PPE from China to Europe and North America. Due to various restrictions and tremendous congestion at all major Chinese airports and cargo handling, this was quite a logistical challenge. In three months, over 80 flights were operated from five destinations in China. Subsequent to this massive boom in the PPE market, the demand soon stabilized with other means of lower-priced transport coming into play, namely land transport, making freighters uncompetitive.





Loftleidir Icelandic maintains a strong partnership with Air Niugini with two B767 and two B737 on AM contracts. The operation in 2020 was relatively high compared with some of the largest airlines in the Oceania region. The airline managed to fly half of 2019 flight hours in 2020, which is quite an accomplishment.

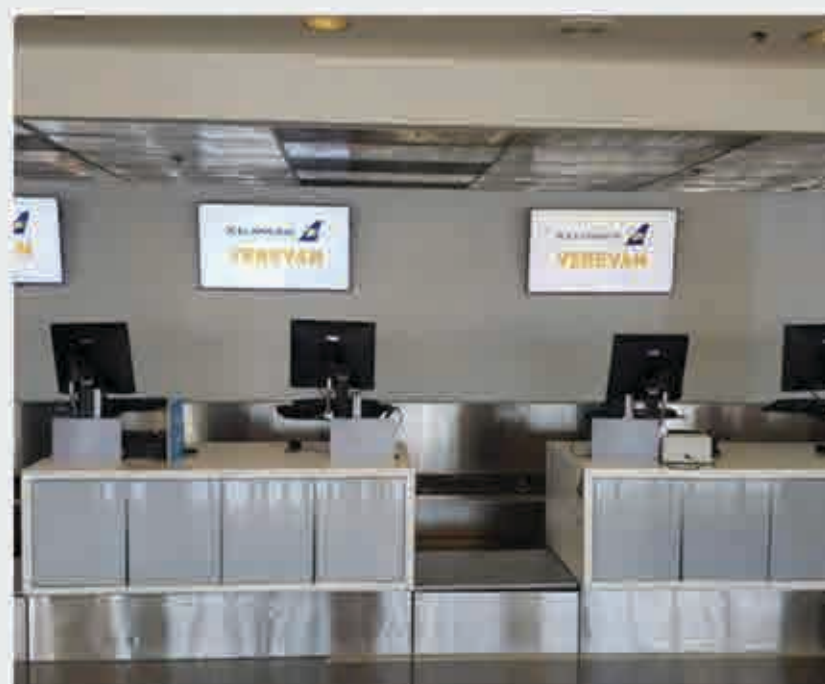
Through a subsidiary and an investing partner which hold a majority stake (51%) in Cabo Verde Airlines (CVA), Loftleidir Icelandic holds an effective 36% share. In 2019, CVA's fleet grew from two aircraft to five, which led to new challenges when new destinations were added in Brazil, Nigeria, the USA and Europe. From the offset of 2020, when there were signs of achieving scale in the

operation, COVID-19 struck and all operations were shut down in March after the government closed the borders completely on the 18th of March. That has undermined CVA's financial foundations and shareholders' negotiations on securing future financial sustainability are at an advanced stage.

In 2020, Loftleidir Icelandic continued with aircraft part trading, which started in 2019, focusing on procurement, teardown projects and commission-based sales for a third party, to provide its customers with an even wider range of solutions.

## Flights to transport stranded passengers

In 2020 the full charter and ACMI market came to a standstill. At the start of the pandemic, Loftleidir Icelandic did a rescue flight on a Boeing 767 from Mexico to Germany, with stranded German cruise ship passengers. Also, Loftleidir Icelandic supervised over a dozen direct passenger and cargo flights between Yerevan in Armenia and Los Angeles. There is a significant Armenian community in Los Angeles, with strong ties to Armenia. Usually, these passengers fly with various airlines through multiple transit airports which have shut down, leaving thousands of stranded passengers. These flights were quite complex in operation, due to various pandemic travel restrictions. Loftleidir Icelandic and Icelandair received considerable praise for resourcefulness during this operation. These flights came to a halt due to the Nagorno-Karabakh conflict.



## Outlook for Loftleidir Icelandic for 2021

One of the biggest challenges of 2020 has been managing and preserving long-standing customer relationships by renegotiating lease terms, providing support and flexibility to customers. On the same token, many suppliers have been supportive in these challenging times.

The forecast for 2021 shows a gradual improvement in the company's markets. Aviation has been undergoing a historical global downturn with many passenger and charter airlines retiring from the market, leading to excess capacity of aircraft. That will create new opportunities in filling the void when the market recovers.

Loftleidir Icelandic maintains its strong foothold in the VIP Private Jet market segment with customers in Europe, North America and Oceania and flights are expected to resume later in 2021. There will be a continued focus on promoting AM, VIP Private Jet, ACMI and full charter products. In addition, Loftleidir Icelandic will offer potential customers a plethora of consulting services as a total capacity solution provider. Leveraging Icelandair Group's resources of extensive aviation experience, the services provided include operational optimization, network development, revenue accounting, ticket sales, market strategy, etc.



# Iceland Travel

Iceland Travel takes pride in its diverse product portfolio, high-level services, and deep connections to the community of businesses and travel providers in Iceland.

Service offering spans a wide range of quality services for travellers from all over the world, offering a full range of guided tours, day tours and road trips. Market segments include Customized services for groups and individuals, Cruise services, Meetings, Incentives, Conferences, Events and Nine World Luxury Brand.

Iceland Travel's longstanding history is built on its team's extensive experience and commitment to preserving Iceland's natural environment.



## The year that changed everything

Having started the year successfully, with the first two months according to schedule, various travel restrictions were implemented causing a significant decline in tourists arriving in the country. Iceland Travel undertook an extensive restructuring of its operations to meet and minimize the impact of COVID-19 and to set the company up for profitable growth when the pandemic subsides. Sales and marketing of both brands (Iceland Travel and Nine Worlds) and all services merged into a single department. In addition operations, finance and procurement for all departments merged into a single department for each division. The number of employees was reduced by almost 70% with the remaining accepting part-time positions.

Key improvement projects were defined to simplify operations and increase efficiency. That included utilizing the Salesforce CRM system extensively, updating promotional material with regards to online conferences as well as implementing a new conference system. API connections were expanded to include more suppliers as part of the booking system, with direct bookings and real-time prices. New key performance indicators (KPI's) were defined and dashboards set up for every employee and division. Procedures and processes were adapted to the new, more simplified organizational chart.

## **Outlook for Iceland Travel**

Post-pandemic recovery of the tourism industry is in sight, and Iceland will continue to be an exciting tourist destination. Iceland Travel, with its experienced employee base, has made every effort in keeping the valuable client and supplier business relationships which in most cases are longstanding relationships. Strong and well-invested IT infrastructure will increase efficiency and competitiveness. Operational improvements have laid a foundation for profitable growth in the post-pandemic tourism recovery.





# VITA

VITA offers a variety of leisure tours to Icelanders travelling abroad through high-quality services supplied at competitive prices.

VITA takes advantage of opportunities that arise through its partnership with Icelandair, thereby offering secure and attractive options for Icelanders seeking services and assistance, for organised groups and individual tours, such as vacation tours, golf, sports and ski trips and city breaks. VITA also offers specialized business solutions in partnership with Carlson Wagonlit Travel, serving large companies, institutions and small businesses alike.



**VITA offers a variety of leisure tours to Icelanders travelling abroad through high-quality services.**



## Highlights of 2020

The year 2020 started well and the outlook was promising until the COVID-19 pandemic hit at the end of February.

From March and through 2020, VITA only had a handful of flights in operation. Costs have been cut, and unfortunately, the company had to lay off about two-thirds of its employees. The business division has been busy rerouting and rescheduling passengers since the beginning of the pandemic.

Overall, the company was able to minimize all cost and remain open for all opportunities to make revenues and prepare the business for resuming its services post-COVID.



Passengers in charters 2020: 6 thousand

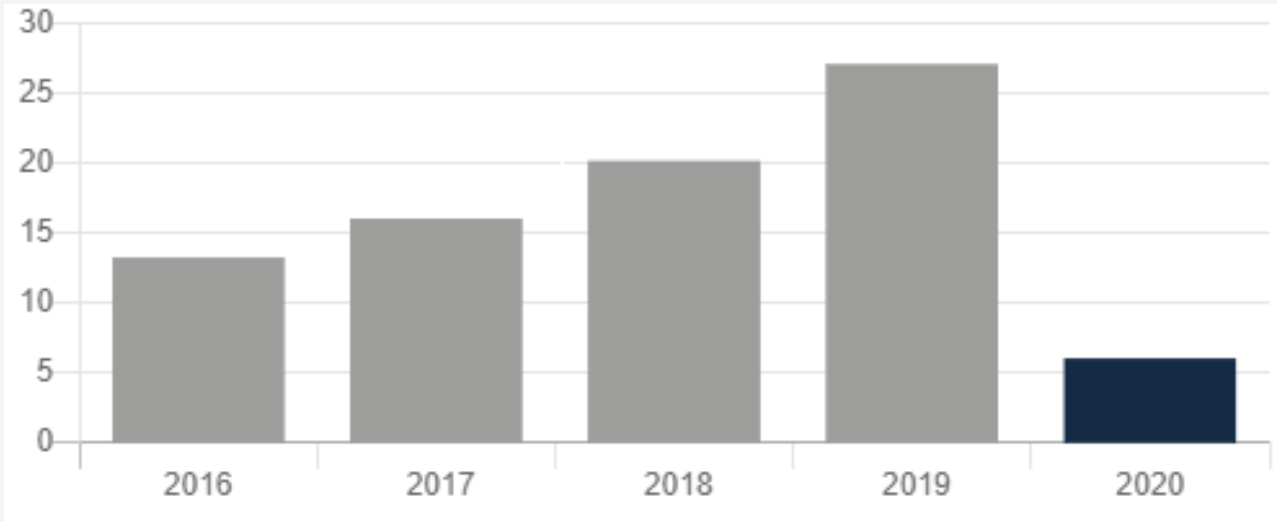


Online sales ratio: 61%

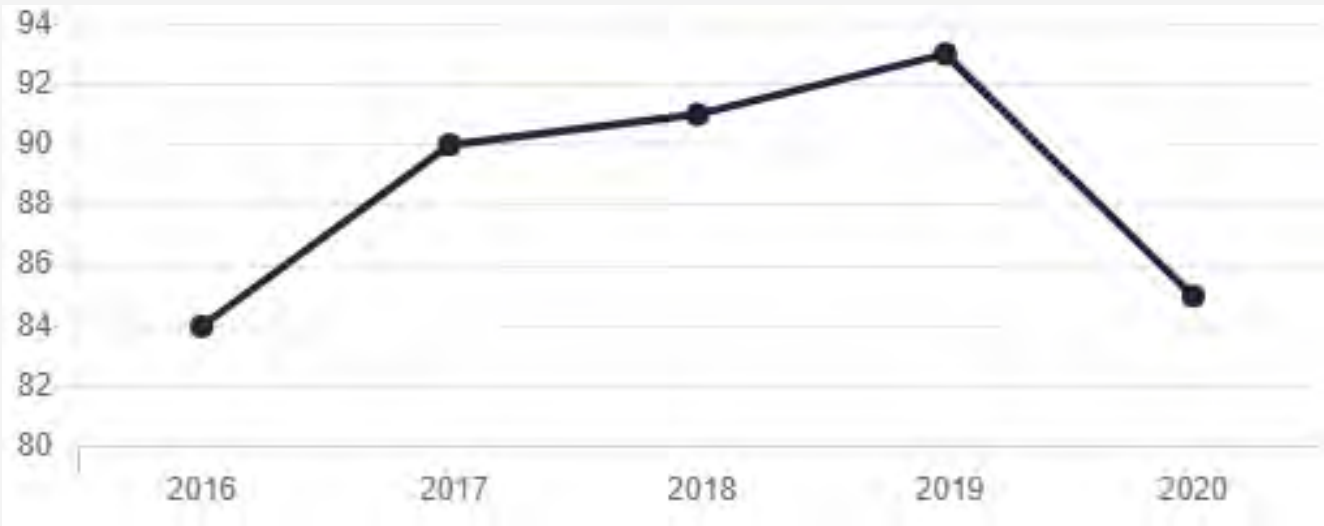


Load factor in charters: 85%

Number of passengers in charters (thousands)



Load Factor in Charters



Outlook for Vita

The company has used the past months to review its processes. Business plans and destinations are in



## Outlook for Vita

The company has used the past months to review its processes. Business plans and destinations are in

excellent shape to take part in the post-COVID ramp-up. The company's management is optimistic the latter half of 2021 will be successful for outgoing tourism.

In 2021, VITA will continue offering its previous destinations, such as Tenerife, Gran Canaria, Alicante, Crete, Almeria and ski trips to Verona. Vita also will start charter flights to Costa del Sol and Lanzarote in Spain and Albufeira in Portugal.

VITA will continue offering city breaks to various destinations, special adventure tours all over the world, as well as cruise vacations, golf and sports tours.



# Fleet

Icelandair has a flexible fleet that marries commonality with varying sizes, capabilities and ownership costs. It consists of a mix of aircraft suitable for different missions within the network, providing the airline with flexibility.

Type	Icelandair	Cargo	Loftleiðir	AIC*	Fleet 31.12.20	Owned	Leased	Change from 31.12.19
B757-200	16	2	6		24	21	3	-5
B757-300	2				2	2		
B737 MAX 8	5				5	2	3	
B737 MAX 9	1				1		1	
B767-300	4		2		6	5	1	
B737-700			1		1		1	
B737-800			1		1		1	
Bombardier Q200				3	3	3		
Bombardier Q400				3	3	3		
<b>Total</b>	<b>28</b>	<b>2</b>	<b>10</b>	<b>6</b>	<b>46</b>	<b>36</b>	<b>10</b>	<b>-5</b>

\* AIC = Air Iceland  
Connect

Icelandair Group fleet

The Boeing 757 offer a long range and low ownership costs which makes them ideal for the US West Coast and Canada operations. Low ownership cost is beneficial during the low season and to maintain fleet size flexibility.

The Boeing 767 offer high passenger loads along with great cargo capacity into high density markets in Europe and on the US East Coast. Crew commonality with Boeing 757 increases operational efficiency through for example, more network flexibility, increased pilot utilization and lower training costs.

The Boeing 737-MAX8 and MAX9 offer lower operating costs into Europe and North America. They are perfect to open new markets as well as keeping costs low within the Company's core operations. The MAX aircraft can serve 85% of destinations and 90% of flights in Icelandair’s 2020 flight schedule.

The Bombardier Q200 are capable for the short and often rough airfields that are prominent in Greenland and some of the Company's smaller domestic destinations, with the ability to add extra cargo hold when needed.





The Bombardier Q400 have excellent range and speed, along with longer fuselage, making them ideal in shorter international flights as well as being well utilized for the more popular domestic destinations.

## **Fleet strategy**

The Company's base fleet plan does not require additional aircraft commitments until 2024. The Boeing 757 phase-out continues and will be managed in line with aircraft capacity requirement as new aircraft are added to the fleet. In 2020, three of the Company's Boeing 757s were sold for freighter conversions and other four Boeing 757 retired and entered a part-out and teardown programs. Icelandair has been exploring several options regarding the long-term replacement of the Boeing 757 and has added several Boeing 737 MAX to its fleet.

Within its domestic and regional markets, the deployment of the Bombardier Q200s with their 37 seats and the Bombardier Q400s with their 76 seats, preserves the Company's flexibility to meet differences in market demand, while at the same time streamlining operations by focusing on a single aircraft manufacturer within domestic and regional operations that provides the economic advantage of being able to offer the same training for all flight crew. In order to adjust the required number of aircraft in line with changes in the regional market, Air Iceland Connect entered into a dry lease contract of one of its Q400 to LAM Mozambique Airlines. The aircraft was delivered in December 2019 and the contract is for five years.

The long-term fleet plan of the Company will remain under review and the Company is well positioned to take advantage of opportunities in aircraft markets as the industry reorganizes.

## **Boeing 737 MAX recertified**

Aviation authorities have recertified the Boeing MAX 737 as safe to fly after an extensive inspection process with worldwide participation. The aircraft design was recertified, and changes made to ensure the safety of the aircraft, in addition to increased pilot training requirements. Icelandair's experienced pilots and aircraft mechanics have been working hard on the preparation of the Boeing MAX 737 return to service. The aircraft is being updated in accordance with the requirements of the aviation authorities. Icelandair is one of the few European airlines that own a Boeing 737 MAX flight simulator, and the airline's pilots are undergoing extensive theoretical and practical training. All Boeing 737 MAX in operation will also have taken several test flights before returning to Icelandair's schedule. The Boeing 737 MAX are efficient and environmentally friendly aircraft that will, without doubt, increase the Company's flexibility and strengthen its route network. The aircraft will gradually be reintroduced to Icelandair's flight schedule from March 2021 and onwards.

## **Teardown of four of the Company's Boeing 757**

In 2020, Icelandair decided to retire and disassemble four of its Boeing 757 aircraft. Some components of the aircraft were used in the Company's operations, while others will be sold. Two of the aircraft went to our specialized partner in Kansas City, who took care of the disassembly. Our staff in the hangar in Keflavík handled the disassembly of the other two aircraft, and this is the first time such work has been performed in Iceland. It takes few weeks to disassemble each machine, but a lot of preparation is required from Technical and Maintenance Operations.

In recent years, the technical and maintenance departments of Icelandair and Loftleidir have employed teams that specialize in maximizing the value each aircraft that are completing their service. The maintenance status, age and other characteristics of each plane form the basis of the decision making - which aircraft are disassembled and which are sold. Some are better suited to be sold for continued operations while others are more valuable in spare parts and recycling. Once the components have been removed, up to 95% of the aircraft is recycled and the parties involved have signed the "Icelandair supplier code of conduct", which was recently implemented.



# Financial review



# Why invest in Icelandair Group

Icelandair Group's successful share offering in September 2020 marked the final step of the financial restructuring process the Company embarked on when the COVID-19 global pandemic hit. The offering was oversubscribed, with thousands of new investors joining the shareholder group. Despite the unprecedented challenges over the past year, Icelandair Group is a strong position. With a broader investor base, strong balance sheet, the flexibility of its route network and experienced employees, the Company is well-equipped to scale up quickly as soon as markets open again.



Proven and flexible business model



Improved competitiveness to ensure profitability  
going forward



Strong position in highly attractive Icelandic tourism  
market



Opportunities to grow unique transatlantic hub



Strong balance sheet and liquidity position



## Key figures table

USD thousands	2020	2019	2018	2017	2016
<b>Operating results</b>					
Total income	433,591	1,504,495	1,510,518	1,417,987	1,285,574
EBIT	-362,995	-39,297	-56,968	49,645	118,437
EBT	-437,834	-72,601	-67,810	48,642	120,111
Loss/profit for the period	-376,176	-57,779	-55,570	37,538	89,068
<b>Balance sheet</b>					
Total assets	1,034,238	1,676,587	1,464,122	1,423,842	1,292,493
Total equity	232,809	482,478	471,379	596,545	568,213
Interest bearing debt	263,588	387,384	451,445	289,541	242,382
Net interest bearing debt	104,218	140,824	147,951	64,263	-7,743
<b>Cash flow</b>					
Net cash to/from operating activities	-193,219	119,878	61,553	205,603	209,024
Netcash to investing activities	-2,279	-138,657	-129,933	-228,419	-291,759
Net cash from/to financing activities	79,659	-44,940	149,336	14,554	113,643
Cash and cash equivalents end of period	117,657	235,073	299,460	221,191	226,889
<b>Key ratios</b>					
Earnings per share in US Cent per share	-3.04	-1.06	-1.16	0.75	1.79
Equity ratio	23%	29%	32%	42%	44%
Capex USD thousand	49,160	269,274	271,251	166,131	243,397
EBIT ratio	-84%	-3%	-4%	4%	9%

# Shareholder information and IR

The Company's share capital was increased by 23 billion new shares following a successful public share offering in September 2020 whereby the number of shareholders increased by 7,000. In addition, investors who were allocated new shares in the offering were issued warrants to subscribe to further new shares in the Company that may be exercised at certain dates over the next two years.

## Share capital

The Company's share capital amounts to ISK 28,437,661 thousand. Each share carries one vote at shareholders' meetings. The shares are freely transferrable unless otherwise stipulated by law. All shareholders hold equal rights to dividend payments as declared from time to time. In accordance with a resolution passed at a shareholders' meeting on 22 May 2020, the Company's share capital was increased by 23 billion new shares following a public share offering in September. In addition, investors who were allocated new shares in the offering were issued warrants to subscribe to further new shares in the Company that may be exercised at certain dates over the next two years. The warrants amount to 25% of the nominal value of the new shares issued as a result of the offering. If all warrants are exercised they will raise an additional ISK 5,750 million in equity for the Company. New shares issued as a result of the warrants being exercised will be issued within the same share class as all existing Icelandair Group shares. The Company held no treasury shares at year end 2020.

## Share performance

The Icelandair Group's shares were affected by the COVID-19 virus which put a strain on the share price development in 2020. The share stood at ISK 7.55 at the beginning of 2020. The shares reached a high of ISK 8.82 at 7 February 2020. Over the year Icelandair Group's share price decreased by 78% in 2020. The widespread availability of vaccines and implementation of successful testing regimes will be key for the recovery in travel demand and share prices in the coming year.

Icelandair Group shareprice and trading volume in 2020

All amounts in ISK	2020	2019	2018	2017	2016
Market capitalisation million	46,638	41,057	47,900	73,550	115,500
Share price at year end	1.64	7.55	9.58	14.71	23.10
Highest closing price	8.82	11.10	16.55	23.53	38.90
Lowest closing price	0.87	5.50	6.53	13.13	22.95
No. of issued shares million	28,438	5,438	5,000	5,000	5,000
No. of outstanding shares million	28,438	5,438	4,813	4,861	4,975
Average no. of outstanding shares million	12,054	5,244	4,822	4,887	4,975

## Share liquidity

Icelandair Group has entered into an agreement with Islandsbanki hf. regarding market-making for the issued shares of Icelandair Group. The agreement is of unspecified duration and may be terminated with one month's notice. The purpose of the agreement is to improve liquidity and to enhance transparent price formation for the Company's shares on NASDAQ OMX Iceland.

Shares in Icelandair Group were traded 17,218 times in 2020 (2019: 7,428 times) for a total market value of ISK 26.0 billion (ISK 32.8 billion in 2019). The average number of shares traded was 53.7 million. Icelandair Group's market capitalisation at the end of 2020 was ISK 46.6 billion.

## Key ratios

Icelandair Group reported net shareholder loss of USD 366.6 million in 2020, corresponding to -3.04 US cents per share. The Company's total equity at year-end was USD 232.8 million.

	2020	2019	2018	2017	2016
Earnings per share in US Cent	-3.0	-1.1	-1.2	0.8	1.8
Intrinsic value of share capital	1.1	10.9	12.0	15.0	14.0
P/E ratio	-0.4	-5.9	-7.1	18.4	11.4



	2020	2019	2018	2017	2016
Earnings per share in US Cent	-3.0	-1.1	-1.2	0.8	1.8
Intrinsic value of share capital	1.1	10.9	12.0	15.0	14.0
P/E ratio	-0.4	-5.9	-7.1	18.4	11.4
P/B ratio	1.5	0.7	0.8	1.0	1.6
Number of shareholders	13,508	3,171	3,017	2,394	2,560



### Shareholders

At the end of 2020 the number of shareholders was 13,508, as compared to 3,017 at the beginning of the year. Main reason for the large increase in the number of shareholders is the successful public share offering in September 2020 whereby the number of shareholders

increased by around 7,000. Of the total shareholder base, 0.3% of the total shareholder base held 53.3% of the shares in the Company.

### Successfull share offering

"We are thankful and honored by the support that investors and the Icelandic public demonstrated by their strong participation in the share offering that marked the final step in the financial restructuring of Icelandair Group in 2020. With a broader investor base, strong balance sheet, the flexibility of our route network as well as our outstanding employees, we are in a good position to scale up quickly as soon as markets open again."

Bogi Nils Bogason, President & CEO of Icelandair Group.





Number of shares	Shareholders	%	Shares	%
1 - 100,000	3,916	28.99	244,465,024	0.86
100,001 - 1,000,000	7,418	54.92	3,269,381,965	11.5
1,000,001 - 10,000,000	1,947	14.41	5,102,813,433	17.94
10,000,001 - 100,000,000	191	1.41	4,661,325,793	16.39
100,000,001 +	36	0.27	15,159,674,438	53.31
Total	13,508	100.0	28,437,660,653	100.0

## 20 Largest shareholders 31 December 2020

Name	No. Shares	Shares in %
Gildi Pension Fund	1,803,761,301	6.34
Bru Pension Fund of Municipality	1,356,204,675	4.77
The Pension Fund for State Employees. Division-A	1,195,000,000	4.20
Arion bank	912,636,714	3.21
Islandsbanki	784,869,305	2.76
Boksal ehf.	662,513,653	2.33
The Pension Fund of Commerce	642,361,239	2.26
Sollvollur ehf.	554,704,375	1.95
General Pension Fund	544,402,218	1.91
Landsbref – Urvalsbref – Icelandic Professional Investors Fund	496,061,487	1.74
Stefnir IS 15 – Icelandic Professional Investors Fund	492,778,863	1.73
Stefnir Samval – Icelandic Professional Investors Fund	452,000,000	1.59
Collection Fund of Pension Rights (Pension Fund)	448,869,554	1.58
Stefnir IS 5 – Icelandic Professional Investors Fund	443,812,333	1.56
Birta Pension Fund	381,591,996	1.34
Individual	350,000,000	1.23
Lifsværk Pension Fund	307,915,100	1.08
FIA Pension Fund	293,861,670	1.03
The Pension Fund for State Employees. Division-B	280,437,800	0.99
IS Equity Fund	272,922,941	0.96
Other	15,760,955,429	55.42
<b>Total</b>	<b>28,437,660,653</b>	<b>100.00</b>

Name	No. Shares	Shares in %
The Pension Fund of Commerce	642,361,239	2.26
Solvollur ehf.	554,704,375	1.95
General Pension Fund	544,402,218	1.91
Landsbref – Urvalsbref – Icelandic Professional Investors Fund	496,061,487	1.74
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Other	15,760,955,429	55.42
<b>Total</b>	<b>28,437,660,653</b>	<b>100.00</b>





## Dividend and dividend policy

Icelandair Group's goal is to pay 20-40% of each year's net profit in dividends. Final annual dividend payments will be based on the financial position of the Company, operating capital requirements and market conditions.

Icelandair Group's Board of Directors proposes that no dividends will be paid out to shareholders for the year 2020.

## Investor relations

Icelandair Group's objective is to ensure that timely and correct information about the Company is made available to all stakeholders simultaneously, regularly and consistently. All press releases, financial disclosures and Company announcements are published through GlobeNewswire, a NASDAQ company. Icelandair Group strives continuously to improve the quality, transparency and consistency of its information disclosures.

The investors' website at [www.icelandairgroup.com/investors/](http://www.icelandairgroup.com/investors/) provides extensive news and background information on Icelandair Group for both analysts and investors. The site contains archived regulatory announcements, financial reports and presentations, shareholder information, share price information, dividend policy and the financial calendar.

## Financial calendar

Financial statement Q1 2021	Financial statement Q2 2021	Financial statement Q3 2021	Financial statement Q4 2021	Annual General Meeting
29.04.2021	22.07.2021	21.10.2021	03.02.2022	Week 10 2022





# Performance in 2020

The year 2020 was the most challenging year in aviation history, with the global pandemic causing almost a complete halt to air travel. Total operating income was USD 433.6 billion, down by 71% between years. EBIT was negative by USD 363.0 million down by USD 323.7 million from 2019 million. Net loss amounted to USD 376.2 million, as compared to net loss of USD 57.8 million in 2019. COVID-19 related impairment amounted to USD 136.1 million, thereof, impairments related to goodwill of USD 116.2 million and impairments of investments in associates of USD 19.9 million.

## Transport figures

The operations of Icelandair Group was heavily impacted by the COVID-19 pandemic and associated travel restrictions in 2020. The capacity of Icelandair route network decreased by 81% year-on-year with a corresponding 83% drop in the number of passengers. Icelandair carried more passengers in the first two months of the year than in the remaining ten months due to the COVID-19 related drop in demand. The capacity Air Iceland Connect decreased between years due to COVID-19 but less than the capacity of the Icelandair international route network. This is in line with the global airline market, where international traffic has overall been weaker than domestic traffic during the pandemic. The domestic and regional capacity was down 58% year-on-year with a 55% drop in passenger numbers. Icelandair’s Cargo operation was much less affected by the situation than the passenger services. Due to decreased capacity in the Icelandair route network, most of the freight volume is now transported with cargo aircraft. As a result, the freight volume decreased much less than the reduction of the route network, or by 14% in 2020. Sold block hours on charter flights decreased by 53%.

		2020	2019	% Chg.
<b>International flights</b>				
Number of Passengers	Thousand	763	4,408	-83%
Load Factor (LF)	%	67.2	82.0	-14.8 ppt
Available Seat KM (ASK)	Million	3,130	16,679	-81%
On time performance	Number	85.0	74.0	11.0 ppt
<b>Regional and Greenland flights</b>				
Number of Passengers	Thousand	128	282	-12%
Load Factor (LF)	%	65.9	70.5	5.0 ppt
Available Seat KM (ASK)	Million	61	143	-21%
<b>Charter flights</b>				
Sold Block Hours	Number	14,180	30,118	-53%
<b>Cargo</b>				
Freight Tonne KM (FTK)	Thousand	114,956	132,989	-14%

## Earnings

The COVID-19 pandemic and the associated wide-ranging travel bans resulted in dramatic drop in demand, affecting the Group's operations and financial performance heavily in 2020. Net loss amounted to USD 376.2 million compared to a loss of USD 57.8 million in 2019. EBIT was negative of USD 363.0 compared to negative EBIT of USD 39.3 million in 2019. Icelandair took it's role as the lead Icelandic carrier seriously during this time and ensured to keep vital routes open to and from Iceland, both for passengers and cargo. During the year extensive measures were taken to scale down the Company's business and strengthened the long-term competitiveness of Icelandair Group by completing a

financial restructuring which included a successful share offering.

During this time, focus has been on preserving the necessary infrastructure to be able to react quickly to changes in our markets. This proved successful during the summer when border restrictions were eased temporarily, and Icelandair was able to ramp up quickly to meet increased demand. Furthermore, an important value was created through the cargo and leasing operations by seizing various new opportunities during the year.

Earnings development		2020	2019	Change
Total revenue	USDk	433,591	1,504,495	-1,070,904
Total operating cost excl. depreciation	USDk	520,085	1,366,519	-846,434
EBIT	USDk	-362,995	-39,297	-323,698
EBT	USDk	-437,834	-72,601	-365,233
Net loss	USDk	-376,176	-57,779	-318,397
EBIT ratio	%	-83.7	-2.6	-81.1 ppt





## Income

### Cargo revenues up by 14%

Transport revenue totaled USD 265.5 million, down by 77% between years. Of this figure, passenger revenues amounted to USD 177.3 million and decreased by 82% compared to last year. The capacity of the international route network decreased by 81% with corresponding

83% drop in the number of passengers. The Company's cargo operation was much less affected by the situation with cargo volumes down by 14% and cargo revenue amounting to USD 66.4 million, increasing by 14%.



**The capacity of the international route network decreased by 81% with corresponding 83% drop in the number of passengers.**



### Other revenues decreasing due to COVID-19

Revenue from aircraft and aircrew lease decreased from USD 91.4 million in 2019 to USD 64.7 million in 2020. Other revenue totaled USD 103.3 million in 2020, down from USD 253.3 million from the preceding year. Revenues from tourism account for the largest share, decreasing by USD 86.1 million as a result of near total drop in demand in sales of package tours by Iceland

Travel and Vita. The decrease in sale in hotels and airports is primarily due to the divestment of Icelandair Hotels end of Q1 2020. Settlement with The Boeing Company regarding compensation for the loss incurred from the MAX suspension is included in other revenues in 2020.

USD thousand	2020	2019	Change	% Change
Transport revenue:	265,523	1,159,524	-894,001	-77%
Passenger and ancillary	199,040	1,101,088	-902,048	-82%
Cargo	66,483	58,437	8,047	14%
Aircraft and aircrew lease	64,739	91,647	-26,908	-29%
Other operation revenue	103,329	253,324	-149,995	-59%
Total	433,591	1,504,495	-1,070,904	-71%

## Expenses

The management of Icelandair Group responded quickly and took extensive measures to get the Company through an extended period of minimum operations. From April – December the flight schedule was scaled down to 9% of the originally planned schedule, the number of employees was reduced considerably and changes were made to the organizational structure, including integration of Air Iceland Connect into the

operations of Icelandair and reduction in the number of management positions. The goal of all these actions was to trim down operational expenses and minimize cash outflow but at the same time secure the continuity of necessary core operations and safeguard the flexibility needed for a quick scale-up when markets recover.





All main deviations are directly related to the adverse effects of the pandemic



USD thousand	2020	2019	Change	% Change
Salaries and salary related expenses	207,892	489,828	-221,416	-52%
Aircraft fuel	76,450	323,518	-247,068	-76%
Aircraft lease	7,423	32,174	-24,751	-77%
Aircraft handling, landing and communication	40,399	133,585	-93,186	-70%
Aircraft maintenance expenses	47,179	79,178	-31,999	-40%
Other operating expenses	140,742	368,756	-228,014	-62%
Total	520,085	1,366,519	-846,434	-62%

#### Salaries and related expenses decreased by 58% between years

Salaries and salary related expenses amounted to 207.9 million, decreasing by USD 221.4 million. Expensed term of notice amounted to USD 68.3 million. Repayments of notice period payments from the Icelandic Government, in accordance with Icelandic act no. 50/2020, due to

those actions amounted to USD 28.3 million. Therefore, net expenses due to term of notice were USD 40.1 million in 2020. The average number of full-time employees was 2,621 in 2020 compared to 4,715 in 2019.

#### Aviation expenses decreased with less production

Aviation expenses amounted to USD 171.5 million, down by USD 397.0 million, mainly due to less production, with available seat kilometers down by 81% in the international route network. Fuel expenses amounted to USD 76.5 million, down by 76%. Settlement of fuel hedge contracts accounted for in fuel cost amounted USD 11.5 million. Aircraft lease amounted to USD 7.4 million, down

by USD 24.8 million. Aircraft handling, landing and navigation expenses decreased in line with less production due to COVID-19. Maintenance expenses amounted to USD 47.2 million compared to USD 79.2 million in 2019.

#### Other operating expenses down by 62%

Other operating expenses amounted to USD 140.7 million compared to USD 308.2 million in 2019. The divestment of Icelandair Hotels at the end of Q1 2020 explain USD 20.6 million of the decrease between years.

All other main deviation between years are directly related to the adverse effects of the COVID-19 pandemic.



### **COVID-19 related impairment USD 116.2 million**

Total depreciation of operating assets amounted to USD 136.8 million in 2020, as compared to USD 143.9 million in 2019. Depreciation of right-of-use assets amounted to USD 20.6 million. Amortization of intangible assets totaled USD 3.0 million. An impairment test was

conducted on 31 March 2020 that led to impairment of intangible assets of USD 116.2 million. An impairment test was also conducted at year-end which led to no further impairment.

### **Net finance cost USD 47.4 million**

Net finance cost totaled USD 47.4 million in 2020, as compared to USD 26.0 million in 2019. The finance income amounted to USD 2.7 million down from USD 7.0 million in 2019. Net currency exchange gain of USD 3.9 million was included in finance income in 2019. Finance cost totaled USD 29.6 million down by USD 3.4 million

between years. Net currency exchange loss of USD 6.1 million was included in finance cost in 2020. Negative changes of fair value in 2020 amounted to USD 43.0 million. Gain on sale of a subsidiary had positive effect on net finance cost of USD 22.5 million.



## Financial position

Icelandair Group's financial position is strong despite unprecedented challenges in 2020. Assets at year-end amounted to USD 1,034.2 million. Capital expenditures totalled USD 49.2 million in 2020. Total liquidity was USD 331.4 million at year-end, thereof cash and marketable securities USD 159.4 million.

## Balance sheet

### Total assets USD 1.0 billion at year-end

Total assets amounted to USD 1,034.2 million at year-end, decreasing from the beginning of the year by USD 1,676.6 million. The decrease is driven by the divestment of Icelandair Hotels, which lowered assets by USD 271.4 million and COVID-19 related impairments of USD 136.1 million. Thereof, impairments related to goodwill of USD 116.2 million and impairments of investments in associates of USD 19.9 million.

### Equity ratio 23%

Total equity amounted to USD 232.8 million at year-end 2020. New shares in the amount of ISK 23 billion (USD 166.9 million equivalent) were issued following a share offering in September. In association with the offering, the Company issued warrants in the amount of ISK 5.75 billion (USD 16.2 million equivalent), which is equal to 25% of the nominal amount of the new shares. The fair value of the warrants at issue date, amounting to USD 16.2 million was recognized through retained earnings and as a liability. In 2020, the Company recognized loss on changes in fair value of its warrant liability in the amount of USD 10.5 million as a rise in the Company's share price translates to an increase in the warrant liability. At year-end 2020, the warrant liability thus amounted to USD 27.8 million. When the warrants are exercised, or expire, the warrant liability will be reversed through retained earnings neutralizing their effects on that item.

Overview share capital ISK	
Share Capital 1 January 2020	5,437,660,653
Increase of share capital	23,000,000,000
Share Capital 31 December 2020	28,437,660,653



## Overview equity USD thousands

Equity 1 January 2020	482,478
Total comprehensive loss	-408,814
Shares issued	166,873
Warrants issued	-16,197
Divestment of non-controlling interest	8,469
Equity 31 December 2020	232,809

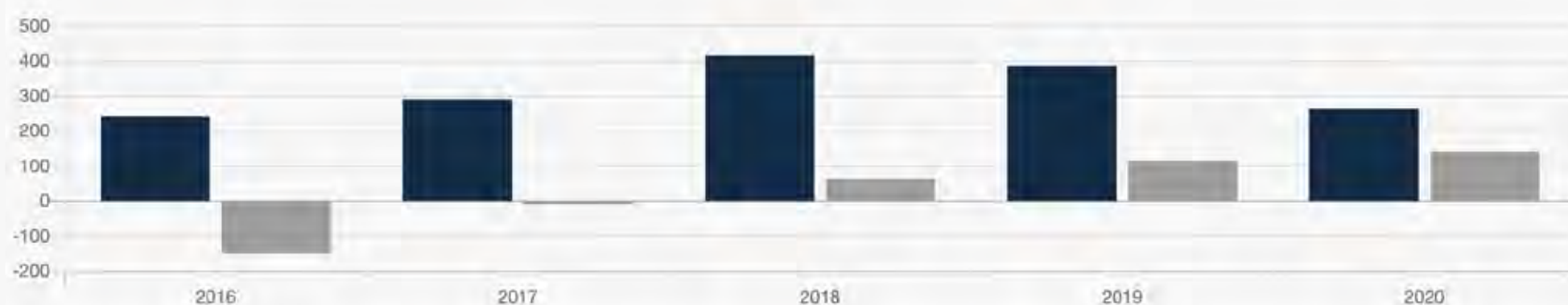
USD thousands	2020	2019	2018	2017	2016
Comprehensive income	-408,814	-34,833	-110,427	48,477	138,650
(Loss) Profit for the year	-376,176	-57,779	-55,570	37,538	89,068
Equity	232,809	482,478	471,379	596,545	568,213
Equity Ratio	23%	29%	32%	42%	44%

## Interest-bearing debt including lease liabilities down by USD 192.7 million

Interest-bearing debt amounted to USD 263.6 million, down by USD 123.8 million compared to 31 December 2019. Excluding assets held for sale at the same time last year, interest-bearing debt decreased by USD 57.7

million. Net interest-bearing debt, excluding net lease liabilities, amounted to USD 104.2 million, and net lease liabilities amounted to USD 133.9 million.

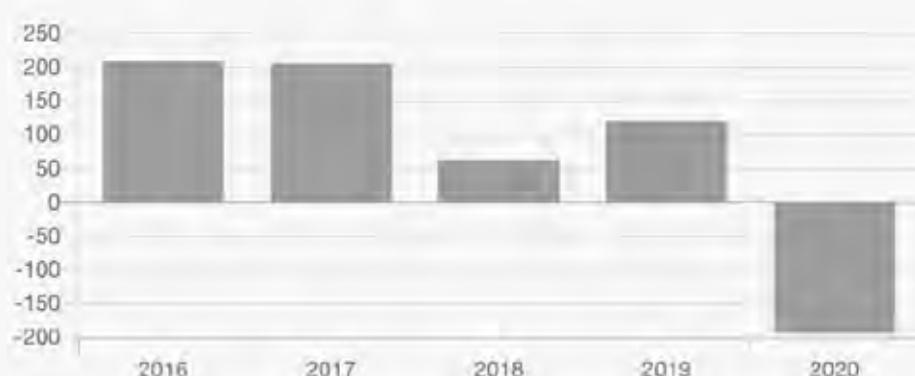
## Interest-bearing and net interest bearing debt



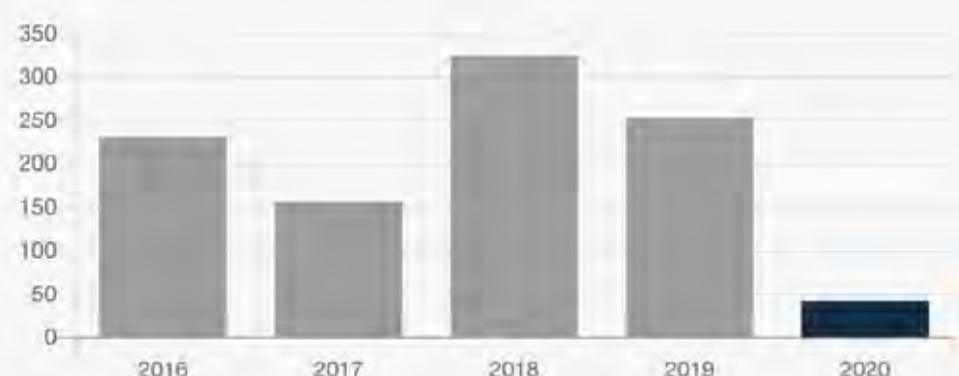
## Cash Flow and Investments

USD thousand	2020	2019	Change
Net cash from operating activities	-193,219	119,878	-313,097
Net cash to investing activities	-2,279	-138,657	136,378
Net cash to/from financing activities	79,659	-44,940	124,599
Increase / decrease in cash and cash equivalents	-115,839	-63,719	-52,120
Cash and cash equivalents at 31 December	117,657	235,073	-117,416

Cash from operation activities



Investment in operation assets



### Total liquidity USD 331.4 million at year-end 2020

Icelandair Group took decisive action to maintain and strengthen its liquidity in 2020. These included cost cuts, lay-offs, renegotiations with unions, key creditors and vendors, securing a government guaranteed credit line and raising new equity. As a result, total liquidity amounted to USD 331.4 million at year-end 2020. Thereof cash and cash equivalents amounted to USD 118 million

and marketable securities amounted to USD 42 million. In addition, the Company had USD 172.0 million in committed undrawn revolving facilities, whereof USD 120 million were in the form of a credit line 90% guaranteed by the Icelandic government.

### Total investments in 2020 USD 41.8 million

Investments in operating assets amounted to USD 41.8 million. Thereof USD 37.8 million was used for investments in aircraft spare parts and overhaul of own engines.

The Company announced a sale of three of its Boeing 757-200 aircraft in late 2020, one of which was delivered

in December with the two remaining aircraft expected to be delivered in Q1 2021.

Other investments amounted to USD 4 million and included investments in buildings and ground handling and other equipment.



# Financial restructuring

Icelandair Group successfully completed a comprehensive restructuring of its finances in September 2020. The overarching principle of the restructuring process was to align operating costs and payment schedules with the Company's anticipated cash generation for up to the next 24 months. The new structure is a result of wide-ranging participation by key stakeholders as well as the Icelandic government.

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It was great to be part of the highly professional team of both internal and external experts that led the financial restructuring of the Company. The process was both complicated and challenging and included a wide-range participation of key stakeholders as well as the Icelandic government. The key to the success of this extensive project was the dedication and resilience of the team. The final step was a successful share offering where USD 169 million was raised in new share capital and we welcomed 7,000 new shareholders to our shareholder group.

**Íris Hulda Þórisdóttir**

Director - Business Control



## New long-term union agreements

The Company reached new long-term collective bargaining agreements with its flight operations unions, i.e. the aircraft mechanics, pilots and cabin crew. The new contracts, will strengthen the Company's

competitiveness by bringing unit costs more in line with peers going forward, while simultaneously securing attractive employee compensation.

## Agreements with lenders, lessors and other vendors

The Company executed written agreements with 15 main counterparties regarding concessions and payment deferrals. These include lenders, lessors, credit card acquirers and fuel hedging counterparties. The restructuring objective was to strengthen the Company's

liquidity position by adjusting the cash flow and repayment profiles to minimal operations. The deferral agreements include renegotiated financial covenants that will revert to pre-COVID.



### Settlement with The Boeing Company

An agreement was reached on the reduction of Icelandair's B-737 MAX purchase commitment by four aircraft and a revised delivery schedule for the remaining six MAX aircraft. Furthermore, the settlement provides additional compensation for Icelandair, which covers a substantial portion of the damages incurred from the

suspension. The compensation will mostly be realized by Q2 2021. The agreement strengthens Icelandair Group's liquidity position and allows for more flexible fleet planning in the upcoming years.



### Government guaranteed credit facility

An agreement with the Icelandic Government secures a government guarantee to two local banks, Íslandsbanki and Landsbankinn, for 90% of a USD 120 million credit facility that these banks will jointly provide the Company. The drawdown period of the credit facility is two years followed by a three-year repayment profile. The facility

may only be used towards the Company's flight operations to and from Iceland and was contingent on the Company successfully raising at least ISK 20,000 million in the share offering that took place in September.

### Share Offering

The final step in the restructuring was a successful share offering that ended 17 September 2020. In the offering ISK 20 billion new shares were offered for sale. The offering was oversubscribed by 85% with strong demand from both institutional and retail investors. The offering price was fixed at ISK 1.0 per share in both order books.

Subscriptions totaled over nine thousand and amounted to ISK 37.3 billion. The Board of Directors accepted subscriptions for 30.3 billion and increased the offering size to a total of ISK 23 billion shares as per the authorization from the Company's shareholders' meeting.

### Warrants issued

Following the offering the total number of outstanding shares in Icelandair Group is ISK 28.4 billion. In association with the offering the Company issued warrants, equaling 25% of the nominal amount of new shares, ISK 5.75 billion in total. The warrants were delivered to all investors that got allotted new shares in the offering free of charge. The warrants grant their holders a right, without obligation, to acquire additional

shares in the Company at specific intervals over the next two years. The warrants are freestanding and separate financial instruments and can be traded independent of the shares until their respective exercise periods. The warrants were listed on the Nasdaq Iceland main market on 13 October 2020.



## Outlook

The Group's current focus is to preserve cash but at the same time taking actions to remain prepared for efficient ramp-up as soon as markets recover. Icelandair's international passenger network will continue to be operated at a minimum level in the coming weeks with the focus being to serve core destinations in Europe and North America. The current assumption is that a modest ramp-up will begin in Q2 2021.

### Near-term outlook remains challenging

The near-term outlook for the operations of Icelandair Group remains challenging. Icelandair's flight schedule for 2021 is subject to the situation regarding COVID-19 having improved in the Company's markets, and current travel restrictions being eased. The route network has been simplified to strengthen Icelandair's flexibility to

respond quickly to the fast-changing market conditions and align capacity to demand at any given time. The focus is on Icelandair's key markets to and from Iceland as well as providing convenient connections between Europe and North America.

### Good outlook for the freight operation

The freight operation of Icelandair Group has been less affected than its passenger services and the outlook for the coming months is good. The company will continue to focus on freight transport in cargo aircraft, until the

capacity in the route network has somewhat recovered. Other Group businesses are expected to continue to operate at minimum levels in the coming weeks.

### Flexible booking policies introduced

Icelandair has introduced new flexible booking policies that allow customers to book a flight with confidence in these uncertain times. The aim is to meet customers'

needs during the current conditions in the world, providing flexible service and travel experience.



Solution to issue  
travel credit vouchers



Chat bot, which  
lightened the load on  
our service center



Automated refunds to  
shorten the refund  
process considerably



New policies to make  
bookings and  
changes easier



## The return to service of the Boeing 737 MAX

After completing the most thorough global inspection process in aviation history, major aviation authorities around the world have recertified the Boeing 737 MAX as safe to fly, after almost two years on the ground. Specific steps are taken before returning each aircraft to passenger service in line with authorities' requirements. These include software updates and various other maintenance tasks, extensive pilot training and test flights. The Boeing 737 MAX aircraft will serve in

Icelandair's route network from early March 2021, following all necessary updates and training where safety is a priority. The aircraft is both cost-effective and more environmentally friendly than the Company's current fleet, providing additional operational flexibility during the ramp-up, as well as supporting the future development of its route network.



## Divestment of Iceland Travel

The Board of Icelandair Group has resolved to initiate a process to sell Iceland Travel, a subsidiary of the Group. The decision is in line with the Group's strategy to focus on its core business, aviation and related services. The objective of the sales process is to maximize the value of

the company, while guarding the interests of the Icelandic tourism sector, the company's employees and other stakeholders.

## Post-COVID outlook

Current market research across Icelandair's key markets indicates that Iceland will continue to be an attractive tourist destination post-COVID. The country's small population, spaciousness and untouched nature are seen as positive attributes in wake of the pandemic. In addition, changes in the global competitive landscape are likely to rationalize capacity across the North Atlantic, creating opportunities for Icelandair's business model, both to and from Iceland and by connecting Europe and

North America. Furthermore, the industry is seeing considerable opportunities for cargo transport post-COVID. Icelandair Group intends to place further focus on its cargo operations going forward to seize possible opportunities and further develop Iceland as an important hub for cargo transport between Europe and North America.



# Risk management

Icelandair Group's risk management objective is to manage and control risk exposures and keep them within acceptable levels, subject to optimized returns. The Company uses derivatives to limit exposure to fuel price, currency, and interest rate fluctuations as part of its financial risk management. All risk management is carried out within guidelines set by the Board of Directors.

Various macro-economic, sector-specific, financial, and enterprise-related risks can impact Icelandair Group's operations and its ability to achieve its strategic objectives. The Board of Directors is responsible for determining the Company's risk appetite and defining policy measures to reduce exposure to financial and enterprise risk to corresponding levels. These policy measures outline the parameters and framework that need to be considered when managing risk, especially risk arising from price volatility and liquidity fluctuations. Financial risk is handled centrally for all Group

companies while day-to-day operational risk is largely managed by line managers at the division level. An Internal Risk Management Committee, chaired by the CEO, endeavors to reduce risk exposure to the maximum feasible extent within the Board's policy limits. Additional risks and/or uncertainties that do not currently exist, are not presently considered material, or of which the Company is unaware, may also impair operations. The policy and measures are therefore reviewed, and modified as needed, on a regular basis.

## Foreign currency risk

The Company seeks to reduce the impact of fluctuations in foreign exchange rates on future cash flows through matching inflows and payments in each individual currency to the extent possible. Any mismatch is dealt with using currency trades within the Company first before turning to outside parties. The Company follows a policy of hedging 50-80% of the forecast net currency exposure 9-12 months forward. In addition to the impact on cash flow, risk exposure of this nature affects the Balance Sheet.

In recent years, the biggest currency mismatch has been an ISK deficit, the currency in which the Company's salary expenses are payable. Due to the small size of its home market relative to overall operations ISK inflows have traditionally fallen short of covering those costs. The shortage is financed by a surplus of European currencies, most importantly the EUR and Scandinavian currencies, as well as the CAD.

In 2020, the severe disruptions brought on by COVID-19 temporarily changed both the cash flow and Balance Sheet exposure. A drastic contraction in sales, traditionally overwhelmingly denominated in foreign

currencies, resulted in a temporary over-hedged foreign currency cash flow position. Consequently, the Company resolved to pause its rolling foreign exchange hedging program and no new forward contracts have been entered into since March 2020. Existing contracts were settled using cash flows paired with available reserves of currencies until Q4 2020 when the remaining forward contracts were rolled forward six months each as they became due. The Company expects to resume its regular foreign exchange cash flow hedging program once greater certainty regarding expected exposures is reached.

The ISK shortfall was managed through cash flows supplemented by sale of foreign denominated cash reserves, mainly USD throughout Q3 2020 when the Company successfully completed a share offering that raised ISK 23,000 million in new equity. The ISK short 12-month cash flow position thus shifted to a long position and ISK denominated financial assets became more dominant than before. A gradual conversion back to pre-COVID 19 exposures is assumed in the coming quarters.





### Fuel price risk

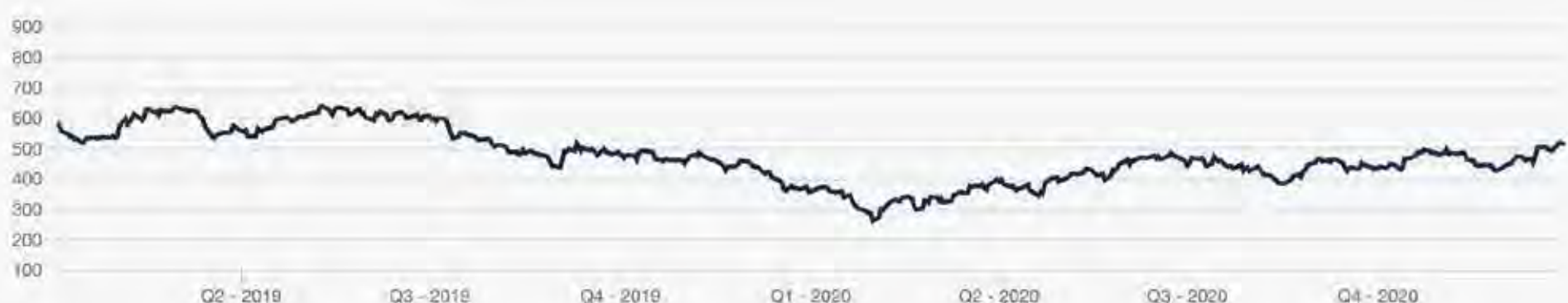
The Company's fuel price risk management strategy aims to provide protection against sudden and significant increases in oil prices while ensuring that the Company is not disproportionately disadvantaged in the event of a substantial price fall thus mitigating volatility in both cash and the Statement of Comprehensive Income in the short-term.

The Board's risk policy requires a hedge ratio between 40% and 60% of estimated usage 9-12 months forward and up to 20% of estimated usage 13-18 months forward. The policy allows for a mixture of swaps and options. The policy and hedge strategy further consider several supporting factors which can act to counter the fuel price risk exposure. These factors are acknowledged as hedge proxies and evaluated to some extent as substitutions for hedge contracts. Hedge strategies are subject to IFRS hedge accounting standards, but, importantly, the embedded instrument quality requirements are aligned with policy guidelines of sufficient effectiveness, reporting clarity and transparency of scenario analysis. Thus, basis risk is avoided, and hedge effectiveness sustained by the choice of instruments.

The COVID-19 outbreak wreaked havoc in the global oil markets in 2020 causing significant disruption to price formation, especially in that of jet fuel. The unprecedented cuts in capacity and a much-deteriorated business outlook, rendered a large portion of the Company's fuel hedges ineffective.

The Company restructured its pre-COVID-19 fuel hedges in the summer of 2020. The measures involved closing out half of all then existing open fuel hedges, measured at fair value, and roll the remaining positions forward by spreading them out in line with the Company's expected production and fuel consumption until June 2022. At the time the action presented a twofold deviation from the approved hedging policy, i.e. in terms of ratio (less than 40% or more than 60% of estimated oil usage was hedged in certain periods) and tenure (the Company entered hedge positions further than 18 months into the future). As of 31 December, the latter no longer applied. As a result of the restructuring all of the Company's fuel hedge positions are deemed effective.

Jet fuel price per tonne 2019-2020





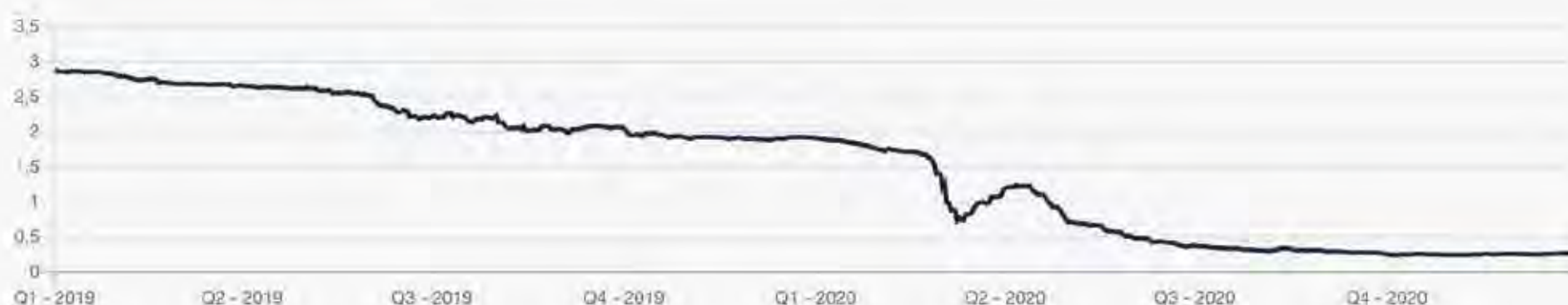
## Interest rate risk

The Company follows a policy of hedging 40-80% of the interest rate exposure of long-term financing with up to a five-year horizon. Currently, foreign loans are hedged against interest rate fluctuations using fixed-rate loan contracts or swap contracts, where the floating rate is exchanged for fixed interest rates. When evaluating the interest risk exposure and the optimal level of protection, account is taken of the Company's level of interest-

bearing cash and marketable securities and various other offsetting economic factors.

Most of the Company's funding consists of floating rate instruments. The Company did not modify its interest rate swaps in 2020 despite the considerable turbulence in financial markets.

Six month USD libor 2019-2020



## Carbon price risk

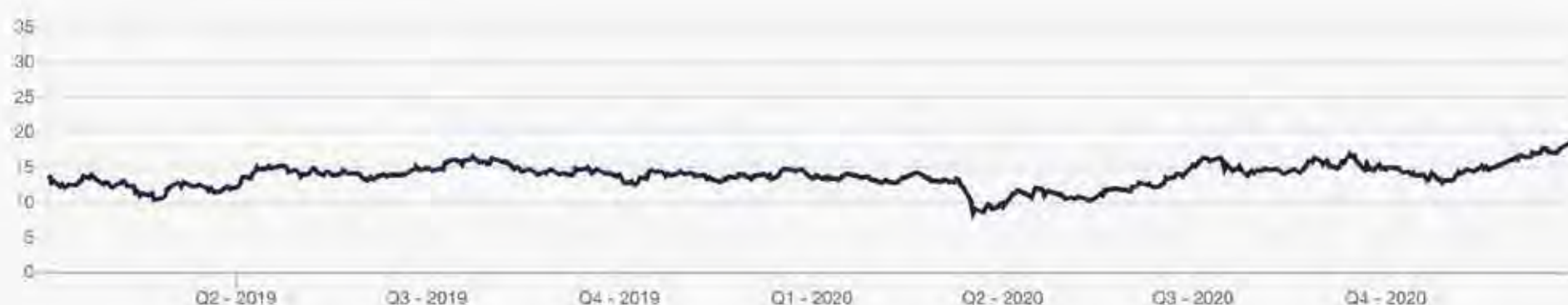
Since the beginning of 2012 all airlines offering European destinations have been required to comply with the EU Emissions Trading Scheme (ETS), which commits them to secure carbon emission permits in proportion to their emissions of carbon.

Conventionally the Company is exposed to carbon emission price risk. Emission permits are mainly purchased using spot and forward contracts, and carbon exposure is subject to the same scrutiny and risk management as jet fuel. In terms of volume, carbon emission is a fixed proportion of the fuel consumption, but the price volatility of carbon has been greater. The consequential cash flow has however been trivial compared to that of fuel costs. Carbon prices have increased significantly in the past few years, to the extent that the procurement of emission permits can have

material effects on operations. Due to the COVID-19 pandemic and subsequent capacity cuts, the free allowances provided by the ETS will materially counter the commitments for 2020.

In addition to the associated costs, minimizing the environmental impact of its operations is an important part of Icelandair Company's business plan as an environmentally conscious company. The Company adheres to the goals IATA has set to address the global challenge of climate change and monitors fuel efficiency and CO2 emissions from flight and ground operations accordingly. Further information on Icelandair Group's objectives in this respect can be found in the Responsibility section of the 2020 Annual Report.

Carbon price EUR/Ton 2019-2020





## Liquidity risk

Liquidity risk reflects the Company's ability to fulfil its payment obligations associated with financial and operational liabilities when they come due. Liquidity risk management is based on a policy of minimum cash target levels deemed adequate under both normal and stressed conditions. The Company aims to maintain the level of its cash and cash equivalents and marketable securities equal to the estimated amount of three months' average fixed operating cost where 30% can be in the form of undrawn lines of credit. Cash flow requirements and their impact on cash levels are monitored by using rolling currency flow forecasts, which are updated on a regular basis.

Icelandair Group enjoyed a strong liquidity and financial position at the outset of the COVID-19 pandemic. Swift actions were nonetheless taken immediately to preserve the Company's strong liquidity to ensure that it could withstand a prolonged period of low production. These actions included drastic capacity cuts with associated reduction in staff, organizational changes, new long-term wage agreements with production related unions, renegotiations with key lenders, lessors, credit card acquirers and vendors, including the Boeing Company, an agreement with the Icelandic government concerning

a government guaranteed credit line, a share offering, and disposal of non-core assets.

In total, the agreements with creditors and vendors improved liquidity and reduced financial liabilities by USD 450 million, taking into consideration discounts, deferrals, and payment holidays. Additionally, the combined share offering, and the government guaranteed credit line added up to USD 329 million in new equity and available liquid funds, taking into consideration the warrants issued to investors that subscribed to new shares in the Offering.

At year-end the Company's cash and cash equivalents amounted to USD 118 million, and USD 42 million of marketable securities with trusted counterparties, in total USD 159 million. The Company further has access to an additional USD 172 million in revolving credit facilities whereof USD 120 million is a facility 90% guaranteed by the government. The level of cash substantially exceeds the liquidity policy given the estimated fixed operating cost associated with current production levels. Safeguarding the Company's liquidity position continues to be the guiding light and absolute priority in the operations until demand starts to pick up.

## Credit risk

Credit risk is dependent on the likelihood of a counterparty's default and the loss of their financial obligations. The greatest part of the exposure is concentrated in the form of cash and cash equivalents. Secondly, there are considerable commitments through trade and other receivables from services rendered. The relative spread of claims across counterparties is a relevant factor contributing to credit risk exposure in addition to the composition of asset classes. The risk is countered by the choice of counterparties and dealt with in the accounts with allowances for impairment. The Company maintains an awareness of potential losses relating to credit risk exposure and chooses its counterparties based on business experience.

As a result of the share increase in Q3 2020 the composition of the Company's financial assets, and thus credit risk, changed somewhat. The proceeds from the Offering, denominated in ISK, were placed in term deposits and mutual funds that invest in deposits and government bonds with rated domestic banks and asset management companies. These investments are considered low risk and fall within the agreed risk management policy.

The Company did not incur any abnormal increases in credit losses in 2020, despite the turbulent operating environment.



## Industry-related risk factors

The Company is subject to a number of industry specific risks and uncertainties that, despite high volatility, remain principally unchanged through the years. At group and subsidiary levels, management monitors and assesses the airline industry's risk exposure.

The year 2020 was overwhelmingly impacted by the COVID-19 pandemic and the associated travel bans, and border closures which saw demand for international travel all but wiped out. The pandemic truly stress tested all aspects of the Company's operations and touched upon nearly every possible major operational risk category spanning everything from safety and hazard issues, labor relations, macroeconomic factors and reputational risk to flight disruptions, aircraft groundings, and storage, and regulatory issues. All while navigating unprecedented drops in revenue, massive lay-offs and re-organizing of all daily operations due to extensive

government-imposed sanitation regulations and social gathering restrictions.

Factors that can be analyzed and monitored with respect to reasonable risk of occurrence and impact call for close monitoring and readily available contingency plans. Icelandair Group demonstrated its operational flexibility under these stressed conditions that truly put the Company's contingency and business continuity plans to the test.

The Company owes its adaptive capabilities chiefly to its talented employees, contingency policies, and economies of scale. The quality of the Company's responsive processes enables it to cope with other adverse circumstances and industry factors, such as seasonality, fierce competition, insurance and new taxes.

## Operational risk

The Group's organization offers to some extent a natural mitigation of business risk by means of diversification. This was indeed demonstrated in 2020 when the Group was able to act swiftly to seize opportunities that arose in its cargo and charter operations while international passenger flights were severely curtailed.

Methods of coping with threats of disruptions and disturbances are decentralized when it comes to operational hazards. The long and successful history of Icelandair Group and its companies is a valuable asset, which serves both as the foundation and the benchmark for many of the policies and contingency plans used across the Group.

Operational risks faced by the Company are inter alia related to computer and communication systems, the capabilities of key personnel, third-party services, funding and loan covenants, compliance to aviation and securities regulations, the success of its chosen strategy and business model and general market risk.

Management constantly evaluates the risks involved and the potential consequences of individual events. Scenarios are projected, charted and contemplated and action plans launched based on possible outcomes, where collaboration is maintained between the Group and its individual companies.

## Enterprise risk management

When properly assessed and executed, a risk management plan gives enterprises precision of methods and promptness to act upon, to decrease the immediate impact of a threat. The key objective of enterprise risk management is to enhance motivation in risk analysis and improve risk awareness, standardize the quantification of risk, and establish a risk culture that is needed to promote everyday risk awareness and risk-reduction measures.

The Company has in past years compiled a risk registry where each subsidiary has defined the most material risks facing their operations along with the estimated inherent financial value, potential consequences, and associated mitigation measures. The Company is yet to implement a formal enterprise risk management system however, a task which was planned to be developed in 2020 but was postponed due to the year's extraordinary circumstances.





# Governance

## Corporate Governance

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

### The framework

The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, along with the Company's Articles of Association, and rules for Issuers of Securities listed on the Nasdaq Iceland, make up the framework for Icelandair Group's Corporate Governance practices. The Company's Articles of Association are accessible on the Company's website and the guidelines

and the rules for Issuers are on the website of Nasdaq Iceland.

The Company complies in all main respects to the rules mentioned above. No government organization has found the Company to be in breach of any rule or regulation regarding corporate governance.



# Board of directors

## Board of directors

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

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

The Company's Board of Directors must at all times ensure that there is adequate supervision of the Company's accounts and the safeguarding of its assets and shall adopt working procedures in compliance with the Companies Act. Only the Board of Directors may assign powers of procurement on behalf of the Company. The signatures of the majority of the members of the Board are required to bind the Company. The President and CEO has charge of the day-to-day operation of the

Company and is required in his work to observe the policy and instructions set out by the Company's Board of Directors. Day-to-day operation does not include measures which are unusual or extraordinary. Such measures can only be taken by the President and CEO with the specific authorization of the Board of Directors, unless it is impossible to await the decision of the Board without seriously disadvantaging the operation of the Company. In such instances, the President and CEO is required to consult with the Chairman of the Board, if possible, after which the Board of Directors must immediately be notified of the measures. The President and CEO shall ensure that the accounts and finances of the Company conform to law and accepted practices and that all assets belonging to the Company are securely safeguarded. The President and CEO is required to provide the members of the Board of Directors and Company auditors with any information pertaining to the operation of the Company which they may request, as required by law.

## Election of Board members

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

The Board of Directors elects a Chairman and Deputy Chairman from its members, and otherwise allocates its obligations among its members as needed. The Chairman calls Board meetings. A meeting must also be held if requested by a member of the Board of Directors or the President and CEO. Meetings of the Board are valid if attended by a majority of its members. However, important decisions shall not be taken unless all members of the Board have had an opportunity to

discuss the matter, if possible. The outcome of issues is decided by force of vote, and in the event of an equality of votes, the issue is regarded as rejected. The President and CEO attends meetings of the Board of Directors, even if he or she is not a member of the Board, and has the right to participate in discussions and submit proposals unless otherwise decided by the Board in individual cases. A book of minutes is kept of proceedings at meetings and must be signed by participants in the meeting. A Board member who disagrees with a decision made by the Board of Directors is entitled to have his or her dissenting opinion entered in the book of minutes. The same applies to the President and CEO. The Chairman is responsible for the Board's relations with the shareholders and he shall inform the Board on the views of the shareholders.



## Rules on Working Procedures

On 12 September 2007 the Board of Directors approved Rules on Working Procedures for the Board which were amended on 10 August 2012 and 9 February 2018. The Rules on Working Procedures are accessible to the Board of Directors and the management through the Board's intranet, Admincontrol. In accordance with article 14 of the Rules on Working Procedures the Board of Directors must annually evaluate its work, size, composition and practices, and must also evaluate the performance of the CEO and others responsible for the day-to-day management of the Company and its development. The annual performance assessment is intended to improve working methods and increase the efficiency of the Board. The assessment entails e.g. evaluation of the strengths and weaknesses of the Board's work and

practices and takes into consideration the work components which the Board believes may be improved.

The Board of Directors elects the members of the Remuneration Committee and the Audit Committee. These sub-committees adhere to the Rules on Working Procedures. The Nomination Committee has its own Rules of Procedures which are approved by the Board. The Board of Directors convened 48 times during the year and all Board Members attended almost all meetings. All the current members of the Board of Directors are independent from the Company. All Board members were independent of the Company's major shareholders in 2020.

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

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee
No. of meetings in 2020	48	6	4	5	10
Úlfar Steindórsson	x (Chairman)		x (Chairman)	x	
Guðmundur Hafsteinsson	x	x	x		
Svafa Grönfeldt	x	x			x (Chairman)
John F. Thomas	x				x
Nina Jonsson	x				x
Alexander Edvardsson		x (Chairman)			
Hjörleifur Pálsson				x (Chairman)	
Helga Árnadóttir				x	

## Values, code of ethics and corporate responsibility

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

The Company's values are:

- Passion
- Simplicity
- Responsibility



## Sub-committees of the board

### Internal audit and risk management

The Group's Audit Committee oversees how the management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by internal audit processes. Regular and ad hoc reviews of risk management controls and procedures are a part of the Company's working procedures, the results of which are reported to the Audit Committee. The Committee shall oversee the annual financial statements of the Company and the Group's consolidated financial statements including non-financial information as well as the company's annual report. An amendment to the internal process to formally review the annual report by the audit committee in case an audit committee member will not

be part of the board of the company was intended to be implemented in 2020 but the implementation is on the agenda in 2021. The Committee is responsible for the evaluation of the independence and the eligibility of both the Company's external auditor and auditing firm. The Committee shall make suggestions to the Board of Directors regarding the selection of the Company's auditor. The Audit Committee held six meetings in 2020.

#### Audit Committee:

- Alexander Edvardsson, Chairman
- Guðmundur Hafsteinsson
- Svafa Grönfeldt

### Remuneration Committee

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

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

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

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



## Remuneration Policy Execution – Checks and Balances

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

In 2019 the Remuneration Committee approved a short-term incentive program for which the Executive Committee and senior managers were eligible to participate in based on their respective roles in the organization.

The purpose of the program is to align the interests of the management with those of the shareholders and mobilize the Company's leadership to focus on the overall performance – both financial objectives and the execution of the Group's strategy. The program is

designed to encourage the management to increase shareholder value and reward operational performance, proper management and professional conduct. Performance outcomes are determined by a mixture of financial-, strategic-, and operational measures which take into account the participant's role. Performance payouts based on this short-term incentive program are annual and capped at 25% of annual base salary.

Any compensation to the management under the short term incentive program is based on the sole discretion of the Remuneration Committee taking into account the factors above. Without questioning the value of the management's contribution to the Company in 2020 the Remuneration Committee has decided that no payments will be made under the short term incentive plan for 2020 due to financial outcome of the year and further financial challenges resulting from the COVID-19 pandemic.

## General Salary Development

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

In terms of the local Icelandic general labor market industry pay developments vis-à-vis the ground- and office staff is characterized by a complicated set up based on operational requirements of 24/7 opening functionality all year around.

## CEO Remuneration

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

As stated above, the variable remuneration of the President and CEO is an integral part of the overall Executive Committee remuneration policy which is linked

to predetermined and quantifiable performance measures which are reviewed and approved by the Remuneration Committee and the Board each fiscal year.

The Remuneration Committee typically reviews the President's and CEO's performance measures and makes a proposal for appropriate changes to the Board of Directors to reflect a strategic or tactical directional change for the Group from time to time.



## Board of Directors Remuneration

According to Icelandair Group's Remuneration Policy, remuneration for the members of the Board of Directors and members of the Board's sub-committees shall be based on the time spent by directors on the job and the responsibilities associated with the role. When determining remuneration to the directors of the Board, consideration shall be given to the remuneration paid to board directors of comparable companies. Members of the Board of Directors are not remunerated in shares, purchase or put options, pre-emptive rights, warrants or any other payments related to shares in the Company or the share price development in the Company.

The Remuneration Committee re-evaluates the remuneration of members of the Board of Directors annually taking into consideration, among other things, wage development within Icelandair, development of the general wage index as well as the Company's overall performance. Proposals of the Remuneration Committee

on the remuneration of the members of the Board of Directors and its sub-committees, and any changes in the Remuneration Policy, are submitted to the Board of Directors which subsequently submits a proposal for a shareholders' vote at the Annual General Meeting.

The Remuneration Committee is currently reviewing the current Remuneration Policy and the remuneration to the members of the Board of Directors. If any changes will be suggested, and approved by the Board of Directors, such proposals will be submitted to the Annual General Meeting for the approval of shareholders.

### Remuneration Committee Members

- Úlfar Steindórsson, Chairman
- Guðmundur Hafsteinsson

## Nomination Committee

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

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

The Nomination Committee consists of three members. The Shareholders' meeting elects two members, one man and one woman, which are nominated by

shareholders. Subsequently, the Board of Directors nominates one member.

All members shall be independent of the Company and its executives. The member nominated by the Board of Directors shall be independent of the Company's largest shareholders. The same criteria shall apply to the assessment of the independence of Committee members as to the assessment of the independence of Board Members according to The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland. The Nomination Committee held five meetings in 2020 and furthermore had meetings with Icelandair Group's management team and the largest shareholders.

### Nomination Committee members:

- Hjörleifur Pálsson, Chairman
- Helga Árnadóttir
- Úlfar Steindórsson



# Strategy Committee

The purpose of the Strategy Committee is to maintain oversight over the development and implementation of Icelandair Group's strategy and the risks to it. In addition, the Committee serves as a forum for in-depth discussions on Icelandair Group's strategy and relevant considerations between the Board of Directors, the Executive Committee, and functions responsible for strategy development and implementation.

The Strategy Committee was formed to foster closer involvement from the Board of Directors with Icelandair Group's strategy development and implementation. As a whole, the Committee has extensive knowledge and

experience of airline strategy and strategic implementation in addition to a strong network within the industry. As a result, it can provide valuable support to the Icelandair organization on strategic topics. The committee held ten meetings in 2020.

## Strategy Committee members:

- Svafa Grönfeldt, Chairman
- John F. Thomas
- Nina Jonsson



# The Board of Directors

## **Úlfar Steindórsson**

Chairman



Úlfar Steindórsson is CEO and Chairman of Toyota in Iceland ehf. and Jù ehf. He was CEO of Primex ehf. in Siglufjörður from 2002 to 2004 and CEO of the New Business Venture Fund from 1999 to 2002. Úlfar is Chairman of the Board of Bilaútleigan ehf., Okkar bílaleiga ehf., Motormax and TK bílar ehf. He is Board member of Toyota in Iceland ehf., Fagkaup ehf., UK fjárfestingar ehf., Skorri ehf., Keila ehf. and My Car ehf. and a vice board member of Bláa lónið ehf. Úlfar holds a Cand. Oecon. degree from the University of Iceland and an MBA from Virginia Commonwealth University. He joined the Board of Icelandair Group on 15 September 2010.

## **Svafa Grönfeldt**

Vice Chairman



Svafa Grönfeldt is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX focused on the design and development of technology and service-based ventures created at MIT. Svafa is the co-founder of The MET fund, a Cambridge based seed investment fund. She is a member of the Board of Directors of Össur since 2008 and Origo since 2019. Previous positions include executive leadership positions at two global life science companies where she served as Chief Organizational Development Officer of Alvogen and Deputy to the CEO of Actavis Group. Her executive career has been focused on organizational design for high growth companies, strategy implementation, service process design for operational improvement and performance tracking. She is a former President of Reykjavik University. Svafa holds a Ph.D. from the London School of Economics where she examined the impact of customer-oriented behaviours and service design on business outcomes. She joined the Board of Icelandair Group on 8 March 2019.

## **Guðmundur Hafsteinsson**

Board Member



Guðmundur Hafsteinsson is an investor and entrepreneur and previously lead product development for Google Assistant at Google. He joined Google in 2014 subsequent to the merger of Google and Emu, a chat-based virtual assistant start-up he founded in 2012. Prior to the founding of Emu, he was VP Product at Siri, and stayed on after the acquisition by Apple through the launch of Siri on iPhone 4S. Prior to Siri/Apple, Guðmundur was a Senior Product Manager at Google, where he managed the initial launches of Google Maps for mobiles and Google Voice Search. Guðmundur holds an MBA degree from MIT and a BSc. degree in Electrical and Computer Engineering from the University of Iceland. He joined the Board of Icelandair Group on 8 March 2018.



**John F. Thomas**

Board Member



John F. Thomas is owner and CEO of Waltzing Matilda Aviation LLC, a jet charter and aircraft management company based in Boston that he founded in 2008. In year 2016-2017, Mr. Thomas was Group Executive at Virgin Australia Airlines where he led a financial turnaround as CEO of a AU\$ 4.0bn (appr. USD 3bn) full service carrier with over 6,000 employees and 125 aircraft, and from 1990-2016 he was with the global strategy consulting firm L.E.K. Consulting, as a Managing Director/Senior Partner from 1993 and created and led the Global Aviation Practice for over 16 years. Additionally he is a Senior Advisor to the management consultancy McKinsey & Co., the aviation infrastructure firm Nieuport Aviation Infrastructure Partners GP and the tourism technology firm Plusgrade. He also sits on the Board of SkyService Inc. the largest corporate aviation provider in Canada where he also Chairs its Health and Safety committee. He continues to provide advisory work to the global airline industry. Mr. Thomas holds an MBA degree from Macquarie University Graduate School of Business (which included 9 months at the MBA program at INSEAD) and a Bachelor of Commerce degree from the University of New South Wales. He joined the Board of Icelandair Group on 6 March 2020.

**Nina Jonsson**

Board Member



Nina Jonsson is currently a Senior Advisor at aviation consultancy Plane View Partners and a board member at aviation technology firm FLYHT. Between 2015 and 2017, she held the role of Senior Vice President Group Fleet at Air France-KLM Group where she was responsible for group-wide fleet strategy, aircraft sourcing, leasing and sales. Previously, Ms. Jonsson held a number of other executive positions within the aviation industry including Fleet Management Officer at the Bristow Group (2012-15), Director Fleet Planning at United Airlines (2006-2011) and Director Fleet Management at US Airways (2002-2005). Ms. Jonsson holds an MBA degree from Rensselaer Polytechnic Institute and a B.Sc. degree in Air Transport Management from the University of New Haven. She joined the Board of Icelandair Group on 6 March 2020.



# Executive Committee

## **Bogi Nils Bogason**

President & CEO Icelandair Group



Bogi Nils has served as President and CEO of Icelandair Group since December 2018 after having served as CFO since 2008 and Interim President and CEO from August 2018. He was the CFO of the investment bank Askar Capital from January 2007 and the CFO of the international seafood company Icelandic Group from 2004 to 2006. Bogi Nils served as an Auditor and Partner at KPMG in Iceland during the years 1993-2004. He holds a Cand. Oecon. Degree in Business from University of Iceland and is a Chartered Accountant.

## **Eva Sóley Guðbjörnsdóttir**

Chief Financial Officer



Eva Sóley was appointed CFO of Icelandair Group in February 2019. She served as the CFO at Advania in Iceland from 2015 and as the CFO and COO from 2018. Prior to that she was Vice President in Corporate Finance at Össur and a part time lecturer at Reykjavik University. She sits on the Board of University of Iceland Science Park and has in the past held various board positions in several industries. She started her career within the financial services industry and worked at Kaupthing bank for several years in treasury, funding, corporate finance and corporate banking and as the CFO. Eva Sóley holds a MSc. Degree in Financial Engineering and a BSc. Degree in Engineering Management Systems, with a minor in Economics from Columbia University in New York. She is also a licensed securities broker.

## **Birna Ósk Einarsdóttir**

Chief Commercial Officer



Birna Ósk was appointed Chief Commercial Officer in February 2019 after having served as Chief Customer Experience Officer and Chief Business Development and Strategy Officer since she joined Icelandair Group in 2018. She served as the Executive Vice President of Marketing and Business Development at Landsvirkjun from 2017-2018. Prior to that, she worked at the Telco&IT company Siminn from 2001, serving as Executive Director from 2011, i.e. leading the company's Sales and Services division, after having served in various roles within the company, such as in public relations, HR, project management and marketing. Birna has a BSc. Degree in Business Administration from University of Reykjavik and an MSc. Degree in Management and Strategic Planning from University of Iceland. She has also completed the Advanced Management Programme (AMP) at IESE Business School in Barcelona.



**Jens Þórðarson**  
Chief Operating Officer



Jens has served as Chief Operating Officer since January 2018 after having served as VP Technical Operations at Icelandair since October 2011. Prior to that he held various management positions in the Technical Operations organisation from 2007. Jens has worked at the Company since 2005, starting as an Assistant to the Managing Director of ITS, a subsidiary of Icelandair. Jens is an Industrial Engineer and holds an M.Sc. Degree from University of Iceland.

**Gunnar Már Sigurfinnsson**  
Managing Director Air Freight and Logistics



Gunnar Már has served as the Managing Director of Air Freight and Logistics (Icelandair Cargo) since 2008. From mid-year 2018 to February 2019 he also served as the Chief Commercial Officer at Icelandair Group alongside his role at Icelandair Cargo. He was the SVP of Sales and Marketing at Icelandair from 2005 to 2008 and General Manager of Germany, Netherlands & Central Europe from 2001-2005. Gunnar Már was Sales Manager in Germany from 1997 to 2000. Prior to that, he worked at Icelandair Domestic as the Sales and Marketing Manager until 1997, after having worked at that company in various roles since 1986. Gunnar Már holds a BSc. Degree in Business Administration from University of Iceland. He has also completed the Advanced Management Programme (AMP) from University of Reykjavik and IESE Business School in Barcelona.

**Árni Hermannsson**  
Managing Director of Aircraft Leasing and Consulting



Árni has served as Managing Director of Loftleidir Icelandic since January 2018 after having served as the Chief Financial Officer of the company since 2002. Prior to that he was the Chief Financial Officer of the Icelandic technology companies ANZA and Alit. He holds a Cand. Oecon. Degree in Business Administration from University of Iceland.



**Elísabet Helgadóttir**

Chief Human Resources Officer



Elísabet has served as Chief Human Resources Officer since January 2018. She worked in Human Resource Management at Islandsbanki since 2007 and as the Head of Career Development for the last five years. Her main projects at Islandsbanki included supervision of all staff education and training, management training and executive coaching among other strategic human resource projects. From 2000 to 2007, she worked for Capacent Gallup on research and consultancy. Elísabet holds a BA Degree in Psychology from University of Iceland and a MA degree in International Human Resource Management from the EADA Business School in Barcelona.

**Tómas Ingason**

Chief Information Officer / Chief Business Development Officer



Tómas was appointed Chief Information Officer in February 2019 and assumed additional responsibilities for Network and Strategy as Chief Business Development Officer in April 2020. He was Chief Commercial Officer of WOW air in 2018 and Director of Rapid Digitization at Arion Bank between 2016 and 2018. Tómas was the Chief Business Development Officer of WOW air in 2014. Prior to that he was a Management Consultant at Bain & Company in Copenhagen and served as the Director of Revenue Management and Pricing at Icelandair for several years. Tómas holds an MBA Degree from MIT Sloan School of Management in Boston, MSc. Degree of Engineering in Logistics and Supply Chain Management and a BSc. Degree in Industrial Engineering from the University of Iceland.



# Responsibility



## Responsibility at Icelandair Group

Aviation connects people, cultures and facilitates international relations, business and transport. For an island located in the middle of the North Atlantic, aviation is fundamental to connect to the world and maintain a good quality of life. As the leading airline in Iceland and an important employer, Icelandair Group takes its responsibility seriously towards all its stakeholders, such as its employees, customers and shareholders, as well the environment, the Icelandic economy and society at large.



## Our approach to sustainability

Icelandair Group's strategy in corporate responsibility is based on the United Nations' Sustainable Development Goals (SDGs). These goals have become a universal language of governments and businesses to work towards a more sustainable future.

### Our responsibility model



### Strategic focus areas and key goals

Based on involvement of all functions and business units, Icelandair Group has chosen four Global Goals as its strategic focus. These represent areas where the

Company identifies it can best create shared value and thereby contribute to a more sustainable future.

#### Reducing CO2 emissions



- 20% reduction of CO2 emissions from flight operations\*

\* relative to OTK (operational tonne kilometre) 2015 - 2025

- 40% reduction of CO2 emissions from ground vehicles

#### Promoting gender equality



- Never less than 40% of either gender in management positions
- Increase the number of female pilot positions by 25%

- Increase the number of male cabin crew positions by 25%
- Increase the number of female aircraft maintenance technicians by promoting the job and education to girls

## Ensuring a responsible supply chain



- By end-2020, top 100 suppliers have gone through our risk screening model and actions have been taken to act on the assessment
- By end-2021, our Code of Conduct is integrated in all business contracts
- By end-2021, all significant suppliers have gone through risk screening model and actions have been taken to act on the assessment

## Driving economic value



- Map Icelandair Group's contribution to Iceland's economy

Specific targets have been set for the Company's key focus areas in corporate responsibility and action plans developed. As the Company has been heavily affected by the COVID-19 pandemic, a few are still being explored that will be further developed when operations resume.

Read more about the actions taken in 2020 in each section of the report.

## Stakeholder engagement

Icelandair Group has an ongoing dialogue and cooperation with a wide range of stakeholders through its business operations and customer engagement, which involves sustainability-related issues as well. The Company participates in a number of initiatives where it gains input in its overall strategy and approach to responsibility such as FESTA, the Icelandic Sustainability Network and the '25 by 25' initiative with IATA. In addition, Company representatives participate in panel discussions and events focused on sustainability issues to gain further information on stakeholder perspectives.

In 2020, the Company continued to review its responsibility-focused stakeholders such as NGOs, business partners, the tourism industry and business associations. The events of the year 2020 have reinforced the Company's identification of its primary stakeholders where it has added Shareholders to the list following a successful share offering in September 2020, resulting in a considerable increase in the number of shareholders.

## Our primary stakeholders



Business partners  
and suppliers



Employees



Customers



NGOs and business  
associations



Government and  
regulators



Tourism industry



Shareholders



Primary stakeholders	Our responsibility
Business partners and suppliers	<ul style="list-style-type: none"> <li>+ Sustainability</li> <li>+ Good business practices</li> <li>+ Responsible supply chain</li> </ul>
Employees	<ul style="list-style-type: none"> <li>+ Health and safety</li> <li>+ Equal rights and equal pay</li> <li>+ Employee satisfaction</li> <li>+ Training and competence development</li> </ul>
Customers	<ul style="list-style-type: none"> <li>+ Health and safety</li> <li>+ Simplicity in booking process and change process</li> </ul>
NGOs and business associations	<ul style="list-style-type: none"> <li>+ Sustainability</li> <li>+ Good business practices</li> </ul>
Government and regulators	<ul style="list-style-type: none"> <li>+ Compliance with regulations</li> </ul>
Tourism industry	<ul style="list-style-type: none"> <li>+ Cooperation groups</li> <li>+ Sustainability</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>+ Good business practices</li> <li>+ Good governance practices</li> <li>+ Sustainable growth</li> </ul>

## Materiality assessment

Icelandair Group has performed a materiality analysis to identify its key economic, environmental and social matters. As a background for the materiality analysis, the Company worked with an industry benchmark, a trend analysis, a sustainability risk assessment and a mapping of its significant positive and negative impact on the UN Sustainable Development Goals, as well as the results of its stakeholder dialogue.

The wider team representing all business areas within Icelandair Group then validated, in a workshop format, the most material issues for Icelandair Group. All issues are covered in this report.

## Material issues for Icelandair Group

- Passenger safety and wellbeing
- Climate impacts
- Environmental impacts
- Employee health and safety
- Employee motivation and satisfaction
- Competence development and training
- Gender diversity
- Economic contribution to the Icelandic economy
- Responsible procurement
- Business ethics and anti-corruption
- Governance





Icelandair Group's responsibility strategy is based on the Sustainable Development Goals. The four key goals that were chosen represent areas where the Company concluded that it can have a significant impact and create shared value.

**Goal 5:** Gender Equality with a special focus on sub-goal 5.5 to ensure full participation in leadership and decision-making. Here, Icelandair Group focuses on the gender ratio at the management level, and among its pilots, flight crew and technical staff to work towards a more equal representation.

**Goal 8:** Decent Work and Economic Growth with a special focus on Iceland and 8.3 to promote policies to support job creation and growing enterprises, and 8.9 to promote beneficial and sustainable tourism. Here, Icelandair Group focused on understanding and

increasing its positive economic contribution to the tourism sector in Iceland, and to the Icelandic economy as a whole as one of the country's largest companies.

**Goal 12:** Responsible Production and Consumption with a special focus on its own operations, 12.7 to promote sustainable procurement practices, and on waste for 12.3 and 12.5 to halve global per capita food waste and substantially reduce waste generation. Here, Icelandair Group focused on promoting sustainable and responsible procurement practices for its different companies, and as well as on working to reduce waste across its operations.

**Goal 13:** Climate Action with a special focus on its flight operations and ground vehicles to ensure that the Company does all it can to limit its climate impact.

## About the report

Icelandair Group presents its responsibility information in accordance with the Global Reporting Initiatives (GRI) standards, core level. The sustainability information presented in the responsibility report for 2020 has not been assured by an external party.

This report addresses all the material aspects reflecting Icelandair Group's significant economic, environmental and social impacts. Those matters were identified and evaluated on the basis of a materiality assessment that involved input from the Company's main stakeholders. It describes Icelandair Group's opportunities, risks and progress made in the field of responsibility during 2020.

Icelandair Group is in cooperation with Klappir – Green Solutions to track and follow the environmental aspects of Icelandair Group, to foster the data, ensure traceability, integrity, transparency, usefulness and reliability of the data set.

This report covers the global activities of Icelandair Group, excluding Icelandair Hotels except for the amount of employees where the hotels are counted in the first quarter of 2020.

Company	SDGs	Description of services
Icelandair	5,8,12,13	The largest entity of the group, the international passenger airline, including its subsidiary Icelandair Cargo
Icееignir	12	A real estate company that holds the real estate of Icelandair Group
Loftleidir Icelandic	5,8,13	Offers aircraft leasing and consulting services to international passenger airlines and tour operators
Iceland Travel	5,8	The largest incoming tour operator in Iceland
Air Iceland Connect	5,8,12,13	The domestic and regional carrier
Feria (Vita)	5,8,13	Operates under the name VITA as an outgoing tour operator



# Environment

Icelandair Group is an environmentally-conscious company with a high standard for safe and responsible aviation and it is dedicated to minimising the environmental impact of its operations. The Company recognises the influence that air travel has on the environment by addressing its responsibilities to reduce emissions, conserve natural resources, as well as optimise the use of sustainable energy and recyclable materials. Icelandair is certified to the highest level of the IEnvA environmental certification program from IATA, which requires demonstration of ongoing environmental performance improvements.



Sustainable business growth requires the Company to address its environmental impact, both globally and locally. As part of this effort, Icelandair Group participates in the work of various environmental working groups, such as with the International Air Transport Association (IATA) and Airlines for Europe (A4E). Furthermore,

Icelandair Group participates in the incentive project of Responsible Tourism in Iceland along with over 300 companies, with the purpose of maintaining Iceland's status as an optimal future destination for tourists by supporting sustainability for future generations.

## Icelandair Group's Environmental Policy

Minimizing the environmental impact of our operations is an important part of Icelandair Group's business plan.

We are focused on keeping Icelandair Group green by employing sustainable practices and optimal use of resources at our disposal.

In addition to compliance with applicable laws and regulations, the Company demonstrates its commitment to this policy through:

- Minimising carbon footprint and raising awareness
- Reducing waste by increasing recycling
- Promoting responsible use of resources
- Increasing the use of environmentally friendly products and services

Icelandair Group is committed to supporting continuous improvements by setting measurable targets, raising awareness and benchmarking performance.





## Emissions

Icelandair adheres to the goals IATA has set to address the global challenge of climate change and monitors accordingly fuel efficiency and CO2 emissions from flight

and ground operations. To achieve the goals Icelandair has set targets for reducing emissions to 2025.

### Reducing CO2 emissions



- 20% reduction of CO2 emissions from flight operations\*

\* relative to OTK (operational tonne kilometre) 2016 - 2025

- 40% reduction of CO2 emissions from ground vehicles

### Goal to reduce CO2 emissions from flight operations by 20%

Icelandair Group grew tremendously over the past decade. The increase in the number of passengers and amount of cargo, the constant growth of the route network, as well as the expansion of the Company's fleet are all factors that affect and increase the total emissions. However, in 2020 the Company was heavily impacted by the global pandemic, like the airline and tourism industries as a whole. As travel restrictions were put in place around the world, travel demand almost dropped completely and Icelandair Group's route network was consequently drastically reduced. A large part of Icelandair Group's fleet was put in storage as a result. Evidently, the total emissions for the year 2020 dropped significantly compared to previous years. The Company,

however, focused on meeting demand for cargo transport, protecting important export from Iceland and importing necessities to the country. All available cargo space in the passenger aircraft was utilised and additional flights set up with special cargo aircraft. In addition, the interior was removed from six passenger aircraft to participate in transporting medical equipment from China to Europe and North America. The Company also took on special projects in assisting stranded passengers all around the world through its leasing operations, Loftleidir Icelandic. The total emissions from aviation in 2020 were 346,397 tCO2e, a reduction of 74% compared to the previous year.

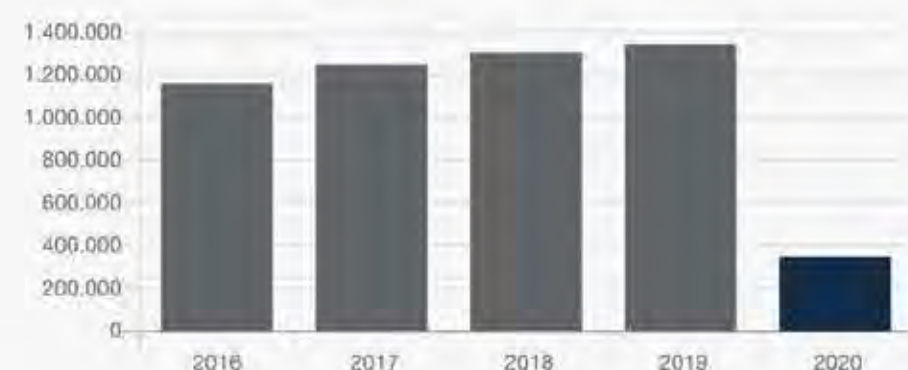
### Fuel efficiency key metrics

The key metric that is used to monitor environmental impact is CO2 per Operational ton kilometer (OTK). The OTK metric displays how much CO2 is emitted by moving one payload ton one kilometer.

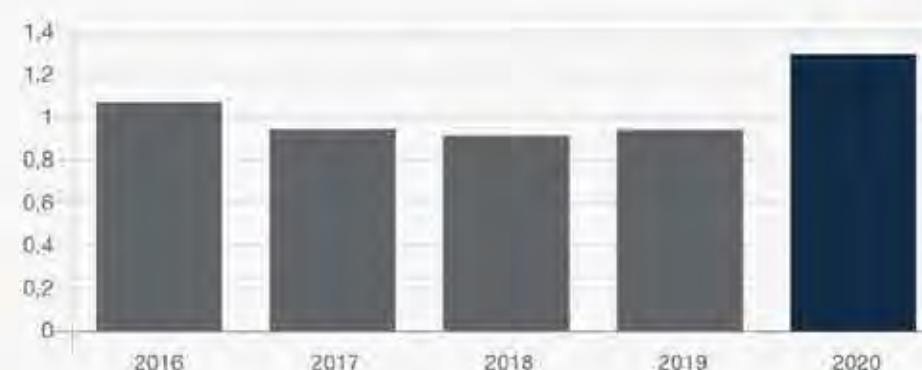
Lower average payload during the year is the reason why the OTK metric is higher than the years before even though total CO2 emissions are significantly lower. In

addition, the continued suspension of the Boeing 737-MAX aircraft, which are more fuel-efficient than Icelandair's current fleet, also have an impact throughout the year.

### Total CO2 emissions



### kgCO2 per OTK





## Goal to reduce CO2 emissions from ground vehicles by 40%

Ground operations generate some carbon emissions and the emissions from Ground vehicles in 2020 are 813 tCO<sub>2</sub>e, a reduction of 51% from 2019 which is fully explained by the effects of Covid-19. This number includes data from around 130 cars, vehicles and equipment directly linked to the airport. It does not

include company cars. Icelandair Group aims to renew the equipment fleets with electrified equipment when current equipment completes its service life so not to waste fully functional equipment and by those measures aim to reduce CO<sub>2</sub> emissions by 40% before 2025.



## Greenhouse gas emissions

**Scope 1** emissions are direct emissions from owned or controlled sources which are mostly emissions from flights. Scope 1 includes emissions from Icelandair (including Icelandair Cargo, charter flights and Loftleiðir), Air Iceland Connect and from ground vehicles.

**Scope 2** emissions are indirect emissions from sources that are owned or controlled by the company, that includes emissions from the generation of electricity and heat. All energy consumption from the water, both hot and cold, used in domestic operations and offices, is from renewable energy sources. Also, all the electricity used at Icelandair Group comes from a renewable source and is 100% hydroelectric. That results in low emissions reported in Scope 2.

**Scope 3** emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the company. For Icelandair Group Scope 3 emissions have been calculated from waste streams only.

## Division of GhG emissions





Electrification of domestic aircraft and sustainable aviation fuels

The Company’s goal is to maximise the use of renewable energy in all aspects of its operations where it is possible to use alternatives, and actively observe progress in the development of alternative aviation fuels.

Icelandair participates in programs that explore development of alternative fuels and electric airplanes, NISA and NEA. There are significant reasons why Icelandair Group should be an early adopter of electrification in aviation as the expected range for these aircraft will fit Iceland's domestic flights perfectly and will provide a cost-effective, environmentally friendly and convenient transport between parts of the country. It fits

well with Iceland's well-established green energy narrative.

NISA is an active Nordic association working to promote and develop a more sustainable aviation industry, with a specific focus on alternative sustainable fuels for the aviation sector.

NEA (The Nordic Network for Electric Aviation) is a platform where Nordic actors come together to accelerate the introduction of electric aviation in the Nordic countries.

Carbon emissions monitoring

Since the beginning of 2012 all airlines offering European destinations have been required to comply with the EU Emissions Trading Scheme (ETS), which commits them to raise their carbon permits in proportion to their emissions of carbon. To address the increase in emission as of 2020 the International Civil Aviation Organization

(ICAO) has decided to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Icelandair is participating in CORSIA by monitoring emissions, starting in 2020 (might be reconsidered due to effects of Covid-19).

Waste

Icelandair Group's goal is to minimise waste and increase recycling in all operations where restrictions by laws and regulations do not restrict waste separation.

Total amount of waste generated by Icelandair Group was around 2,450 tonnes 2019, very similar to previous years. The geographical location of operations and the legal environment must be considered as in some cases

these factors may restrict waste separation, as cabin waste is subject to national waste management controls that are strict to protect agricultural sectors. That means that all cabin waste that has come in contact with or is made from animal products must be incinerated. Approximately 9% of all waste was incinerated in 2019.

	2020	2019
Amount of waste	535 tons	2450 tons
Sorted waste	43%	40%
General waste	57%	60%

The events of the year and the decrease in travel demand have had the side effects that the amount of waste generated from the Company is considerably less than in previous years, just about 20% of the amount in a normal operating year, the biggest impact there is the decrease in operations in the Catering Kitchen at Keflavik Airport and the services on board were minimised to limit

contact between passengers and crew members. To respond to the situation, the Company has, in co-operation with its waste service provider, changed the frequency of the waste collection to eliminate unnecessary trips with empty waste containers.



## Waste handling

Icelandair Group has initiated various projects to improve waste recycling within the Company with good success. As can be seen 76% of waste from GSE is recycled, that is mostly used oils and metal parts. Waste from the

hangar in Keflavík includes very much timber and metals and 52% of waste goes into recycling streams.

	2020	2020	2019	2019
Location	Amount of waste (kg)	Sorted Waste	Amount of waste (kg)	Sorted Waste
Catering Kitchen	196,576	26%	882,058	26%
GSE maintenance in Keflavík (Ground Service Equipment)	22,518	87%	33,540	76%
Hafnarfjordur Office Building	27,358	81%	24,823	61%
Hangar in Keflavik	116,546	54%	214,540	52%
Cargo in Keflavik	68,635	79%	146,180	47%
Air Iceland Connect	47,493	41%	90,780	34%



## Noise

Aircraft noise is a significant part of the environmental issues associated with aviation, impacting communities and habitats in the vicinity of airports. This noise is mainly caused by engines but also aerodynamic noise. Requirements have been set by the International Civil Aviation Organization (ICAO) and the European Union Safety Association (EASA) to minimize the effect caused to the surrounding. Icelandair complies with these limitation and guidelines and Icelandair's fleet is in the

progress of being modernized with newer airplanes that create less noise than older models. Procedures have been adapted to reduce environmental effect and close cooperation with local communities has had a positive impact in reducing noise pollution. With almost no air traffic in 2020 noise pollution was not a significant environmental issue to monitor during the year.

## Carbon calculator

During Covid times in 2020 passengers are still participating in the compensation of their carbon footprint and have contributed to the planting of around five thousand trees during the year.



## Offsetting program

Icelandair and Air Iceland Connect have offered passengers the option to offset the carbon footprint of their air travel since September 2019 and contributions from passengers in 2019 funded planting for approximately 5500 trees. Even though the year 2020 has been extraordinary, passengers are still participating in

the year. The carbon offset program was devised in co-operation with Klappir Green Solutions and Kolvidur – the Iceland Carbon Fund to cultivate forests in Iceland.

From 2020 Icelandair will offset all employee business travel.



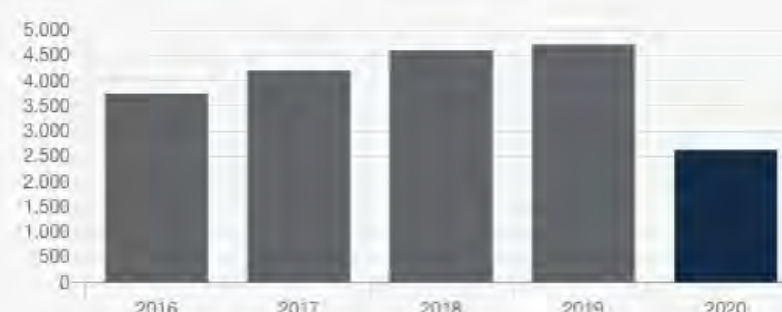
# Employees

Icelandair Group's employees are one of the Company's greatest strategic assets. All employees are part of the same team and the Company's core values, passion, simplicity and responsibility, are guiding the Company to maintain a strong and motivating company culture.

## Number of employees

In the light of the global pandemic, drastic measures had to be taken to adjust the Company to almost a total drop in travel demand and an extended period of minimum operations. These measures unfortunately affected more than two thousand valued employees.

No. of avg. FTEs



For the fiscal year 2020 Icelandair Group consisted of 13 operating companies with Icelandair as its core with 84% of the employee population, whereof the support functions of Icelandair support the subsidiaries and thus

creating scalability and synergies within the group of operating companies.

	2016	2017	2018	2019	2020
Icelandair	1,924	2,143	3,260	3,451	2,208
IGS*	695	779			
Icelandair Cargo	58	56	80	91	77
Fjarvakur - Icelandair Shared Services***	128	127	137	131	
Air Iceland Connect****	224	232	233	210	100
Loftleidir Icelandair	10	10	11	14	13
VITA	23	25	30	29	19
Icelandair Hotels*****	646	677	673	659	137
Iceland Travel	176	197	168	126	67
Icelandair Group**	16	17	14	4	
	3,900	4,263	4,606	4,715	2,621

(1\*) IGS is part of Icelandair from beginning of 2018

(2\*) Icelandair Group is part of Icelandair from beginning of 2019

(3\*) Icelandair Shared Services (Fjarvakur) is a part of Icelandair from beginning of 2020

(4\*) Air Iceland Connect is integrated partly to Icelandair from middle of 2020

(5\*) Icelandair Hotels were a part of Icelandair Group only in Q1

(5\*) 137 is the average for 12 months included in Icelandair Group in Q1

(5\*) 549 is the average for Q1 only



## Health and safety

General health and well-being of Icelandair Group employees is a priority where the Company endeavours towards providing an attractive and exciting place to work where people can thrive at their best. The Company has in place a comprehensive Health & Attendance Policy under which – among other things – Icelandair Group offers various health-related programs and initiatives to further the employee's health and wellbeing. Promoting good health among employees is high on the Company's agenda and initiatives have been launched with the overall aim of improving the well-being of all employees. Adjacent to this the Company has a service agreement with Health Protection Service (Hélsuvernd) on confidential medical services ensuring employee's access to health care.

Health Indicator\*

**13,2**

Average no. of sick days per FTE

\* The health indicator is inclusive of employee sick days



Safety is Icelandair's top priority. We work closely with experts to ensure safety, including Icelandic health authorities and aviation specialist like MedAire. Preventive measures were regularly evaluated and updated and crew and staff were informed and educated accordingly. Disinfectant and protective equipment were available on board and at the airport. Mask requirement for crew and passengers on board was implemented in the mid of June as well as temperature measurements for crew before each flight. Boarding, service and deboarding procedures were changed. Cleaning was increased and new disinfection procedure put in place. Everything was done to ensure our crew and our passengers safety during these unprecedented times.

**Jóna Björg Jónsdóttir**

Health Manager - People & Culture



During the past year, it was clearly demonstrated that teamwork and flexibility are at the core of the company culture at Icelandair Group. The Company is proud of how its team of people has adapted to new working conditions. Office employees have had to work from home for the most part of the year and the Company has supported them by providing office equipment and offering practical tips to guide employees, for example on good posture and appropriate working space, as well as giving advice about how to maintain a good work-life balance and offering online lectures about mental health and how to handle uncertainties and changed circumstances. Emphasis has also been on encouraging

and helping the leadership team to be in good communications with employees and assist them in new challenges in managing remote work. Many frontline employees can, however, not work from home. Therefore necessary changes were made to the workplace and work schedules to ensure the safety of employees and to ensure that the Company complied with all rules and regulations with regards to restrictions on gatherings of people, number limits, proximity limits and mask use. The workplace was divided up according to the rules of maximum number of people at any given time and with no or limited contact between compartments.



# Gender equality

## Equal rights

One of Icelandair Group's main focus areas in corporate responsibility is gender equality. The Company emphasizes equality, diversity and non-discrimination. This focus, which ensures that all employees are provided with equal opportunities and equal rights, is an integral part of the Equal Rights Policy and Equal Rights Plan which has been approved by the Executive Committee.

The company promotes equality by providing equal job opportunities and fairness for employees and job applicants. Rich emphasis is on building diverse teams and any discrimination is not tolerated. Diversity in our leadership team is specially important.

## Gender ratio



## Equal opportunities and gender stereotypes

The first step to ensure equal opportunities is to reduce the impact of gender stereotypes by showing great role models and introduce the jobs to girls where women are underrepresented and to boys where men are underrepresented. Icelandair needs to ensure that the roles offered at Icelandair are appealing and available for everyone.

Icelandair has made considerable improvements when it comes to gender equality in recent years. Ten years ago, there was only one woman of five Board Directors and only men within the Executive Management, today women represent:

- 40% of the Board of Directors
- 38% of the Executive Management
- 41% of other management positions

## Board of directors 2009



## Board of directors 2019



## Board of directors 2020



Executive Management 2009



Executive Management 2019



Executive Management 2020

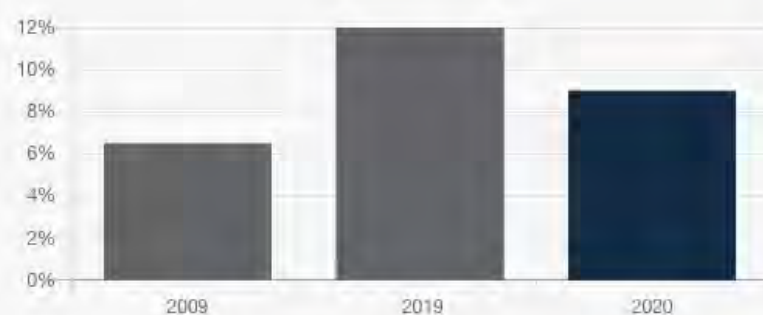


Icelandair was among the top airlines with the highest proportion of female pilots in the world, or 12%, increasing from 6.5% in 2009. However the effects of Covid-19 have changes the landscape for female pilots significantly and the proportion of female pilots was 9% averaged for 2020 and at the beginning of 2021 only 4 female pilots at the Company.

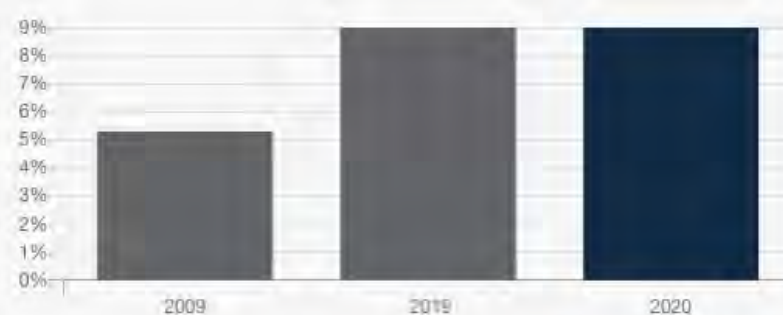
Male cabin crew were 5.3% 10 years ago but were 9% in 2019, despite Covid-19 that proportions is the same in 2020.

The gender balance within aircraft maintenance roles has not changed over time and is still over 99% men.

Female Pilots



Male cabin crew



### Gender equity objectives for 2025

The international Air Transport Association (IATA) introduced a special equality project for airlines in 2019 called "25by25". The aim of this project is to bring the proportion of the gender that is underrepresented in management and flight-related roles to 25% or improve

the current status by 25%. Icelandair has set targets in line with these goals about gender equality in management positions, pilot positions, cabin crew positions and aircraft maintenance technicians jobs,

### Promoting gender equality



- Never less than 40% of either gender in management positions
- Increase the number of female pilot positions by 25%

- Increase the number of male cabin crew positions by 25%
- Increase the number of female aircraft maintenance technicians by promoting the job and education to girls



The year 2020 was unprecedented in aviation history. With minimum operations for an extended period of time and extensive measures taken during the year that affected many of Icelandair Group's employees, the implementation of this project was put on hold. Achieving gender equality across the Company's

operations, however, remains one of the Company's core focus areas when it comes to corporate responsibility. The Company will continue its efforts towards its long-term goals in this area as soon as operations have returned to normal again.

### Equal Pay Policy

Icelandair Group implemented an equal pay policy in 2018. The purpose of the Equal Pay Policy is to ensure gender pay equality in the Company through the implementation of an Equal Pay System. Icelandair Group commits to ensure that equal wages are paid for jobs of equal value, irrespective of gender. Enforcement of the Policy and ensuring full observance of gender equality in decisions on wages is the responsibility of management. The Executive Board of Icelandair Group will annually establish equal pay objectives based on measurements derived from a pay analysis. Four companies within Icelandair Group, Icelandair, Icelandair Cargo, Air Iceland Connect and Iceland Travel, had been certified by a third party and received Equal pay certification in 2019. Due to the pandemic Iceland Travel has not been recertified in 2020 and Air Iceland Connect is being implemented into Icelandair and therefore not recertified. Icelandair and Icelandair Cargo have been audited in 2020 and passed the audit.



EQUAL PAY  
CERTIFICATE  
2019 - 2022

		2020	2019	2018
Gender pay ratio	Basic earnings	0.93% in favour of women	0.24% in favour of men	1.22% in favour of men
Gender pay ratio	Regular earnings	2.86% in favour of men	1.87% in favour of men	2.2% in favour of men

### Employee age distribution

The change in Icelandair Group's workforce age distribution between 2019 and 2020 is caused by the effects of the Covid-19 pandemic as the Company has let go of more than 2,000 valued employees. The change is most visible in the younger and older age groups. At Icelandair Group 97% of employees are covered by collective bargaining agreements, the flight operations unions have a tenure contract clause that means that the

youngest pilots, cabin crew and aircraft maintenance technicians leave the company first. Which deduces that the most senior employees are now working and when the company starts to ramp-up as soon as markets recover employees will be hired back in terms of previous tenure at the Company. Therefore it will take time to reach balance in regards to diversity in the workforce.

Employee age distribution 2020



Employee age distribution 2019





## Employee tenure

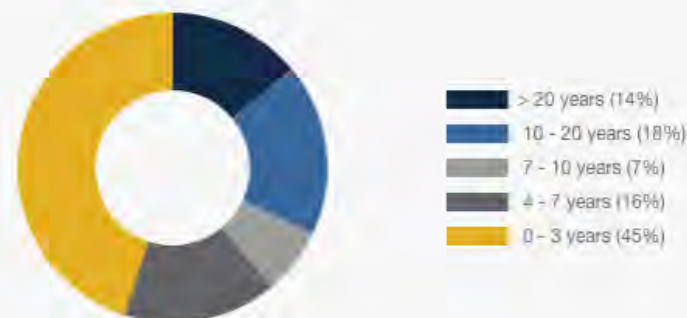
As Icelandair has historically been the only international airline operator based in Iceland there are consequently many jobs and roles that are industry specific and thus almost exclusively found in Icelandair. This means that employees in such jobs typically have a longer tenure with the group than what typically is considered in the local labor market in Iceland. However the effects of

Covid-19 are that in 2019 45% of the workforce had been working for the company for less than 3 years but now that proportion is down to 14%. Now there are 29% of the workforce that have been working for more than 20 years at the Company.

Employee tenure distribution 2020



Employee tenure distribution 2019



## Employee turnover rates

The employee turnover rates vary across subsidiaries within the group with the overall rate for the group as a whole of 69%. This is directly linked to the effects of Covid-19 as the company has had to reduce the employee population by over 44%.

Employee turnover rates

**69%**

rate for the group as a whole

## Employees satisfaction

Icelandair Group measures its working environment and cultural alignment through annual workplace audits and audit 2020 showed that 59,0% of the employee population was both engaged and committed. This means that the attitude of the majority of the employees was positive both towards the daily job that they perform and towards the company that they work for. This critical

element of the company culture is further supported with a high net employee promotion score of 34,7 out of 100 (comprised of percentage of promoters less percentage of detractors). These two important measures from the workplace audit both show and reinforce the efficacy and effectiveness of the People & Culture strategy.

## Competence development

Icelandair Group has fostered and developed a capable and knowledgeable group of employees that possess valuable airline and aviation expertise and seeks to attract talented and qualified employees to ensure that the Company can meet and exceed its current and future operational challenges while ensuring and facilitating a good and progressive working culture in which the employees can both thrive and perform at their best.

Therefore, it is imperative that the employees of Icelandair Group have and display a growth mindset where they are both willing and able to learn and develop so both may gain. To that end, Icelandair Group's People & Culture has taken measures to supply its diverse employee groups with access to market leading learning and development material. By the same token, Icelandair Group upholds high safety and security standards and has in place detailed action plans designed to achieve these goals with mandatory training carried out for all employees working roles that are designated as part of aviation safety and work environment that is considered

risk to occupational health and safety. All new employees go through a company orientation training which includes health and safety training when they commence their employment with the company.

However, training procedures within the company have changed a lot during the pandemic. With less opportunities to group employees together in training halls or classrooms, the Company has had to rely even more on online meeting tools and the online learning management system, Eloomi, to provide training.

Even though this has been challenging, it has also provided valuable experience and opened up different possibilities in training. In addition, it is possible to bring the employees and leaders, who are located in different parts of the world, closer together by using online training sessions that everyone can attend, wherever they are located.



# The year 2020 was full of challenges and opportunities for the Training department

## **The challenge, Covid 19**

We were able to more or less avoid using EASA general exemption for Flight and Crew Training. First class training facilities and equipment, and careful planning made it possible to train the crews throughout the year despite the Covid 19 pandemic. No training was canceled but by reducing number of students on each course on site, improve our distance learning, and adapting the training tasks all our crew were kept current.

## **Opportunities in technology and infrastructure**

By approaching the challenges as opportunities we were able to transform training so it continued in spite of restrictions imposed by the Covid 19 pandemic. New solutions were introduced to conduct crew training, using distance learning tools mixed with classroom activities adapted to rules of social distancing.

The Training Department is experienced in supervising distance learning but new innovation was needed to ensure the variety and quality of the material. The increased effort to quickly adapt to new challenges has given valuable experience and rapid progress in planning and conducting training.

## **The future**

The future is bright. We have high expectations for the expansion of the B737 MAX fleet. There are obvious advantages of having the B737 MAX simulator and cabin trainers on site.

The ability to train our crew on home base has not only reduced cost, but also increased the quality of training. Our passengers awareness that Icelandair crews are trained in state of the art facility builds trust which is an inseparable part of a safe and profitable airline operation.



## Responsible business

In 2020 the Company continued to work to centralise and improve procurement functions across all its operations as responsible procurement has been identified as a material issue for Icelandair Group. The Company has identified targets in relations to procurement and to ensure a responsible supply chain.

The company was the largest buyers of products and services in Iceland, and had a significant footprint

however the suppliers and service provider the Company did business with in 2020 were around 4800 which is a reduction of about 25% from 2019 when the Company did business with around 6500 suppliers and service providers. This is directly linked to the effects of Covid-19 as the reduction in operations means that there is less demand for goods. Especially since the service on-board has been reduced significantly.

### Ensuring a responsible supply chain



- By end-2020, top 100 suppliers have gone through our risk screening model and actions have been taken to act on the assessment
- By end-2021, our Code of Conduct is integrated in all business contracts

- By end-2021, all significant suppliers have gone through risk screening model and actions have been taken to act on the assessment

All critical domestic suppliers have received and signed Icelandair Group's Supplier Code of Conduct. As of 2020, Icelandair Group's Supplier Code of Conduct is an integral part of all new and renewed contracts. Processes

in risk evaluation of suppliers are being developed and will be implemented in 2021.

### Anti-corruption and governance

Icelandair Group conducts all its business in an honest and ethical manner and the integrity of each and every member of staff serves to maintain the good reputation and trust of the Company. All persons, representing or performing services for or on behalf of Icelandair Group must comply with applicable anti-bribery and anti-corruption legislation and policies, and Icelandair Group's Code of Conduct.

A new anti-corruption and bribery policy was established and approved by the executive management early 2020 which applies to the entire Icelandair Group workforce at all levels and grades (whether permanent, fixed-term or temporary), and all operations, subsidiaries and affiliates in all countries that the company operates in.



## Impact on the economy

### From growth drivers to pillars of the Icelandic economy

Over the last decade, the aviation industry has become a critical pillar of the Icelandic economy. Both directly through its own contribution and indirectly by transporting tourists to Iceland and facilitating stronger connections with the rest of the world for Icelandic firms. During this period, Icelandair Group has played an important role in fostering growth and job creation in both the aviation and tourism industries, the twin engines that drove Iceland's economic boom in the 2010s.

Travel restrictions and travel hesitancy due to COVID-19 have slowed down operations in the Icelandic aviation

and tourism industries which are currently in what could be described as hibernation. It is the firm belief of Icelandair Group that this lull in activity is temporary and that both industries will within a few years return to their prior levels of economic activity once the effects of the COVID-19 pandemic start fading out. Iceland continues to be a sought-after destination for tourists and there are reasons to believe that Iceland is a good fit for post-pandemic travel preferences. Furthermore, the transatlantic market environment is likely to be favourable for Icelandair's VIA-product in the next few years.

### Playing a leading role in leading industries

To demonstrate the contribution of Icelandair Group to the Icelandic economy, the Company has collected several economic indicators from 2019, the latest year for which there is comprehensive data available.

Iceland welcomed 2 million tourists in the year 2019. Most of them flew with Icelandair which was responsible for 67% of all seat capacity to and from Iceland and can thus rightly be called the bridge to and from Iceland. In total, 7.2 million passengers went through Keflavik International Airport, including 1.9 million transit passengers flying with Icelandair between Europe and North America.

Icelandair Group's direct contribution to the Icelandic economy through salaries and related expenses, taxes and pension contributions was USD 416 million (ISK 3.5 billion) in 2019.

Indirectly, through its leading role in the aviation and tourism industries, Icelandair Group's contribution was even greater. In 2019, aviation and tourism accounted for around 11% for of Iceland's GDP, a contribution of USD 3 billion (ISK 330 billion). Moreover, tourism was responsible for 35% of export revenues, a contribution of USD 3.9 billion (ISK 470 billion). The total workforce employed by the two industries was 41,000 which was 21% of the total labor market in Iceland.

The connections enabled by Icelandair also facilitate significant value creation in other Icelandic industries. As an example, Icelandair provides a direct route for fresh seafood and other key products to 58 destinations in Europe and North America. By selling the catch fresh – as opposed to frozen – Icelandic fish exporters can tap into more demand and sell products at higher prices. The cargo network has also enabled multiple importers to bring fresh quality products for the Icelandic consumer.



**Icelandair Group's direct contribution to the Icelandic economy through salaries and related expenses, taxes and pension contributions was USD 416 million (ISK 3.5 billion) in 2019.**





## Contributing to a strong and resilient Icelandic economy

The growth in tourism and aviation in the 2010s transformed Iceland's economy leading to a strong current account surplus and the country's first ever net positive foreign asset position. During the decade, both public and private debt levels were greatly reduced and the same is true for the country's unemployment rate.

These strong fundamentals put the Icelandic economy in a position to withstand the severe negative effects of the COVID-19 pandemic and to bounce back stronger than ever.

Aviation and tourism were responsible for 11% of GDP in 2019

The tourism industry accounted for 35% of total exports in 2019

Tourism and aviation employed 21% of the Icelandic labour market in 2019

## Driving economic value



- Map Icelandair Group's contribution to Iceland's economy

## Conference on economic impact of aviation and tourism

Nearly 300 people attended an open meeting held on the 27th of January by Icelandair Group, International Air Transport Association (IATA) and the Icelandic Travel Industry Association (SAF). The focus was on the Status and Importance of Aviation and Tourism.

The occasion of the meeting was the visit of Rafael Schwartzman, Regional Vice President of IATA Europe, to Iceland. The status and importance of aviation and tourism in Iceland was discussed as well as the sector's actions with regards to climate change.

Pórdís Kolbrún R. Gylfadóttir, Minister of Tourism, gave an opening speech and discussed the vital role of the tourism industry in the Icelandic economy.

Rafael Schwartzman spoke about the importance of aviation and discussed the industry's actions to reducing the industry's carbon footprint.

Ásdís Kristjánsdóttir, director of the economic division of Business Iceland, also spoke at the meeting about the development of Icelandic Tourism. Ásdís reviewed the impact that the rise of the tourism industry has had on the Icelandic economy over the past decade and the position that the industry currently holds.

Following the presentations, Bogi Nils and Elin Árnadóttir, Deputy CEO of Isavia, participated in a panel discussion with Rafael and Ásdís, chaired by Bjarnheiður Hallsdóttir, Chairman of SAF. The panel discussion included the importance of ensuring the competitiveness of the industry in the future by looking at the value created by the tourism industry for Iceland and not to focus on the number of tourists





## Impact on Society

### We bring the spirit of Iceland to the world

Apart from being an important employer in Iceland, Icelandair Group is proud of its role in the Icelandic community and continues to seek new opportunities to expand its ties to society at large.

Through the organisations and the events that the Company supports, Icelandair Group is proud to foster and promote the spirit of Iceland.

### The spirit of creativity

Iceland is globally recognised as punching above its weight on the world music stage, and Icelandair Group is proud of the role it plays in nurturing and showcasing local talent. Icelandair founded the acclaimed Iceland Airwaves music festival in 1999, and today sponsors a number of music, design and arts events. In 2019, the Company received an award from Samtónn, the Icelandic Music Association, in recognition of its ongoing support for Icelandic music and musicians.

- Iceland Airwaves
- Icelandic Music Experiments (Músíktíraunir)
- DesignMarch
- Reykjavík Arts Festival (sponsored by Icelandair Hotels)

### Live from Reykjavík

The pandemic threw a spanner in the works of many festivals and fun travel plans. As founding sponsors of Icelandair Airwaves music festival, Icelandair was proud to be involved in the reinvention of 2020's festival into the amazing Live from Reykjavík streamed event, where some of Iceland's finest musicians were beamed into living rooms around the world.



### The spirit of community

As one of Iceland's important companies, Icelandair Group is committed to supporting its community. The Company supports the life-saving work done by its country's volunteer search-and-rescue team, and together with contributions from its passengers lends a hand to children with long-term illnesses and children who live in difficult circumstances.

- Icelandic Association for Search and Rescue (ICE-SAR)
- Special Children Travel Fund (Vildarbörn)



## A salute to healthcare workers

In April, one of our Boeing 767 transported over 18 tons of medical supplies from Shanghai to Iceland. Before landing at Keflavik, its flight path drew a heart over the national hospitals in the capital to show gratitude to the hard-working healthcare workers in Iceland. For this extraordinary flight, 12 Icelandair crew members flew to China and loaded over 1000 boxes on board the plane. It was the third such flight in a week, from China to Iceland carrying medical supplies.



### The spirit of exploration

A small country needs innovators in the business world, and through the Icelandic Tourism Fund, Icelandair Group gives financial backing to new ventures that seek to increase the diversity of Icelandic tourism and strengthen its infrastructure. The fund's main focus is supporting the development of year-round attractions for tourists and Icelanders alike.

- Whales of Iceland
- Into the Glacier
- LAVA – Volcano and Earthquake Center
- Inside the Volcano

### The spirit of teamwork

The whole is greater than the sum of its parts, and this is especially true in a country with a small population. Together the nation can reach new sporting heights, as evidenced in the recent successes of its national football teams. The men's team captured global attention in 2018 as Iceland became the smallest nation to qualify for the FIFA World Cup.

- National Olympic and Sports Association of Iceland (ÍSÍ)
- Football Association of Iceland (KSÍ)
- Icelandic Handball Association (HSÍ)
- Icelandic Basketball Association (KKÍ)
- Golf Association of Iceland (GSÍ)
- Iceland Sports Association for the Disabled

## National women's football team

Icelandair is a proud sponsor of the Icelandic national womens football team which has had great success on the international stage. The success of the team has greatly increased the awereness for gender equality in sports in Iceland.





## Environmental, social and governance (ESG) accounting

This is the second sustainability report of Icelandair Group made with reference to Nasdaq's ESG Reporting Guide, issued in 2019. These guidelines are based on guidance from the United Nations' Sustainable Stock Exchange Initiative and The World Federation of

Exchange. The report should include all information to fulfil the Icelandic law (3/2006, 66. gr. d.) on non-financial reporting, as amended with reference to EU directive 2013/34 in year 2016.

### Environmental metrics

	Units	2020	2019
<b>E1 GhG Emissions</b>			
Total amount, in CO2 equivalents, for Scope 1	tCO2e	355,779	1,358,972
Total amount, in CO2 equivalents, for Scope 2	tCO2e	214	515
Total amount, in CO2 equivalents, for Scope 3	tCO2e	174	695
<b>E2 Emissions Intensity</b>			
Total GhG emission per output scaling factor	tCO2e per USDk	0.82	0.90
	tCO2e per FTEs	143	288
	tCO2e per passenger	0.47	0.31
Fuel burn per 100 revenue passenger kilometres	l/100RPK	4.37	3.55
Fuel burn per operational tonne kilometre	l/OTK	0.4117	0.2991
Total non-GhG emissions per output scaling factor		-	-
<b>E3 Energy Usage</b>			
Total amount of energy directly consumed (fossil fuels)	kWh	1,474,663,115	5,547,715,498
Total amount of energy indirectly consumed (electricity and heat)	kWh	24,223,530	58,312,823
<b>E4 Energy Intensity</b>			
Total direct energy usage per output scaling factor	kWh per USDk	3,457	3,726
	kWh per FTEs	603,660	1,188,977
	kWh per passenger	1,965	1272
<b>E5 Energy Mix</b>			
Non renewable energy (Fossil fuels are the primary energy source)	%	98%	99%
Renewable energy	%	2%	1%
<b>E6 Water Usage</b>			
Total amount of water consumed	m3	330,923	908,788
Total amount of water reclaimed	m3	-	-
<b>E7 Environmental Operations</b>			
Does your company follow a formal Environmental Policy	Yes/No	Yes	Yes
Does your company follow specific waste, water, energy, and/or recycling policies	Yes/No	Yes	Yes
Does your company use a recognized energy management system	Yes/No	No	No
<b>E8 Climate Oversight / Board</b>			
Does your Board of Directors oversee and/or manage climate-related risks	Yes/No	No	No
<b>E9 Climate Oversight / Management</b>			
Does your Senior Management Team oversee and/or manage climate-related risks	Yes/No	No	No
<b>E10 Climate Risk Mitigation</b>			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development		-	-

**S1 CEO Pay ratio**

CEO total compensation to median FTE total compensation	ratio	4.41	6.25
Does your company report this metric in regulatory filings	Yes/No	Yes	No

**S2 Gender Pay Ratio**

Median male compensation to median female compensation (basic earnings)	%	-0.93	0.24
Median male compensation to median female compensation (regular earnings)	%	2.86	1.87

**S3 Employee Turnover**

Year-over-year change for full-time employees	%	69%	16%
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**S4 Gender Diversity**

Total enterprise headcount held by men and women	women/men%	48/52	53/47
Entry- and mid- level positions held by men and women	women/men%	-	-
Senior- and executive-level positions held by men and women	women/men%	38/62	33/67

**S5 Temporary Worker Ratio**

Total enterprise headcount held by part-time employees	women/men%	-	-
Total enterprise headcount held by contractors and/or consultants	women/men%	-	-

**S6 Non-Discrimination**

Does your company follow a sexual harassment and/or non-discrimination policy	Yes/No	Yes	Yes
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**S7 Injury Rate**

Frequency of injury events relative to total workforce time		-	-
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**S8 Global Health & Safety**

Does your company follow an occupational health and/or global health & safety policy	Yes/No	Yes	Yes
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**S9 Child & Forced Labor**

Does your company follow a child and/or forced labor policy	Yes/No	Part of CoC	Part of CoC
If yes, does your child and/or forced labor policy also cover suppliers and vendors	Yes/No	Part of SCoC	-

**S10 Human Rights**

Does your company follow a human rights policy	Yes/No	Yes	Yes
If yes, does your human rights policy also cover suppliers and vendors	Yes/No	Yes	-

**Governance Metrics**

	Units	2020	2019
<b>G1 Board Diversity</b>			
Total board seats occupied by women (as compared to men)	%	40%	40%
Committee chairs occupied by women (as compared to men)	%	25%	33%
<b>G2 Board Independence</b>			
Does company prohibit CEO from serving as board chair	Yes/No	Yes	Yes
Total board seats occupied by independants	%	100%	100%
<b>G3 Incentivized Pay</b>			
Are executives formally incentivized to perform on sustainability	Yes/No	No	No
<b>G4 Collective Bargaining</b>			
Total enterprise headcount covered by collective bargaining agreements	%	97%	99%
<b>G5 Supplier Code of Conduct</b>			
Are your vendors or suppliers required to follow a Code of Conduct	Yes/No	Yes	No



**G6 Ethics & Anti-Corruption**

Does your company follow an Ethics and/or Anti-Corruption policy	Yes/No	Yes	Yes
If yes, what percentage of your workforce has formally certified its compliance with the policy	%	100% of new employees	-

**G7 Data Privacy**

Does your company follow a Data Privacy policy	Yes/No	Yes	Yes
Has your company taken steps to comply with GDPR rules	Yes/No	Yes	Yes

**G8 ESG Reporting**

Does your company publish a sustainability report	Yes/No	Yes	Yes
Is sustainability data included in your regulatory filings	Yes/No	Yes	Yes

**G9 Disclosure Practices**

Does your company provide sustainability data to sustainability reporting frameworks ?	Yes/No	No	No
Does your company focus on specific UN Sustainable Development Goals (SDGs)	Yes/No	Yes	Yes
Does your company set targets and report progress on the UN SDGs	Yes/No	Yes	Yes

**G10 External Assurance**

Are your sustainability disclosures assured or validated by a third party	Yes/No	No	No
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# GRI Index

Icelandair presents its responsibility information in accordance with Global Reporting Initiatives (GRI) standards, core level. The sustainability information

presented in the responsibility report for 2020 has not been assured by an external party.

Code	GRI content	Status	Comments
GRI 102: General Disclosure			
1. Organizational profile			
102-1	Name of the organization	<div></div>	Reykjavik Airport, 101 Reykjavik Iceland
102-2	Activities, brands, products, and services	<div></div>	
102-1	Name of the organization	<div></div>	
102-2	Activities, brands, products, and services	<div></div>	
102-3	Location of headquarters	<div></div>	
102-4	Location of operations	<div></div>	Employees
102-5	Ownership and legal form	<div></div>	
102-6	Markets served	<div></div>	
102-7	Scale of the organization	<div></div>	
102-8	Information on employees and other workers	<div></div>	
102-9	Supply chain	<div></div>	
102-10	Significant changes to the organization and its supply chain	<div></div>	
102-11	Precautionary Principle or approach	<div></div>	
102-12	External initiatives	<div></div>	
102-13	Membership of associations	<div></div>	
2. Strategy			
102-14	Statement from senior decision-maker	<div></div>	
102-15	Key impacts, risks, and opportunities	<div></div>	
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	<div></div>	
102-17	Mechanisms for advice and concerns about ethics	<div></div>	



#### 4. Governance

102-18	Governance structure
102-19	Delegating authority
102-20	Executive-level responsibility for economic, environmental, and social tips
102-21	Consulting stakeholders on economic, environmental, and social topics
102-22	Composition of the highest governance body and its committees
102-23	Chair of the highest governance body
102-24	Nominating and selecting the highest governance body
102-25	Conflicts of interest
102-26	Role of highest governance body in setting purpose, values, and strategy
102-27	Collective knowledge of highest governance body
102-28	Evaluating the highest governance body's performance
102-29	Identifying and managing economic, environmental, and social impacts
102-30	Effectiveness of risk management processes
102-31	Review of economic, environmental, and social topics
102-32	Highest governance body's role in sustainability reporting
102-33	Communicating critical concerns
102-34	Nature and total number of critical concerns
102-35	Remuneration policies
102-36	Process for determining remuneration
102-37	Stakeholders' involvement in remuneration
102-38	Annual total compensation ratio
102-39	Percentage increase in annual total compensation ratio

#### 5. Stakeholder engagement

102-40	List of stakeholder groups
102-41	Collective bargaining agreements
102-42	Identifying and selecting stakeholders
102-43	Approach to stakeholder engagement
102-44	Key topics and concerns raised

**6. Reporting practice**

102-45	Entities included in the consolidated financial statements	<input checked="" type="checkbox"/>	
102-46	Defining report content and topic Boundaries	<input checked="" type="checkbox"/>	
102-47	List of material topics	<input checked="" type="checkbox"/>	
102-48	Restatement of information	<input type="checkbox"/>	
102-49	Changes in reporting	<input checked="" type="checkbox"/>	
102-50	Reporting period	<input checked="" type="checkbox"/>	
102-51	Date of most recent report	<input checked="" type="checkbox"/>	March 2020
102-52	Reporting cycle	<input checked="" type="checkbox"/>	Annually
102-53	Contact point for questions regarding the report	<input checked="" type="checkbox"/>	<a href="http://www.icelandairgroup.is/">www.icelandairgroup.is/</a>
102-54	Claims of reporting in accordance with the GRI Standards	<input checked="" type="checkbox"/>	
102-55	GRI content index	<input checked="" type="checkbox"/>	
102-56	External assurance	<input checked="" type="checkbox"/>	

**GRI 103: Management Approach**

103-1	Explanation of the material topic and its Boundary	<input checked="" type="checkbox"/>	
103-2	The management approach and its components	<input checked="" type="checkbox"/>	
103-3	Evaluation of the management approach	<input checked="" type="checkbox"/>	

**GRI 201: Economic Performance**

201-1	Direct economic value generated and distributed	<input checked="" type="checkbox"/>	
201-2	Financial implications and other risks and opportunities due to climate change	<input checked="" type="checkbox"/>	
201-3	Defined benefit plan obligations and other retirement plans	<input checked="" type="checkbox"/>	
201-4	Financial assistance received from government	<input checked="" type="checkbox"/>	

**GRI 202: Market Presence**

202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<input checked="" type="checkbox"/>	
202-2	Proportion of senior management hired from the local community	<input checked="" type="checkbox"/>	

**GRI 203: Indirect Economic Impacts**

203-1	Infrastructure investments and services supported	<input checked="" type="checkbox"/>	
203-2	Significant indirect economic impacts	<input checked="" type="checkbox"/>	

**GRI 204: Procurement Practices**

204-1	Proportion of spending on local suppliers	<input type="checkbox"/>	
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**GRI 205: Anti-corruption**

205-1	Operations assessed for risks related to corruption	<input type="checkbox"/>	
205-2	Communication and training about anti-corruption policies and procedures	<input type="checkbox"/>	
205-3	Confirmed incidents of corruption and actions taken	<input type="checkbox"/>	



**GRI 206: Anti-competitive Behavior**

206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

**GRI 207: Tax - valid from 2021**

207-1 Approach to tax



207-2 Tax governance, control, and risk management



207-3 Stakeholder engagement and management of concerns related to tax



207-4 Country-by-country reporting

**GRI 301: Materials**

301-1 Materials used by weight or volume



301-2 Recycled input materials used



301-3 Reclaimed products and their packaging materials

**GRI 302: Energy**

302-1 Energy consumption within the organization



302-2 Energy consumption outside of the organization



302-3 Energy intensity



302-4 Reduction of energy consumption



302-5 Reductions in energy requirements of products and services

**GRI 303: Water and Effluents**

303-1 Interactions with water as a shared resource



303-2 Management of water discharge-related impacts



303-3 Water withdrawal



303-4 Water discharge



303-5 Water consumption

**GRI 304: Biodiversity**

304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas



304-2 Significant impacts of activities, products, and services on biodiversity



304-3 Habitats protected or restored



304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

**GRI 305: Emissions**

305-1 Direct (Scope 1) GHG emissions



305-2 Energy indirect (Scope 2) GHG emissions



305-3 Other indirect (Scope 3) GHG emissions



305-4 GHG emissions intensity



305-5 Reduction of GHG emissions



305-6 Emissions of ozone-depleting substances (ODS)



305-7 Nitrogen oxides (Nox), sulfur oxides (Sox), and other significant air emissions

**GRI 306: Effluents and Waste**

306-1 Water discharge by quality and destination



306-2 Waste by type and disposal method



306-3 Significant spills



306-4 Transport of hazardous waste



306-5 Water bodies affected by water discharges and/or runoff





<b>GRI 307: Environmental Compliance</b>			
307-1	Non-compliance with environmental laws and regulations	<input checked="" type="checkbox"/>	No incidents
<b>GRI 308: Supplier Environmental Assessment</b>			
308-1	New suppliers that were screened using environmental criteria	<input type="checkbox"/>	
308-2	Negative environmental impacts in the supply chain and actions taken	<input type="checkbox"/>	
<b>GRI 401: Employment</b>			
401-1	New employee hires and employee turnover	<input checked="" type="checkbox"/>	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<input type="checkbox"/>	
401-3	Parental leave	<input type="checkbox"/>	
<b>GRI 402: Labor/Management Relations</b>			
402-1	Minimum notice periods regarding operational changes	<input type="checkbox"/>	
<b>GRI 403: Occupational Health and Safety</b>			
403-1	Occupational health and safety management system	<input checked="" type="checkbox"/>	
403-2	Hazard identification, risk assessment, and incident investigation	<input type="checkbox"/>	
403-3	Occupational health services	<input checked="" type="checkbox"/>	
403-4	Worker participation, consultation, and communication on occupational health and safety	<input checked="" type="checkbox"/>	
403-5	Worker training on occupational health and safety	<input checked="" type="checkbox"/>	
403-6	Promotion of worker health	<input checked="" type="checkbox"/>	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<input checked="" type="checkbox"/>	
403-8	Workers covered by an occupational health and safety management system	<input checked="" type="checkbox"/>	
403-9	Work-related injuries	<input type="checkbox"/>	
403-10	Work-related ill health	<input type="checkbox"/>	
<b>GRI 404: Training and Education</b>			
404-1	Average hours of training per year per employee	<input checked="" type="checkbox"/>	
404-2	Programs for upgrading employee skills and transition assistance programs	<input checked="" type="checkbox"/>	
404-3	Percentage of employees receiving regular performance and career development reviews	<input type="checkbox"/>	
<b>GRI 405: Diversity and Equal Opportunity</b>			
405-1	Diversity of governance bodies and employees	<input checked="" type="checkbox"/>	
405-2	Ratio of basic salary and remuneration of women to men	<input checked="" type="checkbox"/>	
<b>GRI 406: Non-discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken	<input type="checkbox"/>	
<b>GRI 407: Freedom of association and Collective Bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<input type="checkbox"/>	
<b>GRI 408: Child Labor</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	<input type="checkbox"/>	



**GRI 410: Security Practices**

410-1 Security personnel trained in human rights policies or procedures

**GRI 411: Rights of Indigenous Peoples**

411-1 Incidents of violations involving rights of indigenous peoples

**GRI 412: Human Rights Assessment**

412-1 Operations that have been subject to human rights reviews or impact assessments



412-2 Employee training on human rights policies or procedures



412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

**GRI 413: Local Communities**

413-1 Operations with local community engagement, impact assessments, and development programs



413-2 Operations with significant actual and potential negative impacts on local communities

**GRI 414: Supplier Social Assessment**

414-1 New suppliers that were screened using social criteria



414-2 Negative social impacts in the supply chain and actions taken

**GRI 415: Public Policy**

415-1 Political contributions

**GRI 416: Customer Health and Safety**

416-1 Assessment of the health and safety impacts of product and service categories



416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

**GRI 417: Marketing and Labeling**

417-1 Requirements for product and service information and labeling



417-2 Incidents of non-compliance concerning product and service information and labeling



417-3 Incidents of non-compliance concerning marketing communications

**GRI 418: Customer Privacy**

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

**GRI 419: Socioeconomic Compliance**

419-1 Non-compliance with laws and regulations in the social and economic area







# Accounts

## Endorsement and Statement by the Board of Directors and the CEO

Icelandair Group hf. is an Icelandic aviation company with decades' long history of operating in the international airline and tourism sectors. In 2018, the Company resolved to concentrate its focus on its core business, aviation. The business model is built around Icelandair's route network and the unique geographical location of Iceland which serves as a connecting hub between Europe and North America. Icelandair Group is the parent company of several subsidiaries. The Company's strategic initiatives support its vision of "Bringing the spirit of Iceland to the world" and its mission of offering smooth and enjoyable journeys to, from and within Iceland – the Company's hub and home.

The Consolidated Financial Statements of Icelandair Group hf. for the year 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements. The Financial Statements comprise the Consolidated Financial Statements of Icelandair Group hf. (the "Company") and its subsidiaries (together the "Group") and have been audited by KPMG. All amounts are stated in thousands of USD.

### Operations in the year 2020

According to the Consolidated Income Statement and other Comprehensive Income, loss for the year 2020 amounted to USD 376.2 million. Total comprehensive loss for the year was USD 408.8 million. Equity at year-end amounted to USD 232.8 million, including share capital in the amount of USD 213.0 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.

### Effects of Covid-19

The year 2020 was heavily marked by the COVID-19 pandemic whose impact continues to be felt in all realms of society, not least in the aviation and travel industries. This is clearly illustrated by the over 80% reduction in international passenger numbers and ASK year-on-year. Despite the relatively swift development of a vaccine uncertainty in the Company's operating environment is expected to remain high in the short to medium term while vaccinations are being administered. In the longer term, it further remains unclear when global travel might resume its pre-COVID levels. Following some easing and tightening in the latter half of 2020, travel restrictions and/or strict border controls have been reinstated in nearly all of Scandinavia and continental Europe with a travel ban still in place to and from the US, one of the Group's most important geographical segments.

The Group's business plan and schedule have been revised, and continue to be reiterated, in line with developments in each market. The current assumption is that a modest ramp-up will commence in Q2 but that it will take until 2024 for demand to reach pre-COVID

levels. Management assumes that capacity will rationalize in all key markets as airlines will stress preservation of cash and liquidity. Post recent crisis in the 21st century, Icelandair has enjoyed solid operational performance in the years to follow. Iceland's attraction as a clean, safe and sparsely populated destination is also assumed to be strong in the post-COVID world.

To respond to the situation brought on by the pandemic, the Group took immediate and extensive measures to get through an extended period of minimum operations. These included severely cutting its flight schedule, drastically reducing the number of employees and changes to its organizational structure. At the same time, the Group acted swiftly and seized opportunities arising from the circumstances, such as in the cargo and leasing operations. The Group's overall strategy during the low production period aims at securing the continuity of necessary core operations and safeguarding the flexibility needed for swift ramp-up when markets recover.



### Financial restructuring

The Group underwent financial restructuring which was completed in September with the execution of a successful share offering whereby the Company raised ISK 23,000 million (approx. USD 169 million) in new equity. The offering was a key component in effectuating a series of deferral agreements that the Group had previously reached with various stakeholders that include lenders, lessors, acquirers, the Boeing Company and other vendors. A successful share offering was a condition for the Company's access to a government guaranteed credit facility that was approved by the Icelandic Parliament on 4 September 2020. The credit facility, arranged by two local commercial banks, is in the amount of USD 120 million, 90% of which is guaranteed by the government.

Additionally, investors that were allotted new shares in the offering were also issued warrants to buy additional shares in the Company at certain dates in the future. The warrants, amounting to 25% of the nominal value of new shares sold in the offering, were issued free of charge. If exercised in full, the warrants can raise up to approx. USD 42 million in additional equity for the Company over their lifetime which expires in the latter half of 2022. The warrants have been listed on the Nasdaq Iceland Main Market and can be traded freely independent of the Company's shares until their respective exercise periods.

Agreements with lenders included renegotiated financial covenants. According to the restructured terms the equity ratio will be the Group's primary financial covenant in the coming quarters, the minimum of which is aligned with the Group's conservative ramp-up plan with a certain flexibility built-in. The covenant is therefore set somewhat below management estimates. The 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 amended equity ratio covenant will be in place until Q1-Q3 2022, depending on lenders, at which time the pre-COVID financial covenants will resume to take effect.

In addition to its market based financial restructuring efforts the Group has received various government offered COVID-19 relief options for companies. Most meaningful were the unilateral reduction of the employment ratio of hundreds of employees which made them eligible for special part-time unemployment benefits, funded by the government, to make up for the drop in salary income, and the lay-off of over 2,000 valued employees that entitled the Group to subsidies of salary costs during those employees' contractual notice periods.

### Agreement to maintain certain flights

At the outset of the pandemic, the Group and the Icelandic Government entered into agreements whereby Icelandair committed to maintain a certain number of domestic and international flights per week to ensure minimum passenger flight transportation to and from

Iceland in cases where these were not commercially viable. The agreements have since been extended several times and are still in effect with regards to flights to the East Coast of the USA.



### MAX return to service

After being grounded for over 20 months the Boeing 737 MAX aircraft was re-certified by the FAA in November and by EASA in January 2021. The Company assumes to reintroduce the aircraft into its fleet in Q1 2021 following all necessary updates and inspections. As part of its restructuring the Group had prior to re-certification reached an agreement with Boeing regarding additional compensation for financial losses resulting from the grounding of the MAX in early 2019. In addition to

financial compensation the agreement includes permanent cancellation of four out of the ten MAX aircraft that the Group is yet to take delivery of. The six aircraft still on order are expected to be delivered during the period Q2 2021 to Q1 2022. Once full delivery is completed the Group will have twelve MAX aircraft in its fleet.

### Sale of Icelandair Hotels

The Company finalized the sale of a 75% equity share in Icelandair Hotels to Berjaya Property Ireland Limited in Q2 2020. The Company will retain its 25% share in the hotel company for a period of at least three years. The

total cash consideration for the equity was USD 45.3 million.

The Board of Directors proposes no dividend payment to shareholders in 2021 for the year 2020.



## Share capital and Articles of Association

The nominal value of the Company's issued share capital amounted to ISK 28.4 billion at year-end. The share capital consist of shares of ISK 1, that are in a single class bearing equal rights. The shares are listed on the Icelandic Stock Exchange (Nasdaq Iceland) under the ticker symbol ICEAIR. According to the Icelandic Company's Act, companies can acquire and hold up to 10% of the nominal value of issued shares. At year-end the Company did not hold any treasury shares.

The Company's Board of Directors comprises five members, two women and three men. The gender ratio is thus in accordance with Icelandic laws requiring companies with over 50 employees to ensure that the Board has representation from both genders and that each gender comprises at least 40% of the Board Members when Board Members surpass three. The Board Members are elected at the Annual General Meeting each for a term of one year.

Those persons willing to stand for election must give formal notice thereof to the Board of Directors and Icelandair Group's Nomination Committee at least seven days before the Annual General Meeting.

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

The number of shareholders at year-end 2020 was 13,508 an increase of 10,337 during the year. At year end 2020 the 10 largest shareholders were:

Name	Shares in ISK thousand	Shares in %
Gildi - lífeyrissjóður	1,803,761	6.34
Lífeyrissjóður starfsmanna ríkisins A-deild, B-deild og S-deild	1,500,000	5.27
Stefnir - ÍS 15, ÍS 5 og Samval	1,388,591	4.88
Brú - Lífeyrissjóður starfsmanna sveitarfélaga	1,356,205	4.77
Arion Banki hf.	912,637	3.21
Íslandsbanki hf.	784,869	2.76
Bóksal ehf.	662,514	2.33
Lífeyrissjóður verslunarmanna	642,361	2.26
Sólvöllur ehf.	554,704	1.95
Almenni lífeyrissjóðurinn	544,402	1.91
	10,150,045	35.67
Other shareholders	18,287,616	64.31
	28,437,661	100.00

Further information on matters related to share capital is disclosed in note 28 in the Consolidated Financial Statements. Additional information on shareholders is

provided on the Company's website [www.icelandairgroup.com](http://www.icelandairgroup.com).

## Corporate Governance

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

The framework for Corporate Governance practices within the Group is informed by the provisions of law, the parent Company's Articles of Association, general securities regulations and the Icelandic Corporate Governance guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederations of Icelandic Employers. Corporate Governance practices ensure open and transparent relationships between the

Company's management, its Board of Directors, its shareholders and other stakeholders.

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

Information on matters related to financial risk management is disclosed in note 36 in the Consolidated Financial Statements. Information regarding operational risk management is disclosed in Operational Risk Appendix in the Consolidated Financial Statements.





### Non-Financial Reporting

According to the Icelandic Financial Statements Act, the Company has compiled a thorough overview of non-financial information. This includes key areas of corporate responsibilities according to the ESG Reporting Guide – Environment, Society and Governance - Issued by Nasdaq.

Material issues regarding the environment that were monitored during the year were climate impacts and other environmental impacts. Material issues regarding society that were reported were passenger safety and

wellbeing as well as other impacts on society. Regarding governance, material issues that were reported included employee health and safety, gender diversity, responsible procurement, business ethics and anti-corruption.

The Company's policies and outcome of these matters are further discussed in the Non-financial Reporting that form an appendix to the Consolidated Financial Statements.

### Statement by the Board of Directors and the CEO

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for financial statements of listed companies.

According to our best knowledge it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2020, its assets, liabilities and consolidated financial position as at 31 December 2020 and its consolidated cash flows for the year 2020.

Further, in our opinion, the consolidated financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the consolidated financial statements of Icelandair Group hf. for the year 2020 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the consolidated financial statements will be approved at the annual general meeting of Icelandair Group hf.

#### Board of Directors:

- Úlfar Steindórsson, Chairman of the Board
- Svafa Grönfeldt
- Guðmundur Hatsteinsson
- John F. Thomas
- Nina Jonsson

#### CEO:

- Bogi Nils Bogason

