

Icelandair Group

Annual and Sustainability

Report 2021



About this report

This is Icelandair's first Annual and Sustainability report consisting of financial, operating and sustainability information for the year 2021. The report includes the Consolidated Financial Statements of the parent company Icelandair Group hf. that have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the report also meets Icelandic disclosure requirements. This report covers the activities of Icelandair Group for the financial year 1 January to 31 December 2021.

The Icelandair 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.

Icelandair Group hf. is listed on the Icelandic Stock Exchange (Nasdaq Iceland), and is the holding company, under the ticker symbol ICEAIR.

Icelandair supports the United Nations' Sustainable Development Goals (SDGs) and has selected relevant SDGs for specific focus and alignment with the Company's sustainability strategy. This report addresses all the material aspects that reflect Icelandair's significant economic, environmental and social impacts. The sustainability information set forth is presented in accordance with Nasdaq's ESG Reporting Guide 2.0. In terms of environmental management, and to ensure traceability, a digital data collection is done with Klappir – Green Solutions software. To meet the sustainability information needs of its stakeholders, and in line with best practice, the Company is reviewing to use the Global Reporting Initiative (GRI) standards for the next reporting cycle.

We welcome any comments, suggestions or questions you may have regarding this report. Please send an email to ir@icelandairgroup.is.

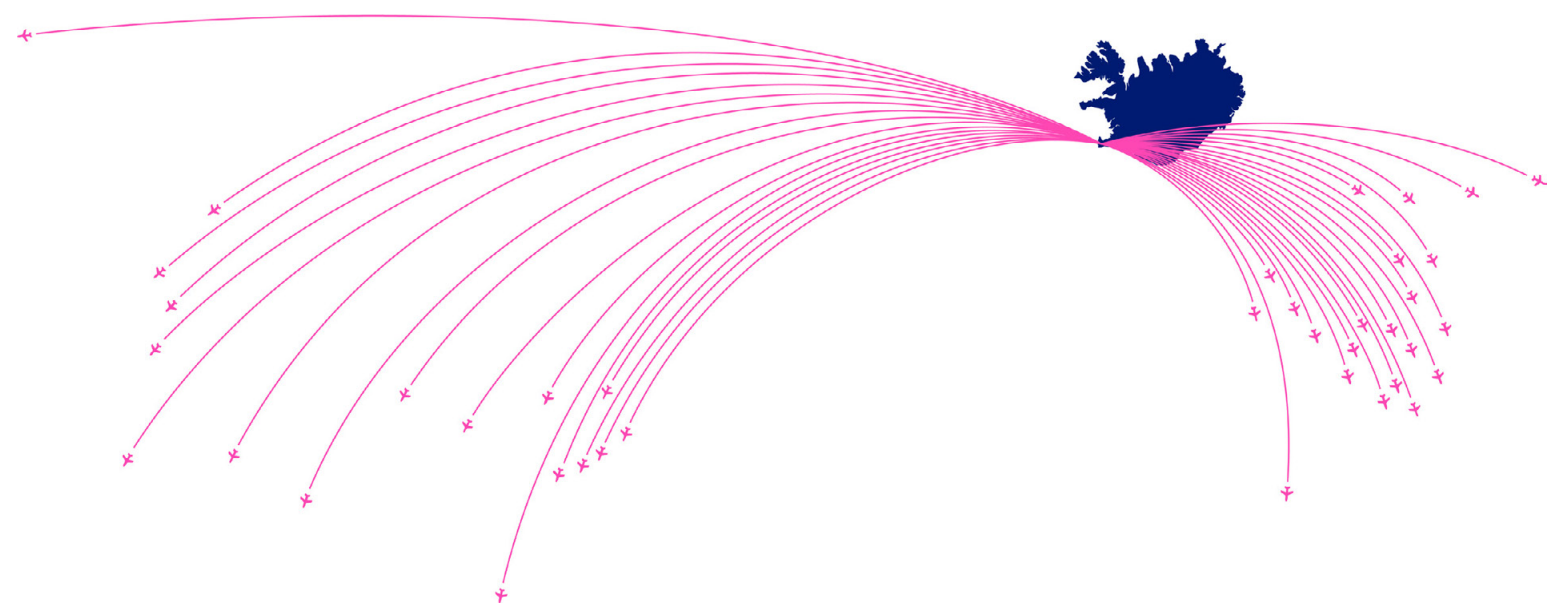
Table of contents

About this report	2
At a glance	4
Business review	6
Chairman and President & CEO's address	
Our route network	
Strategic actions	
Air freight and logistics	
Aircraft leasing and consulting	
Fleet	
Strategy and structure	19
Our strategy	
Organizational structure	
Sustainability at the center	
The Board of Directors	
Executive Committee	
Financials	24
Key figures table	
Shareholder information and IR	
Performance in 2021	
Financial position	
Outlook	
Risk management	
Sustainability	40
Our approach to sustainability	
Stakeholder engagement	
Climate	
Environment	
Employees	
Responsible business	
Contributing to society	
Society and partnerships	
Environmental, social and governance (ESG) accounting	
Governance	63
Board of directors	
Sub-committees of the board	
Accounts	66



Icelandair at a glance

With Iceland as its hub and home, the heart of Icelandair's business model is its international route network and the unique location of Iceland which serves as a connecting hub between Europe and North America. Icelandair serves four markets – to, from, via and within Iceland – and also runs both cargo and aircraft leasing services that complement and further strengthen its core network operations.



Our unique approach

Icelandair's vision is to bring the spirit of Iceland to the world and its mission is to offer smooth and enjoyable journeys to, from, via and within Iceland, our hub and home. Iceland's unique geographical position provides Icelandair with significant strategic advantages. The running of the

24-hour hub through the heart of the network at Keflavik Airport provides Icelandair with great flexibility to adapt its market emphasis to different conditions and the capability to serve a broad range of transatlantic markets with high aircraft utilization on a cost-efficient narrow-body fleet.



\$ 585m

Revenue

2020: \$ 434m



1.5m

Passengers

2020: 891k



\$ 435m

Total liquidity

2020: \$ 331m



\$ 1.2bn

Assets

2020: \$ 1.0bn



41

Aircraft

2020: 46



42k

Freight tonne

2020: 36k



\$ 2,087

Full time employees

2020: 2,621



19%

Equity ratio

2020: 23%



\$ 105m

Net loss

2020: \$ 376m



45 / 55

Gender ratio

2020: 48 / 52



0.93

KgCO2 emissions per OTK

2020: 1.30



\$ 126m

Tax footprint

2020: 128.5m

Our markets

The year 2021 was a year of ramp-up and recovery. The total number of Icelandair passengers was 1.5 million, an increase of 64% compared to 2020. In the latter part of the year, the number of passengers increased significantly in comparison to the first half of the year.

Serving four key markets:

TO

The tourist market with Iceland as the destination

FROM

The Icelandic domestic market

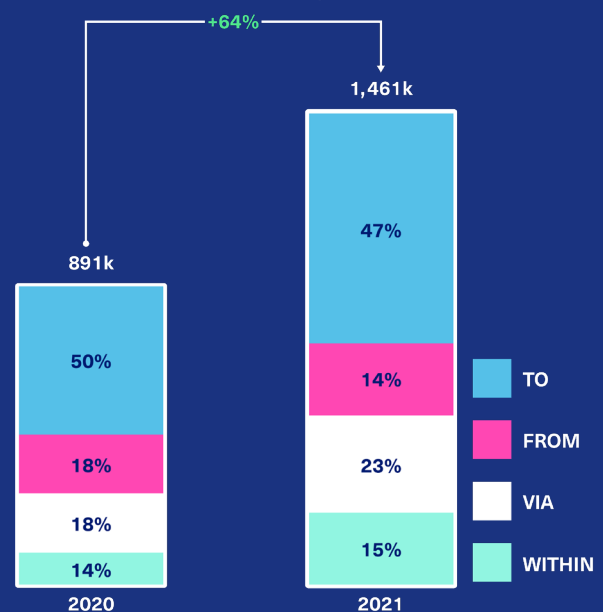
VIA

The international market between Europe and North America

WITHIN

The domestic airline operations within Iceland

Icelandair passengers*



*International and domestic flights



Business review

An efficient ramp-up

After having focused on preserving its infrastructure, knowledge and maintaining financial strength throughout the pandemic, Icelandair was in a strong position for an efficient ramp-up as soon as passenger demand started to increase again in 2021. While ramping up its services, using its flexibility to adapt to rapid changes in its markets, the Company took strategic actions to streamline and simplify its operations and build up its team.



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



Chairman and President & CEO's address



Gudmundur Hafsteinsson Chairman



Bogi Nils Bogason President & CEO

The year 2021 was a year of recovery. After having focused on preserving our infrastructure, knowledge and maintaining financial strength throughout the pandemic, we were in a strong position for an efficient ramp-up as soon as passenger demand started to increase. Using our flexibility to adapt to the situation at any given time, we went from serving only four destinations with 10 weekly departures from Iceland early in the year, to 200 departures a week to 34 destinations during the summer peak.

Tale of two halves

The first half of the year our operations were at a minimum with focus on ensuring the crucial connections between Iceland and the world. The turning point was in the second half of the year when we transported 85% of our passengers. In 2021, we more than doubled the number of passengers between years to around 1.5 million. At the end of the year, we had reached 65% of our 2019 capacity in our international route network and reached pre-Covid levels in our domestic operation. Our cargo services continued to return good results in 2021, with volumes and revenue exceeding pre-Covid levels. Although our leasing operation was challenging during the year, we seized new opportunities that contributed greatly to the Company's revenue generation. In line with increased production, we recruited almost 1,000 employees during the year, bringing the number of full-time employees to nearly 2,400 at year-end.

Strategic actions alongside successful ramp-up

At the same time as we ramped up our services, we took strategic actions to streamline and simplify our operations

and further strengthen our focus on our core business, aviation. This included the integration of Air Iceland Connect, our domestic flight operation, into Icelandair, the sale of Iceland Travel and Icelandair Hotels.

In all our activities during the year we have remained true to our core values – passion, simplicity and responsibility – working towards our vision of bringing the spirit of Iceland to the world, from our hub and home. To place even stronger emphasis on alignment between our strategy and actions, we made changes to our organizational structure and strengthened our team with special focus on digital transformation and customer experience.

Strong financial position

Our clear goals and focused strategy resulted in a strong recovery and robust financial position at the end of the year. Following a successful ramp-up, results significantly improved in the second half of the year, turning an operating profit in the third quarter and delivering the strongest fourth quarter results since 2016. Assets amounted to USD 1,172 million at year-end 2021, net financial liabilities were USD 233 million, total liquidity was USD 435 million, and equity amounted to USD 222 million with an equity ratio of 19%.

Significant impact on the Icelandic economy

Iceland is dependent on efficient flight connections for travel, export, import, international relations, and to maintaining a good quality of life. As the leading airline in Iceland and an important employer, a successful ramp-up of our operations has been crucial for Icelandic tourism,

the economy and society at large. Due to the drastic impact of Covid, the Icelandic government introduced general measures to soften the impact of the pandemic. As many other companies Icelandair benefitted from these measures in 2020 and 2021.

However, the total tax footprint of Icelandair in the years 2020 and 2021 amounted to around USD 200 million, which is five times the measures received. That includes all taxes and fees paid to the government and municipalities, net of the measures received.

Additionally, the indirect impact of Icelandair's operations is considerable. We transported around 350 thousand tourists to Iceland during 2021 that spent around USD 650 million on products and services within Iceland. Icelandair also plays an important role in the Icelandic seafood industry by securing transport of fresh products to key markets in Europe and North America. The export value of Icelandic seafood that we transported in 2021 was around USD 460 million.

Sustainability at the core

Having a positive impact on the Icelandic economy and society is one of our four focus areas when it comes to sustainability. Icelandair is committed to the continued support of the United Nations' Global Compact and the UN Sustainable Development Goals (SDGs). We have chosen four of the SDGs that represent our strategic focus areas. In addition to contribution to the economy, they are climate and environmental impact, responsible procurement, and gender equality and diversity. These are areas where we believe we can have the most impact and create the most shared value – for the Company, our stakeholders and society at large. Other topics that we consider material for Icelandair and our stakeholders are for example, health and safety of our passengers, employee well-being and development, business ethics and governance.

50% reduction of carbon emissions per OTK by 2030

We are committed to achieving improved environmental performance and have set clear goals in this area throughout the years, taking measures to reduce carbon emissions from our operations through fleet renewal, operational efficiencies and carbon offsetting. We also engage in international partnerships to work towards more sustainable aviation. Furthermore, we are currently exploring opportunities of adopting hydrogen and electric aviation technology for our domestic operations. We set ambitious new goals of reducing our carbon emissions by 50% per operational ton kilometer by 2030, compared to 2019. In line with the airline industry, we have committed to reaching net-zero emissions by 2050. Achieving these goals will require continued efforts through a combination of measures, such as fleet renewal, operational improvements, the implementation of sustainable aviation

fuels and carbon offsetting. The implementation of the Boeing 737 MAX aircraft into our fleet is an important contributor to reducing our emissions, in addition to the operational efficiencies that they bring to our business.

Result of future fleet strategy review

We conducted an extensive review of our long-term fleet strategy during the year. The results of this work demonstrated that our current fleet composition is well suited for our route network in the short term. In the next few years, we will focus on ensuring our fleet's continued growth and renewal with current aircraft types. The Boeing 737 MAX opens opportunities to introduce new destinations and increase the frequency to current destinations, and with its lower direct operating costs improves the feasibility of flying more flights outside the summer season. At the same time, the review provided a clear guidance on the development of the Company's fleet over the next decade. That is, in the second half of this decade, we will be considering another type of larger aircraft to replace the B757s. This provides us with several options, both for larger narrow-body aircraft and wide-body aircraft. The development of the future fleet will therefore, to some extent, be determined by the agreements that we will reach with different aircraft providers. Follow-up steps in this extensive project have already been initiated.

Outlook for 2022

Although the pandemic continued to impact our operations at the beginning of the year, we have started to see a positive turnaround in booking development for the months ahead. There is significant pent-up demand in all key markets, not least from tourists wishing to experience Iceland's nature, culture and hospitality. Our flight schedule for 2022 is expected to bring capacity to around 80% of 2019 levels. Alongside further ramp-up, we will continue to retain our flexibility to meet any potential developments with regards to the pandemic and other external factors.

We will offer flights to 50 destinations during the year – 16 in North America, 27 in Europe, three within Iceland and four in Greenland. Thereof, four destinations are new: Raleigh-Durham in the US along with Rome, Nice and Salzburg in Europe. Furthermore, after solely being operated as a charter destination, Alicante is a new addition to Icelandair's route network.

Strong outlook in the cargo operation

The outlook in international freight markets is strong. Demand continues to be robust for export and import growth is strong. The transit market was the fastest growing market in 2021, and we see great opportunities to increase capacity across the Atlantic and strengthen Iceland as a hub for cargo between Europe and North America. We are strengthening our cargo fleet to seize

these opportunities and will add two B767-300 freighters to our fleet later this year. The outlook in the global market for ad-hoc and long-term charters has improved. In addition to the ongoing long-term leasing projects, we have secured various new short-term projects that contribute to better aircraft utilization and generate important revenue for the Company.

The outlook for VITA, our outbound tour operator, is good. In line with our strategy to streamline and simplify our operations while constantly improving our service offering, we are currently creating more synergies between the services provided by VITA and Icelandair's package travel and holiday service. This work will continue into 2022.

Invaluable support from our shareholders

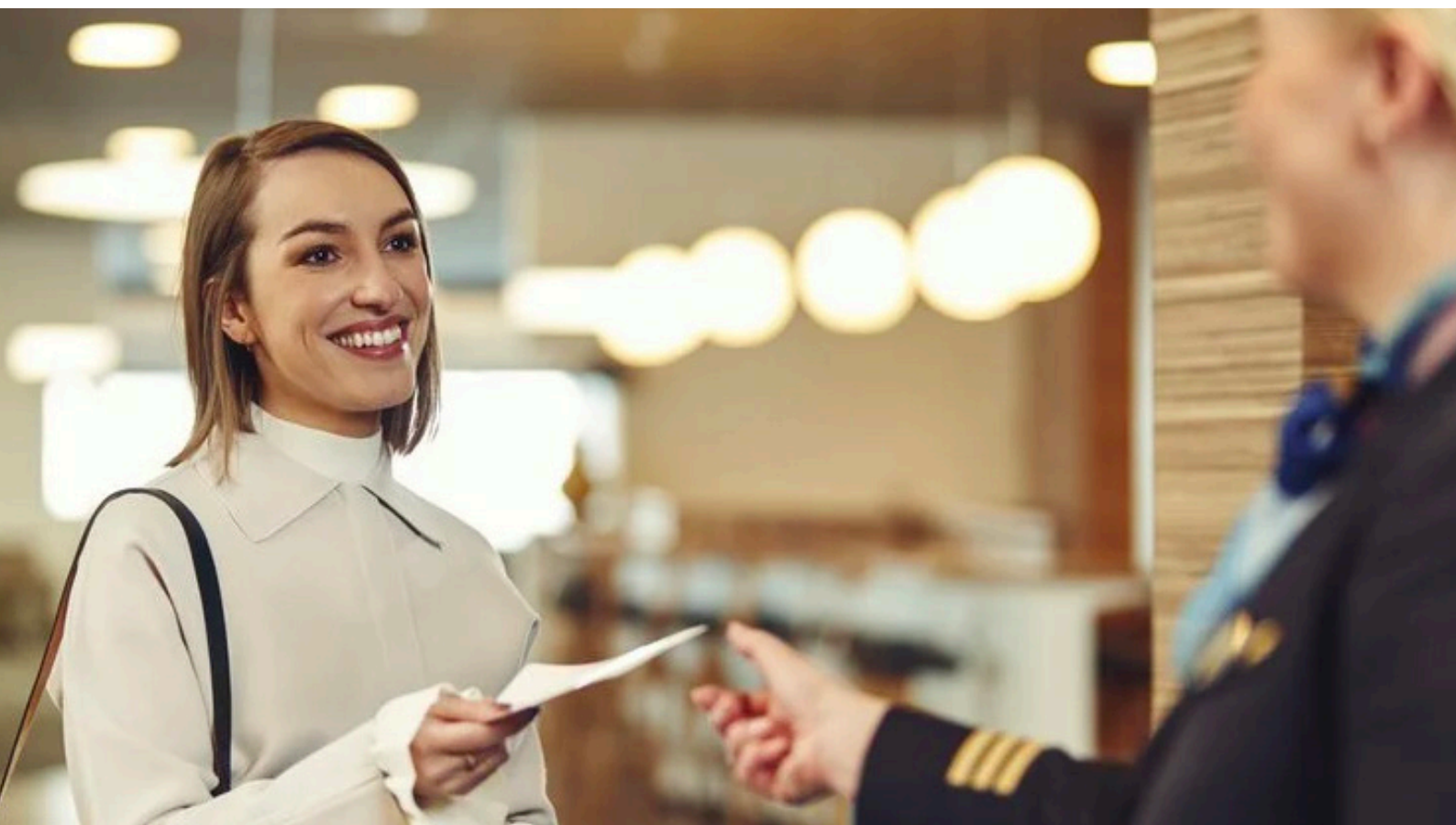
Icelandair benefits from having the backing of a broad shareholder base, with 15,287 shareholders at the end of

2021. A new shareholder, Bain Capital, joined our group of shareholders during the year and subsequently changes were made to our Board of Directors. We welcome Bain Capital and are pleased to have a leading global investor with deep industry knowledge share our vision and belief in Icelandair's long-term success.

Well-equipped for the future

With a clear strategy, a robust financial position and an outstanding team of employees, we believe that the Company is in a strong position to take advantage of market opportunities and reach our primary post-pandemic objective to return to sustainable operating results.

Gudmundur Hafsteinsson, Chairman
Bogi Nils Bogason, President & CEO



**We offer smooth and enjoyable journeys to, from,
via and within Iceland - our hub and home**



Our route network

The first half of 2021, Icelandair's operations were at a minimum, still being marked by the effects of the pandemic. Travel restrictions were still in place at most of our destinations, and demand for flights was limited due to the spread of the Delta variant of the virus. Icelandair continued to emphasize maintaining efficient air transport, connecting Iceland to the world, both for passengers and freight. On the other hand, the number of passengers on domestic flights increased between years.

There was an immediate increase in passengers in the second half of the year with Icelandair's capacity reaching 50% of pre-Covid levels in the summer. International and domestic flights increased parallel to vaccinations progress and the easing of travel restrictions.

An efficient ramp-up

Mid-June, Icelandair reached the milestone of having over 100 departures from Keflavik Airport in one week. It marked a turning point as this was the first time since mid-March 2020 that the Company had over 100 weekly departures. During the summer peak, Icelandair went up to 200 departures a week to 34 destinations. When the Omicron variant of the virus appeared, bookings slowed down again for a short while.

Another turning point occurred in November, when the United States opened its borders to vaccinated passengers. With this change, all of Icelandair's market areas were reopened for the first time since travel restrictions began in March 2020.



2021 was a year of recovery. We planned and prepared multiple scenarios of the ramp-up, and finally by the end of the second quarter we were scaling up operations at a remarkable pace. The ramp-up was made possible through strong tactical alignment across operations, the flexibility of the route network, and the passion of the Icelandair team, adapting to every challenge and situation in an ever-changing environment. This was the absolute key to the successful ramp-up of our operations.

Heiða Njóra Guðbrandsdóttir
Deputy COO



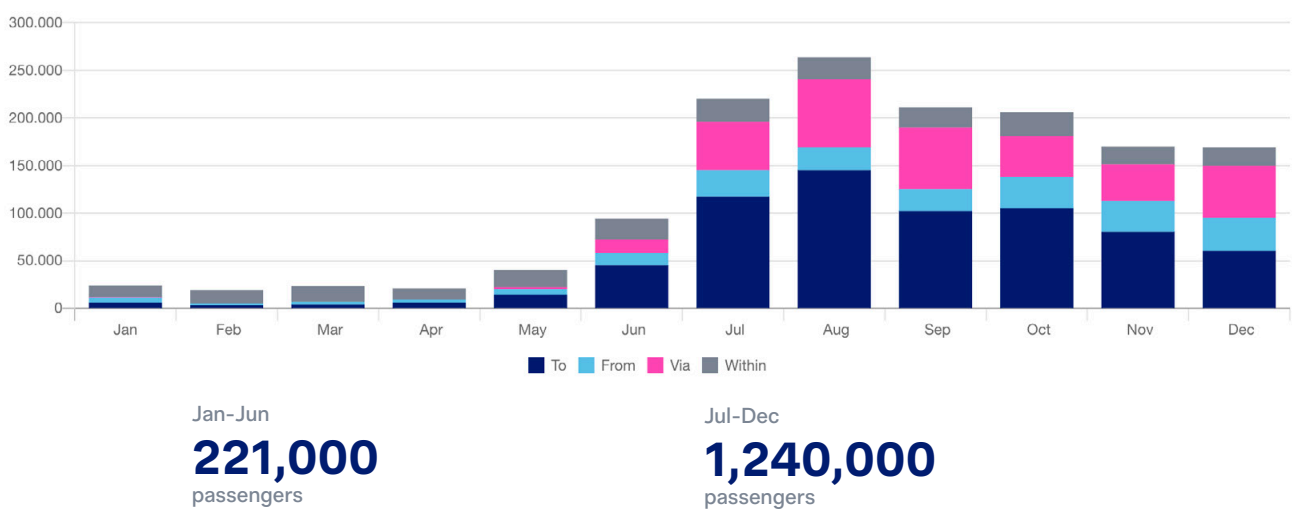
85% of passengers transported in the second half of the year

Looking at the full year, Icelandair doubled its total number of passengers between years. The Company transported around 1.5 million, whereof 85% were in the second half of the year.

The load factor on international flights was 65.3%. The market to Iceland accounted for 47% of the total number of

passengers in 2021 compared to 50% in 2020, the market from Iceland accounted for 14% compared to 18% in 2020 and the via market accounted for 23% compared to 18% in 2020. The total capacity in December 2021 was 65% of the capacity in December 2019. The domestic market within Iceland accounted for 15% of the total number of passengers in 2021, compared to 14% in 2020 and 5% in 2019. However, the number of passengers on domestic flights increased by 79% in 2021.

Number of passengers per market



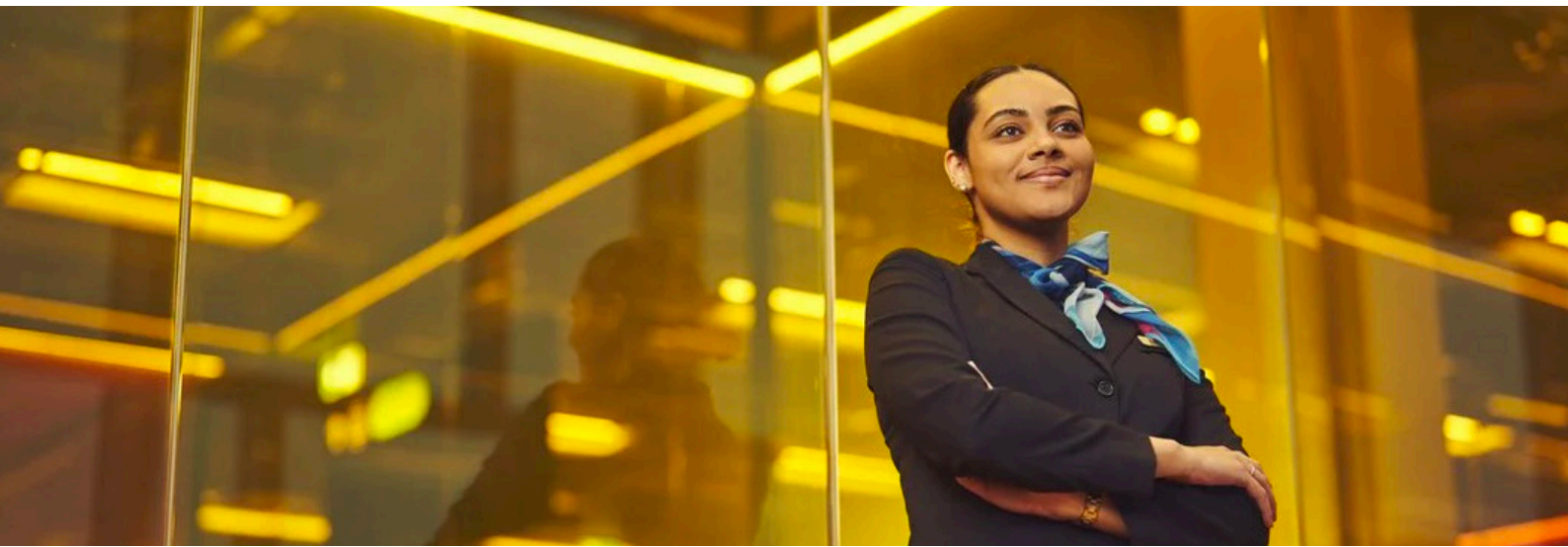
New destinations

In May, Icelandair added Tenerife as a new destination in the route network, having flown charter flights to the destination for many years. In addition, Icelandair also increased the frequency of flights to Orlando during the winter and announced the ski city of Salzburg as a new destination for the coming year. The purpose of this was to

meet the high demand, as Orlando and Tenerife have been popular destinations for Icelanders during the winter. Also, Rome, Nice, Montreal, and Raleigh-Durham were added as new destinations in the Icelandair route network for 2022. Additionally, Alicante will now be part of the route network, but Icelandair has offered charter flights to Alicante for many years.



Strategic actions



Integration of domestic and international flight operations

The integration of Icelandair and its domestic airline, Air Iceland Connect, was completed in the first quarter of the year with the objective of simplifying and streamlining the Group's operations. The first domestic flight under the Icelandair brand took place on 16 March 2021.

The aim of the companies' integration was to ensure the sustainable future of Icelandair's domestic flight service as well as flights in the West Nordic market areas, and at the same time strengthen and simplify the Company's operations as a whole. With one strong brand, a simplified

booking process, and integrated distribution channels, Icelandair is able to offer a comprehensive range of products and services to all the Company's destinations, domestic and international, in one place, improving its service offering and customer experience.

Domestic destinations in Iceland are now more visible on Icelandair's website through one search, one ticket, and a connection to the route network in Europe and North America. The connection to the Icelandair brand will elevate domestic destinations internationally as the Icelandair brand is well known in the Company's key markets after decades of development and investment in sales and marketing.

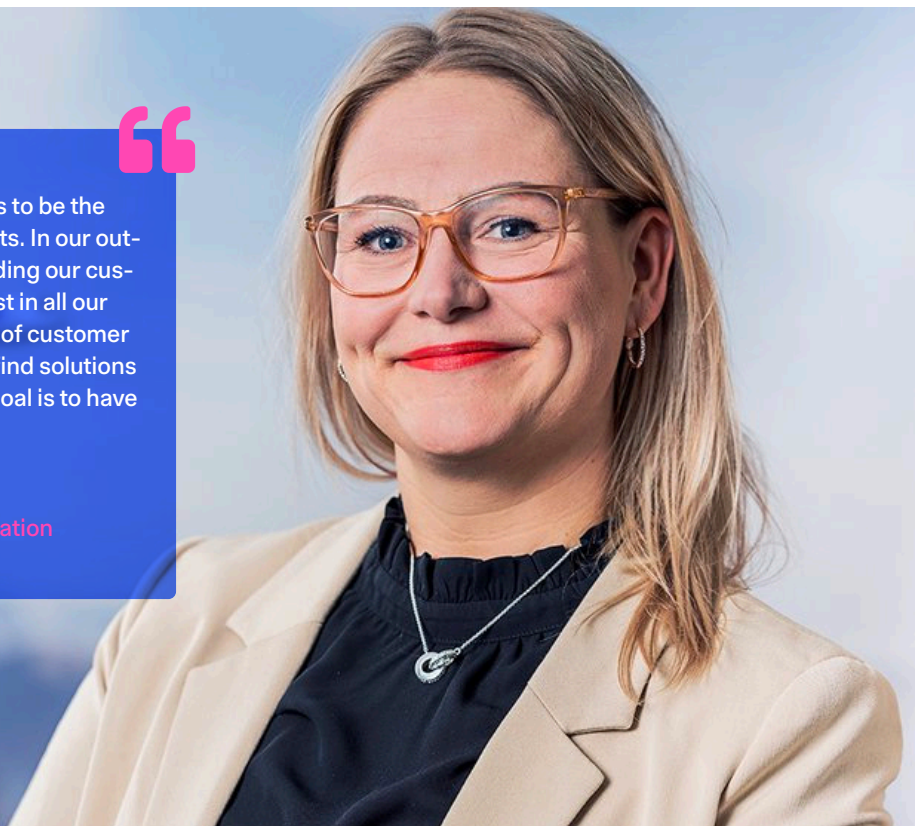
“

Customer focus is in our DNA and our goal is to be the most customer-focused airline in our markets. In our outside-in approach, we emphasize understanding our customers' needs and we put our customers first in all our decisions and actions. With a strong culture of customer focus, our employees go out of their way to find solutions that cater to our customers' needs and the goal is to have our customers travel with us again.

Guðný Halla Hauksdóttir

Customer Experience Development & Innovation

”



Divestment of Travel services

In February 2021, Icelandair Group reached an agreement with Berjaya regarding the sale of its remaining 25% share in Icelandair Hotels, but Icelandair Group had sold 75% share the year before. Following the transaction, Icelandair Hotels will work on rebranding its hotels and eventually cease the usage of the Icelandair trademark. The sale of the remaining shares in Icelandair Hotels was in line with the Company's strategy of focusing on its core business, aviation, and related services, going forward.

In June 2021, Icelandair Group signed a share purchase agreement with Nordic Visitor regarding the sale of a 100%

stake in Iceland Travel. The sale was subject to general conditions such as approval from the Icelandic Competition Authorities. The sale was approved in October and finalized in December. Iceland Travel has been a leading travel company, tour operator, and destination management company in Iceland tracing its roots to 1937. Iceland Travel provides services to agents and other businesses (B2B) and its service offering spans a wide range of high-quality services for travelers from all over the world, offering a full range of guided tours, day tours, and road trips.

The sale was a part of Icelandair Group's divestment of tourism operations and increased focus on aviation and related services.

Refreshed corporate branding

Our vision is to bring the spirit of Iceland to the world and our corporate strategy revolves around Iceland, our hub and home. In 2021 we updated our brand to better reflect our strategy and our digitally driven culture. We are inspired by Icelandic nature and our new colors represent the various shades of Iceland, with midnight blue and white as primary colors, and northern lights blue, pink, sky blue, yellow, and green as secondary colors. We are excited to continue bringing the ever-changing and colorful spirit of Iceland to the world, sharing that the Icelandic spirit is a state of mind available to everyone, no matter where they come from.



Air freight and logistics

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.



The impact of the pandemic

Icelandair Cargo performed well in the year 2021 despite the pandemic having a significant impact on the operation like the year before. Generally, one of the main emphases when planning the cargo schedule and operation is to maximize the utilization of the belly capacity available in the Icelandair passenger network. During the pandemic, this has been extremely challenging as the passenger network has been very much affected by less demand and border restrictions. Belly capacity was particularly limited in the

first half of the year but improved in the second half with more frequent passenger flights.

In order to meet less cargo capacity in the passenger network, additional freighter flights were scheduled to Liege and Boston. The irregularity in belly capacity and utilization can be explained as a replication of the Covid situation each time, but 42% of the freight was moved by passenger aircraft which is a big step from the 28% share the year before. However, this is far below the 64% belly share before the pandemic.

“

A large part of our operations revolves around transporting fresh Icelandic fish to destinations in Icelandair's extensive international route network, reaching around 40 destinations in Europe and North America. Icelandic seafood is known for its freshness and when transported with passenger flights the fish can be on consumers' plate in Europe and North America within 36 hours after being caught. This advantage gives the product a unique freshness which is difficult for even the locals to compete with. Fresh seafood is a high value product and the estimated export value of Icelandic fish transported with Icelandair Cargo in 2021 is around USD 460 million.

Gunnar Már Sigurfinnsson

Managing Director - Air freight and logistics

”



Strong import and export

Import has been strong during the pandemic but the main markets are in Central Europe. As before, perishables, spare parts, fashion goods, and e-commerce are a big part of the import operation. Pharma and medical transport have also been increasing during Covid as, for example, vaccines and other medical equipment.

In 2021, Icelandair Cargo increased its emphasis on transit freight, which is being transported between Europe and North America. Before the pandemic, there was not a strong focus on this product but a changing environment

with a decline in global cargo capacity and fast-growing e-commerce business have made this an interesting market. In the year 2021, 11% of the company's cargo revenues were generated from transit activities but only 3% in the year 2019.

During the pandemic, charter opportunities have increased considerably. Charter projects from China with medical equipment for European and American authorities was a big part of the successful operational year in the year 2020. Almost 4% of the revenues were generated by charter services on the North Atlantic route with European products to North America.

“

Last year we increased emphasis on transit freight with 11% of our cargo revenues generated from transit activities compared to 3% in 2019

”

Changes in the fleet

The year 2021 marked a turning point for Icelandair Cargo when an agreement was reached for the lease of two Boeing 767-300 wide-body freighters which are expected to be introduced in the autumn of 2022. The two

new aircraft will strengthen the company's competitive position and provide growth opportunities with increased capacity and extensive range to serve new markets. At the same time, a decision was made to expand the company's warehouse building at our hub in Keflavik airport, which will play a large role in this project.

Aircraft leasing and consulting

Loftleidir 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. During the year, Loftleidir Icelandic operated five B757 200s, two B767 300s, one B737 800 and one B737 700 aircraft.



Operations in 2021

The year 2021 was affected by the continued impact of the pandemic. The AM marked showed minor signs of improvement, and the demand for Personal Protection Equipment (PPE) and repatriation/rescue operations, which made a considerable positive impact in 2020, plummeted in 2021, leading to a 23% fall in production of flight hours from 2020. The VIP Private Jet market was almost non-existent in 2021. However, there are vital signs of a recovery in 2022 as the underlying demand remains strong, and flights are bound to resume soon with more countries lifting travel restrictions. Loftleidir Icelandic added the second B757 aircraft to the VIP Private Jet fleet. Both aircraft are well booked in the next couple of years and are expected to be operating at full capacity

when flights resume. The year 2021 was affected by the continued impact of the pandemic. The AM marked showed minor signs of improvement, and the demand for Personal Protection Equipment (PPE) and repatriation/rescue operations, which made a considerable positive impact in 2020, plummeted in 2021, leading to a 23% fall in production of flight hours from 2020. The VIP Private Jet market was almost non-existent in 2021. However, there are vital signs of a recovery in 2022 as the underlying demand remains strong, and flights are bound to resume soon with more countries lifting travel restrictions. Loftleidir Icelandic added the second B757 aircraft to the VIP Private Jet fleet. Both aircraft are well booked in the next couple of years and are expected to be operating at full capacity when flights resume.

Good demand for ad-hoc charters

Loftleidir Icelandic is now handling all the charter AD-HOC sales and operations for the Icelandair fleet, both the Bombardier and Boeing aircraft. Despite many countries being closed to travellers, there has been good demand for these AD-HOC charters. Many special-purpose groups, such as film crews, corporations and sports teams, have travelled with charter aircraft instead of scheduled flights.

Also, travel agencies have organized many charters, especially in the second half of 2021, while the first half saw many cancellations due to travel restrictions.

In November 2021, full charter flights were introduced for local travel agents between Orlando, Florida and Havana, Cuba. These flights went well and have resulted in a more extensive program in 2022.

Successful flights to Antarctica

Another addition in last year's operations were full charter flights to Antarctica for two customers. The operations required flights to two different airfields in Antarctica, with one project lasting three months with a base in Punta Arenas, Chile. These projects were an enormous logistical and operational challenge. They demonstrated the resourcefulness of everyone involved at Icelandair and Loftleidir Icelandic, such as sales and marketing, flight operations, technical and maintenance, cabin crew, and mechanics.



Partnership with Air Niugini

Loftleidir Icelandic maintains a strong partnership with Air Niugini on AM contracts with two B767 and one B737. The fleet was reduced by one B737 aircraft in June. Despite this reduction in the fleet, the operation in 2021 was slightly more than in 2020.

The company continues to offer 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 more comprehensive range of solutions.

Outlook for Loftleidir Icelandic for 2022

As the last two years have been incredibly challenging, there is a good reason to be optimistic about 2022 and onward. The forecast for 2022 shows revenue growth as Air Niugini is expected to gain momentum and the VIP

Private Jet operations bounce back at full strength by mid-year. The company is embarking on a new project in Miami, Florida, for US travel agents with flights to Cuba, Dominican Republic and Ecuador on the horizon. Along with other potential projects, enquiries for different aircraft leases are increasing rapidly, indicating growing demand.

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 2022. There will be a continued focus on promoting AM, VIP Private Jet, ACMI and full charter products. In addition, the company will offer potential customers a plethora of consulting services as a total capacity solution provider. Leveraging Icelandair's resources of extensive aviation experience, the services provided include operational optimization, network development, revenue accounting, ticket sales, market strategy, etc.

Fleet

Icelandair Group 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 the flexibility needed to operate a successful route network. The fleet comprised a total of 41 aircraft in the end of 2021.

Type	Icelandair	Cargo	Leasing	Fleet 31.12.21	Owned	Leased	Change from 31.12.20
B757-200	11	2	4	17	15	2	-7
B757-300	2			2	2		0
B737 MAX 8	6			6	2	4	1
B737 MAX 9	3			3	0	3	2
B767-300	4		2	6	4	2	0
B737-700			0	0	0		-1
B737-800			1	1	0	1	0
Bombardier Q200	3			3	3		0
Bombardier Q400	2		1	3	3		0
Total	31	2	8	41	29	12	-5

Icelandair Group fleet

The fleet in 2021 consisted of Boeing 757, Boeing 767, and Boeing 737 MAX for the Company's international flights, and Bombardier Q200 and Q800 for domestic flights and shorter international routes. Icelandair operates flight simulators for Boeing 757, Boeing 767, and Boeing 737 MAX aircraft at a training facility in Iceland. The facility is well utilized year-round, for Icelandair and other airlines.

The Boeing 757 offers 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 offers high passenger loads along with great cargo capacity into high-density markets in Europe and on the US East Coast. The Bombardier Q200 is capable of the short and often rough airfields that are prominent in Greenland and some of the Company's smaller domestic destinations and 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.



With favourable conditions in financial and commercial aircraft markets last year, we successfully completed the financing of the remaining three aircraft in our Boeing 737 MAX order and secured long-term lease agreements for two new additional 737 MAXs. The 737 MAX is of a new generation of eco-efficient aircraft and has proven to be a great fit for our fleet. It can open opportunities to introduce new destinations and increase the frequency to our current destinations on year-round basis.

Högni Helgason
Fleet Director





Boeing 737 MAX re-enters service

In March 2021, aviation authorities of the United States, Canada, and Europe lifted the grounding of the Boeing 737 MAX aircraft following a comprehensive re-approval process that lasted over a year. Icelandair, along with other international flight carriers, resumed flights of the aircraft after having Icelandair's experienced pilots and aircraft mechanics working hard on the preparation of the aircraft return to service. Icelandair owns a Boeing 737 MAX flight

simulator, and the airline's pilots underwent extensive theoretical and practical training.

The entry of the Boeing 737 MAX into the Company's fleet has proven successful. The aircraft is better utilized in the route network than had been expected in the beginning, as its range and carrying capacity have proven to be greater than expected. This will open opportunities to introduce new destinations and increase the frequency to the Company's current destinations.

Fleet strategy

In 2021, Icelandair continued an extensive review of the Company's long-term fleet strategy in cooperation with its advisors. The results of this work have shown that in the short term the current fleet composition is well suited for the Company's route network. Over the next years, Icelandair will focus on ensuring the continued growth and renewal of the Company's fleet with current aircraft types. The Boeing 757 phase-out continues and will be managed in line with aircraft capacity requirements as new aircraft are added to the fleet.

The development of the Company's fleet strategy will continue over the next decade. In the second half of this decade, when the Boeing 757s get closer to retirement, Icelandair will be considering another type of larger aircraft to use alongside the Boeing 737 MAX.





Strategy and structure

Strategy and structure

The heart of Icelandair'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.



“ We bring the spirit of Iceland to the world ”

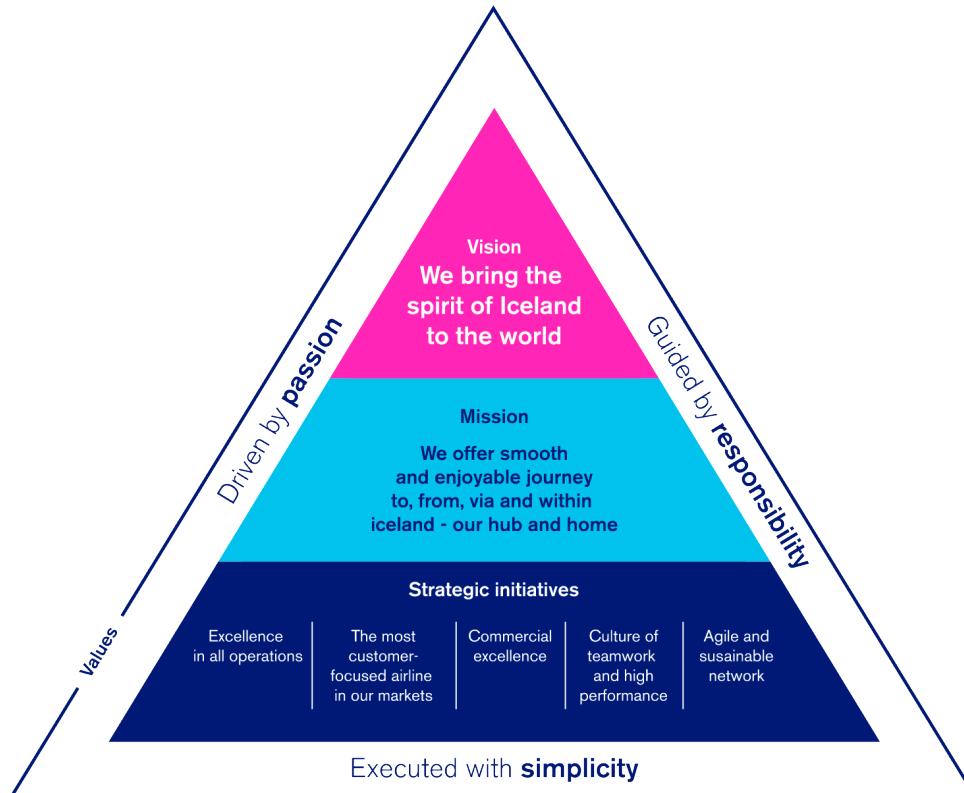
Our strategy

Icelandair's corporate strategy provides a compass for the entire organization today and for the future.

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

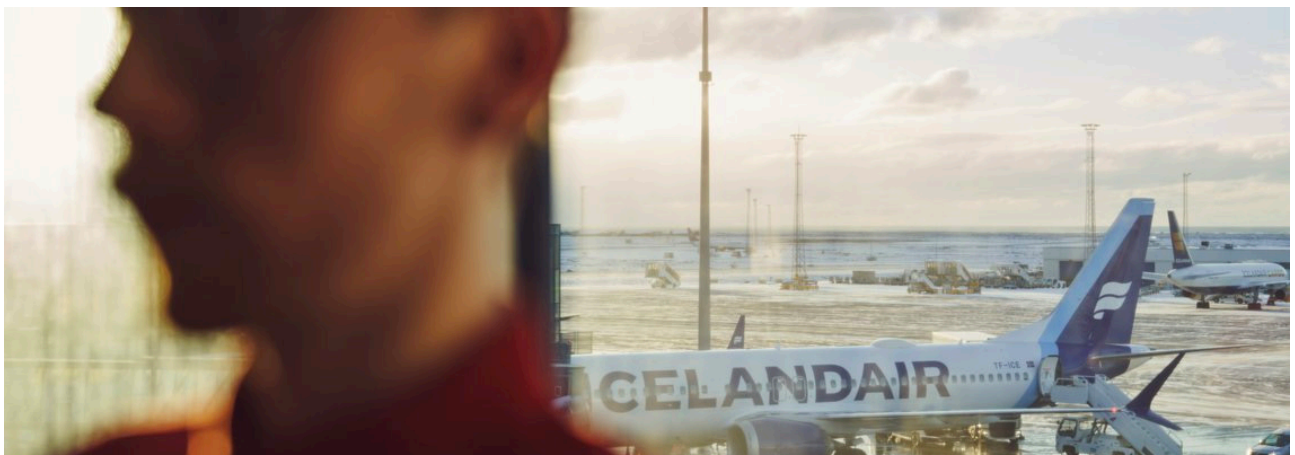
supported by strategic initiatives that are fundamental in strengthening the Company's operations going forward.

The core values of passion, simplicity and responsibility represent a guiding light for all the Company's activities and decisions.

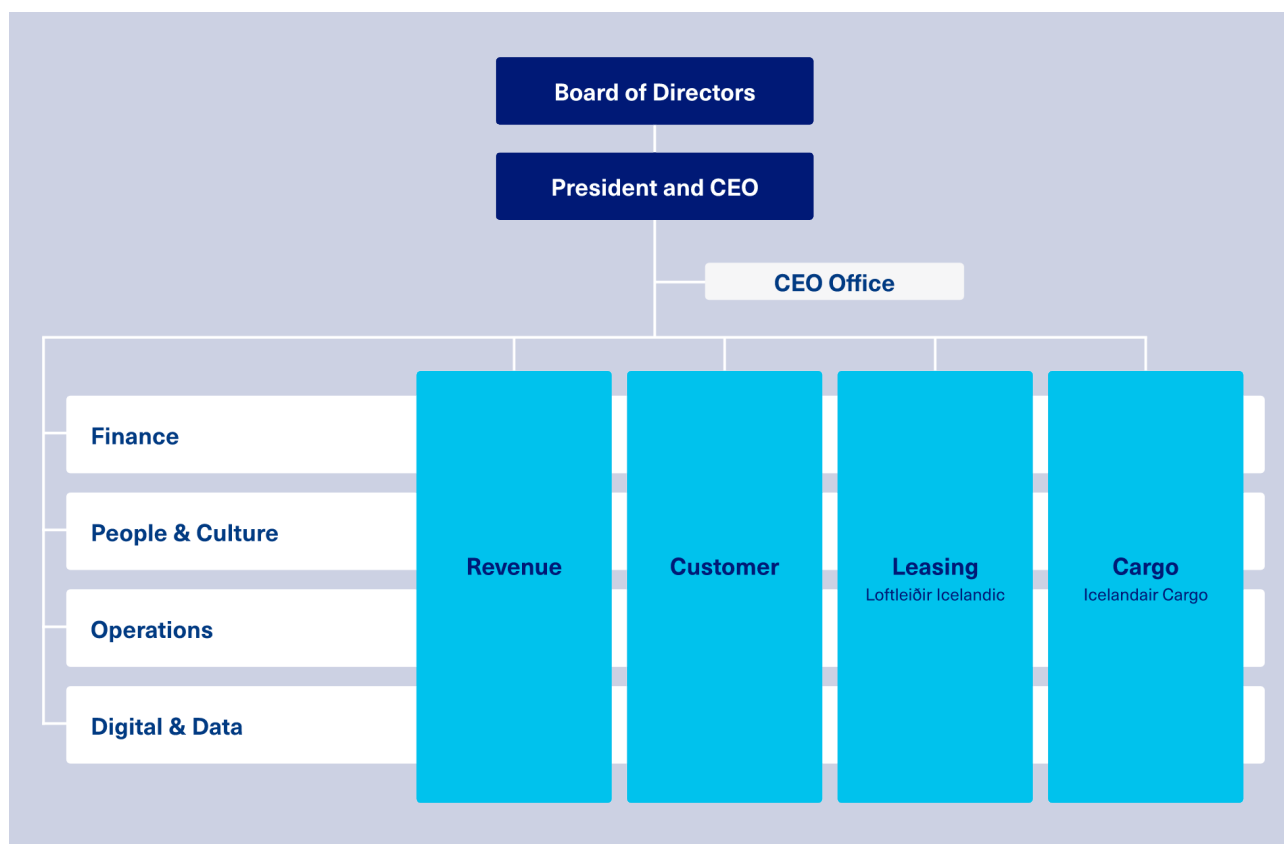


Organizational structure

In 2021, Icelandair made changes to its organizational structure to align its organization better with its ambitious strategy of sustainable growth, digital transformation, and central focus on customer experience.



Our organizational structure



Changes in the organizational structure in 2021

The main changes from the previous organization structure, were splitting up Icelandair's Commercial division into new Revenue and Customer divisions. The establishment of the Customer division will foster a strong customer-centric focus across the organization and facilitate a stronger Icelandair brand. The Revenue division will combine the Company's revenue focused functions of Network, Revenue Management and Sales in a single division with the aim of reaching Icelandair's full revenue potential. Furthermore, a new standalone Digital & Data division will enable Icelandair's digital and data journey from a central position within the Company, led by Chief Digital Officer.

The Company's operations now consist of eight divisions:

- Revenue (new)
- Customer (new)
- Aircraft Leasing & Consulting
- Air Freight & Logistics
- Operations
- Finance
- Digital & Data (new)
- People & Culture
- Icelandair's Executive Committee

Icelandair's Executive Committee

Following the changes, the Executive Committee consists of nine members. Tómas Ingason, who had served as Chief Information Officer and Chief Business Development Officer since 2019, heads the new Revenue division. The new Customer division is led by Chief Customer Officer Sýlvía Kristín Ólafsdóttir, who returned to Icelandair after having previously served as Director Network Planning & Scheduling and Director Operations Support from 2018-2021. The new Digital & Data division is led by Rakel Óttarsdóttir, who joins Icelandair as an experienced digital executive.

Further changes to the Executive Committee took place in 2021 with Ívar S. Kristinsson appointed as Chief Financial Officer, having previously served as Chief Fleet & Network Officer from 2019-2020, and Jens Bjarnason assuming the position of Chief Operations Officer.

Sustainability at the center

Sustainability is at the center of our strategy and we support the United Nations' Sustainable Development Goals (SDGs). By linking our strategy to the SDGs, and by systematically reviewing our economic, social and environmental impacts, we put our work in the context of these universal goals. As we deepen our understanding of our influences and impacts in terms of sustainability, we continue to align the chosen key focus areas into our organizations activities by defining relevant projects, indicators and targets.



Board of Directors



Guðmundur Hafsteinsson
Chairman



Nina Jonsson
Vice Chairman



Matthew Evans
Board member



Svafa Grönfeldt
Board Member



John F. Thomas
Board Member

Executive committee



Bogi Nils Bogason
President & CEO Icelandair Group



Árni Hermannsson
Managing Director of Aircraft
Leasing and Consulting



Elísabet Helgadóttir
Chief Human Resources Officer



Gunnar Már Sigurfinnsson
Managing Director Air Freight and Logistics



Ivar S. Kristinsson
Chief Financial Officer



Jens Bjarnason
Chief Operating Officer



Tómas Ingason
Chief Revenue Officer



Financials

Why invest in Icelandair

Icelandair with its clear strategy, robust but flexible route network and further supported by the cargo and leasing operation is in a strong position to take advantage of the opportunities that will arise post covid.

We have used the time wisely, reviewed our strategy and become more focused on aviation. We have simplified our operations, divested non-aviation related businesses and integrated the domestic and the international operation under one brand, Icelandair.

With a broader investor base, strong balance sheet, clear sustainability targets and experienced employees, we will have pencil sharp focus on financially sustainable growth opportunities.



Unique and flexible route network



Strong financial position



Clear strategy and management focus



Streamlined and simplified operation



Outstanding team of employees

Key figures table

USD thousands	2021	2020	2019	2018	2017
Operating results					
Total income	584,913	433,591	1,504,495	1,510,518	1,417,987
EBIT	-135,939	-362,995	-39,297	-56,968	49,645
EBT	-130,059	-437,834	-72,601	-67,810	48,642
Loss/profit for the period	-104,796	-376,176	-57,779	-55,570	37,538
Balance sheet					
Total assets	1,171,559	1,034,238	1,676,587	1,464,122	1,423,842
Total equity	222,384	232,809	482,478	471,379	596,545
Interest bearing debt	257,785	263,588	387,384	451,445	289,541
Net interest bearing debt	-5.179	104,218	140,824	147,951	64,263
Cash flow					
Net cash to/from operating activities	50.612	-193,219	119,878	61,553	205,603
Netcash to investing activities	4.630	-2,279	-138,657	-129,933	-228,419
Net cash from/to financing activities	32,814	79,659	-44,940	149,336	14,554
Cash and cash equivalents end of period	204,768	117,657	235,073	299,460	221,191
Key ratios					
Earnings per share in US Cent per share	-0.33	-3.04	-1.06	-1.16	0.75
Equity ratio	19%	23%	29%	32%	42%
Capex USD thousand	184,077	49,160	269,274	271,251	166,131
EBIT ratio	-23%	-84%	-3%	-4%	4%

Shareholder information and IR

Since December 2006 Icelandair Group's shares have been listed on NASDAQ OMX under the symbol ICEAIR. The Company's share capital was increased by 7.5 million shares in 2021 and the market capitalization of the Company was ISK 65.4 billion at year end. The Company's share price increased by 11% in 2021.

Share capital

The Company's share capital amounts to ISK 35,958,432 thousand according to its Articles of Association. Each share carries one vote at shareholders' meetings. The shares are freely transferable unless otherwise stipulated by law. All shareholders hold equal rights to dividend payments as declared from time to time. The Company

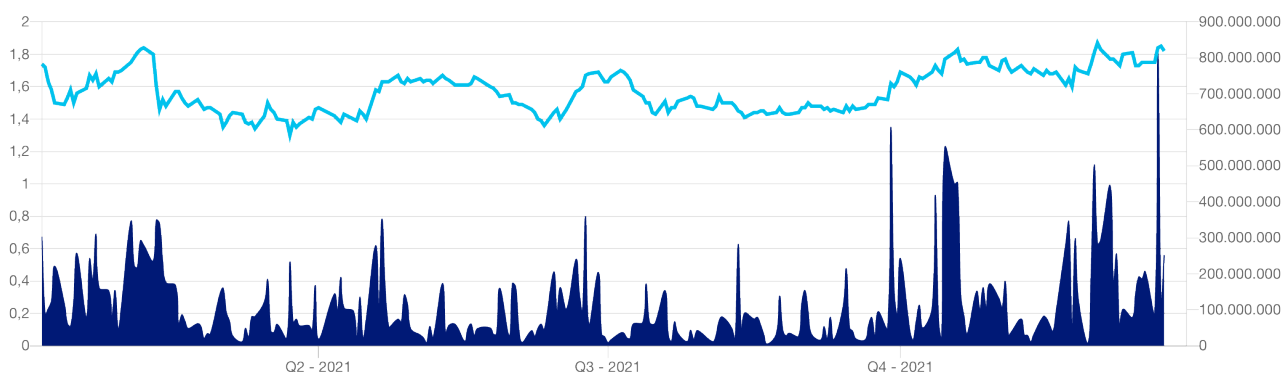
issued new shares in the nominal amount of ISK 7,520,771 thousand in 2021. A total of 5,659,094,470 shares were sold to the Blue Issuer Designated Activity Company, a subsidiary of Bain Capital, and 1,861,676,632 shares were issued in relation to the exercise of warrant class ICEAIRW130821. All the new shares were issued within the same share class as all existing shares in Icelandair Group. The Company held no treasury shares at year end 2021.

Share performance

Icelandair Group's share price rose from ISK 1.64 at year-end 2020 to ISK 1.82 at year-end 2021, an increase of 11%.

The highest closing price in 2021 was ISK 1.87 per share, the lowest closing price was ISK 1.30 per share and the average closing price over the year was ISK 1.58 per share.

Icelandair Group shareprice and trading volume in 2021



All amounts in ISK	2021	2020	2019	2018	2017
Market capitalisation million	65,444	46,638	41,057	47,900	73,550
Share price at year end	1.82	1.64	7.55	9.58	14.71
Highest closing price	1.87	8.82	11.10	16.55	23.53
Lowest closing price	1.30	0.87	5.50	6.53	13.13
No. of issued shares million	35,958	28,438	5,438	5,000	5,000
No. of outstanding shares million	35,958	28,438	5,438	4,813	4,861
Average no. of outstanding shares million	31,606	12,054	5,244	4,822	4,887

Share liquidity

Icelandair Group has 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 22,546 times in 2021 (2020:17,218 times) for a total market value of ISK 46.3 billion (ISK 26.0 billion in 2020). The average number of shares traded was 114.0 million. Icelandair Group's market capitalization at the end of 2021 was ISK 65.4 billion.



Key ratios

Total comprehensive loss for the year was USD 91.4 million

in 2021, corresponding to -0.33 US cents per share. The Company's total equity at year-end was USD 222.4 million.

	2021	2020	2019	2018	2017
Earnings per share in US Cent	-0.33	-3.0	-1.1	-1.2	0.8
Intrinsic value of share capital	0.82	1.1	10.9	12.0	15.0
P/E ratio	-4,2	-0.4	-5.9	-7.1	18.4
P/B ratio	2,2	1.5	0.7	0.8	1.0
Number of shareholders	15,287	13,508	3,171	3,017	2,394

Shareholders

At the end of 2021 the number of shareholders was 15,287,

as compared to 13,508 at the beginning of the year. Of the total shareholder base, 0.3% of the total shareholder base held 61.4% of the shares in the Company.

Number of shares	Shareholders	%	Shares	%
1 - 100,000	4,220	27.61	193,631,038	0.54
100,001 - 1,000,000	8,222	53.78	2,778,979,495	7.73
1,000,001 - 10,000,000	2,620	17.14	6,051,215,318	16.83
10,000,001 - 100,000,000	184	1.20	4,865,942,866	13.53
100,000,001 +	41	0.27	22,068,663,038	61.37
Total	15,287	100.00	35,958,431,755	100.00

20 Largest shareholders 31 December 2021

Name	No. Shares in thousand	Shares in %
Bain Capital	5,659,094	15.74
Bru - Pension Fund of Municipality	1,461,210	4.06
Islandsbanki	1,188,833	3.31
Gildi - Pension Fund	1,146,232	3.19
Islandssjodir - Icelandic Professional Investor	1,051,580	2.92
The Pension Fund for State Employees. Division-A and B	1,061,032	2.83
Arion Bank hf.	1,006,159	2.80
Landsbref - Icelandic Professional Investor Fund	975,803	2.71
Almenni - Pension Fund	731,168	2.03
Boksal ehf.	645,168	1.79
Other	21,077,152	58.62
Total	35,958,432	100.00



It is a pleasure to welcome Bain Capital to our strong and diverse group of shareholders. We are delighted to have a leading global investor with deep industry knowledge share our vision and belief in Icelandair's long-term success. The cooperation will, without doubt, strengthen our capabilities to capitalize upon the opportunities that will arise in the future.

Bogi Nils Bogason
President & CEO



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 2021.

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/ 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 2022	Financial statement Q2 2022	Financial statement Q3 2022	Financial statement Q4 2022	Annual General Meeting
Week 17 2022	Week 29 2022	Week 42 2022	Week 5 2023	Week 9 2023

Performance in 2021

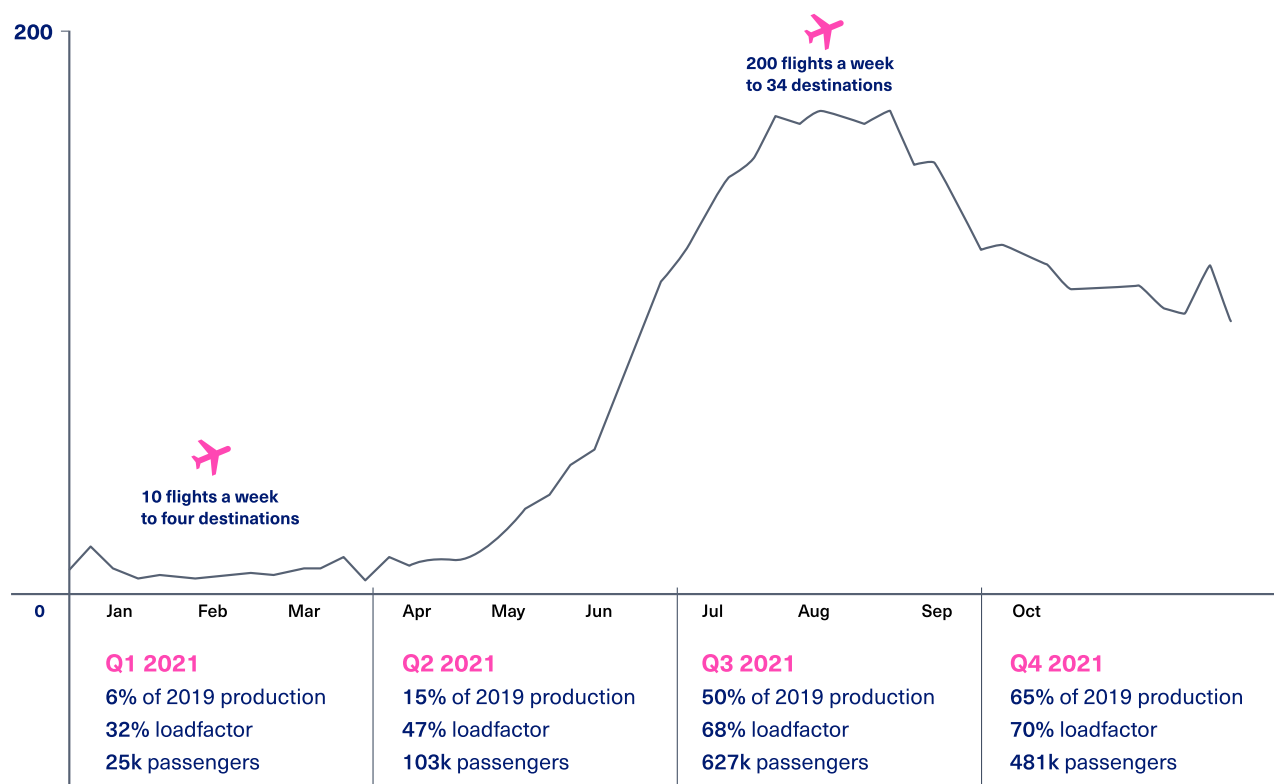
Focus on preserving infrastructure and maintaining financial strength throughout the pandemic enabled the successful ramp-up of Icelandair operations in 2021. Total operating income was USD 584.9 million, up by 35% between years. Net loss improved significantly between years and amounted to USD 104.8 million, as compared to net loss of USD 376.2 million in 2020. The Company turned a net profit of USD 20 million in Q3 2021.



Capacity in passenger network increased by 87%

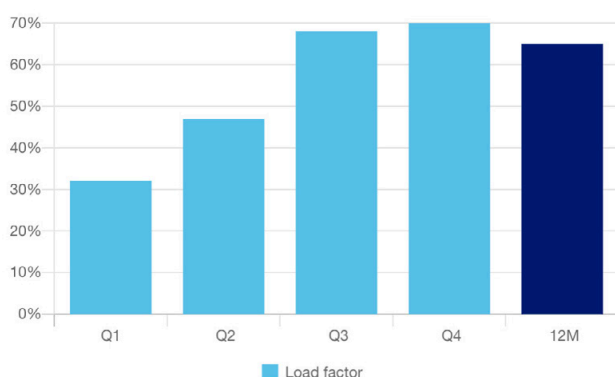
The year 2021 was a year of recovery where the total capacity in the passenger network increased by 87% compared to previous year. The ramp-up of the network started in June and the capacity was up to 50% of pre-covid capacity with 68% load factor in the third quarter.

The capacity in the fourth quarter was up to 65% of pre-covid levels and the load factor reached 70%. There were some roadblocks on the way during the ramp up with the Delta variant in August and September and the Omicron negatively impacting load factor and results in December. The ramp-up was however very successful with almost 70% load factor in the second half of the year.

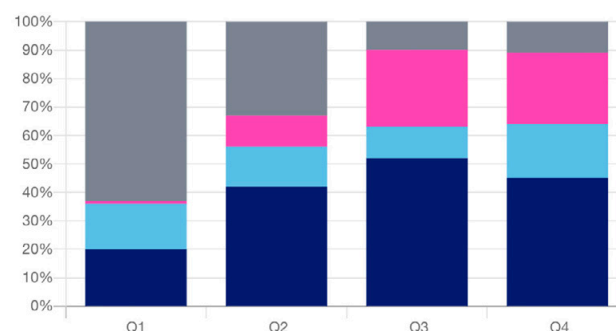


		2021	2020	% Chg.
Passenger flights total				
Number of Passengers	Thousand	1,461	891	64%
Load Factor (LF)	%	65.3	67.2	-1.9 ppt
Available Seat KM (ASK)	Million	5,963	3,191	87%
International flights				
Number of Passengers	Thousand	1,236	765	62%
Load Factor (LF)	%	65.2	67.2	-2.0 ppt
Available Seat KM (ASK)	Million	5,866	3,136	87%
On time performance	Number	84.0	85.0	-1.0 ppt
Domestic flights				
Number of Passengers	Thousand	225	126	79%
Load Factor (LF)	%	70.4	67.9	2.5 ppt
Available Seat KM (ASK)	Million	97	55	78%
Charter and cargo flights				
Sold Block Hours	Number	13,492	14,180	-5%
Freight Tonne KM (FTK)	Thousand	142,713	114,956	24%

Load factor



Passenger mix



1.5 million passengers – 85% in the second half of 2021

The total number of passengers on international and domestic flights was around 1.5 million in 2021 compared to 891 thousand in 2020, an increase of 64%. Icelandair divides its route network into four markets – to, from, via and within Iceland. The market “to” Iceland was the largest market and accounted for 47% of total passengers. As a

leading airline in Iceland the recovery of Icelandair's flight operation is vital for the Icelandic tourism industry and economy. The “via” market which was almost nonexistent majority of last year due to the travel restrictions between North America and Europe accounted for 23% of total passengers for the year. Passenger on the “from” market accounted for 14% of total passengers and domestic passengers “within” for 15%.

The cargo operation was strong in 2021

Carried freight measured in freight ton kilometers (FTK) increased by 24% compared to previous year and exceeded 2019 FTK's by 7%. Demand was strong and

carried freight increased between years in all markets with the largest increase, 51%, on the transit market.

The leasing operation continued to be significantly impacted by COVID-19 in 2021 and sold block hours on charter flights decreased between years by 5%.

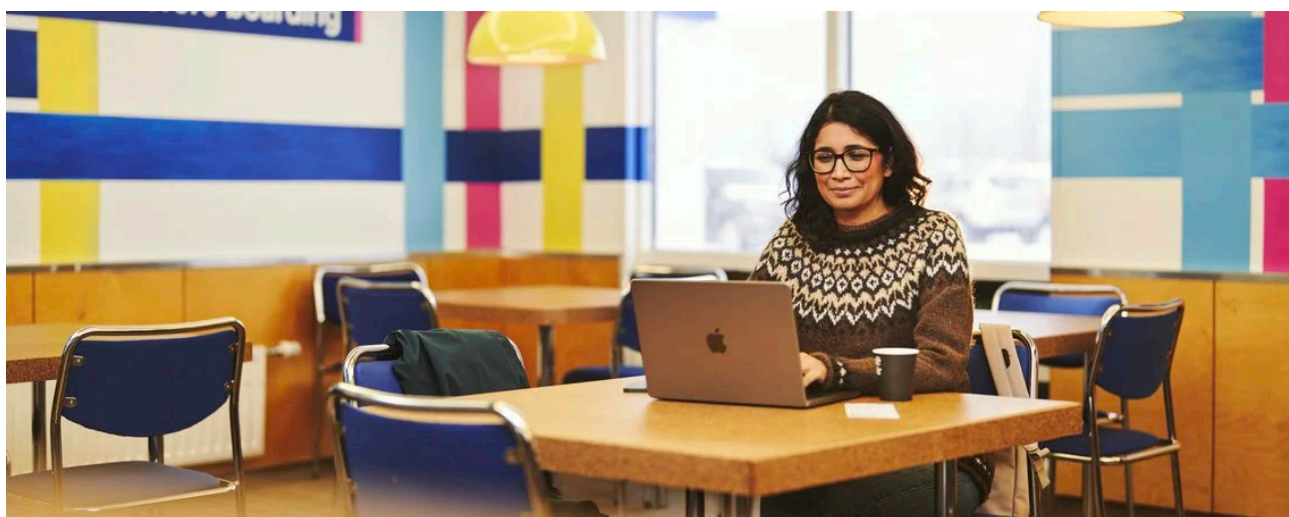
Earnings

Turnaround in the second half of the year

After having focused on preserving our infrastructure, knowledge and maintaining financial strength throughout the pandemic, Icelandair was in a strong position for an efficient ramp-up as soon as passenger demand started

to increase in 2021. The first half of the year progressed slowly; and then came the turnaround in the second half with improvements in terms of operating income and profitability. The Company turned a profit from regular operations in the third quarter for the first time in two years.

Earnings development		2021	2020	Change
Total revenue	USDk	584,913	433,591	151,322
Total operating cost excl. depreciation	USDk	607,716	520,085	87,631
EBIT	USDk	-135,939	-362,995	227,056
EBT	USDk	-130,059	-437,834	307,775
Net loss	USDk	-104,796	-376,176	271,380
EBIT ratio	%	-23.2	-83.7	60.5 ppt



Income

Passenger revenue up by 88%

Transport revenue totaled USD 453.9 million, up by 71% between years. Transport revenue counts for 78% of the Company's total operating income. Of this figure, passenger revenues amounted to USD 333.8 million and increased by 88% compared to last year. Icelandair divides its route network into four markets – to, from, via and

within Iceland. The increase in passenger revenue was greatest in the "to" market with Iceland as a destination, but passenger revenue also increased significantly in the three other markets with increased demand and capacity. Cargo revenue increased by 31% compared to 2020 and amounted to USD 87.4 million. Cargo volume increased by 24% between years, driven by increased demand in all markets especially in the transit market.

“ The capacity of the international route network increased by 87% with corresponding 62% increase in the number of passengers. ”

Revenue from tourism increasing significantly between years.

Revenue from aircraft and aircrew lease decreased from USD 64.7 million in 2020 to USD 42.7 million in 2021. Included in 2020 figures is revenue from an extensive cargo charter project from China to Europe and the US. Other revenue totaled USD 88.4 million in 2021 down from

USD 103.3 million from the preceding year. Included in other revenue 2020 is compensation from The Boeing Company due to loss incurred from the MAX suspension which account for the largest share. The decrease in sale in hotels and airports is primarily due to the divestment of Icelandair Hotels end of Q1 2020. Revenue from tourism increased significantly between years, amounted to USD 42.0 million compared to USD 18.1 million in 2020.

USD thousand	2021	2020	Change	% Change
Transport revenue:	453,868	265,523	188,345	71%
Passenger and ancillary	366,482	199,040	167,442	84%
Cargo	87,386	66,483	20,903	31%
Aircraft and aircrew lease	42,676	64,739	-22,063	-34%
Other operation revenue	88,369	103,329	-14,960	-14%
Total	584,913	433,591	151,322	35%

Expenses

Operating expenses excluding depreciation amounted to USD 607.7 million and increased by USD 87.6 million from 2020. The main drivers are a larger flight schedule and higher fuel price. Icelandair went from serving only four destinations with 10 weekly departures from Iceland early

in the year to 200 departures a week to 34 destinations during the summer peak. The capacity measured in available seat kilometers increased by 87% between years and Icelandair had reached 65% of the 2019 capacity at the end of the year.

USD thousand	2021	2020	Change	% Change
Salaries and salary related expenses	215,485	207,892	7,593	4%
Aircraft fuel	119,886	76,450	43,436	57%
Aircraft lease	705	7,423	-6,718	-91%
Aircraft handling, landing and communication	65,079	40,399	24,680	61%
Aircraft maintenance expenses	49,783	47,179	2,604	6%
Other operating expenses	156,779	140,742	16,037	11%
Total	607,716	520,085	87,631	17%

Salaries and salary related expenses amounted to 215.5 million, increasing from USD 207.9 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 in 2020.

The number of full-time employees at year-end was 2,393 in 2021 compared to 1,531 in 2020. Fuel expenses amounted to USD 119.9 million, up by USD 43.4 million, which represents a 57% year-on-year increase. The difference between years is explained by the ramp-up of

the operation and 45% increase in fuel price. The average price in 2021 was USD 665/ton, as compared to USD 458/ton in 2020. Other operating expenses amounted to USD 272.3 million compared to USD 235.7 million in 2020. Main deviation between years is directly related to the ramp-up of operations especially in the second half of the year.

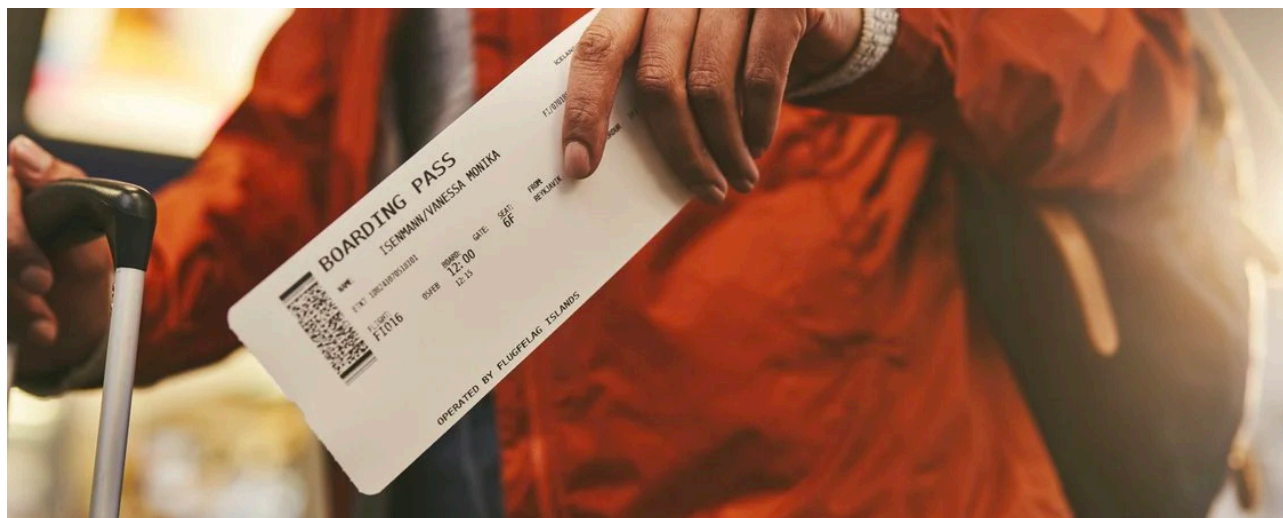
Net finance income USD 645 thousand

Net finance income totaled USD 0.6 million in 2021, as compared to net finance cost of USD 69.9 million in 2020.

The finance income amounted to USD 13.2 million up from USD 2.7 million in 2020. Thereof net currency exchange gain amounted to USD 8.9 million. Finance cost totaled USD 20.8 million down by USD 8.8 million between years. Net currency exchange loss of USD 6.1 million was included in finance cost in 2020. Fair value changes were positive of USD 8.2 million in 2021 compared to negative changes of fair value in 2020 of USD 43.0 million.

Financial position

Icelandair Group's financial position is strong. Assets at year-end amounted to USD 1,172.6 million and equity ratio was 19%. Gross capital expenditures totaled USD 184.1 million in 2021. Total liquidity was USD 435.0 million at year-end, thereof cash and marketable securities USD 263.0 million.



Balance sheet

Balance sheet increasing to USD 1,172.6 million

Total assets amounted to USD 1,172.6 million at year-end, increasing by USD 137.3 million, or 13% from the beginning of the year. Operating assets amounted to USD 391.3 million decreasing by USD 107.1 million due to depreciation and sale of assets. Right-of-use of assets amounted to USD 224.8 million, increasing by USD 105.0 million due to sale-leaseback of three new MAX aircraft, a spare engine and one B767 aircraft. Cash and marketable securities including assets held for sale totaled USD 263.0 million, increasing by USD 103.6 million from the beginning of the year. Proceeds from the issuance of new shares totaled USD 80.2 million.

Equity ratio 19%

Total equity amounted to USD 222.4 million at year-end 2021 compared to USD 232.8 million at the beginning of the year. Total comprehensive loss in 2021 amounted to USD 91.4 million. Issuance of new share capital increased equity by USD 80.2 million, with a sale of new equity to Bain Capital and the exercise of warrants by existing shareholders. The total amount of new shares issued was in the

nominal amount of ISK 7,520,771 thousand in 2021. The net impact of warrants exercised and issued resulted in a USD 0.8 million positive impact on equity.

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

Overview share capital ISK

Share Capital 1 January 2021	28,437,660,653
Increase of share capital	7,520,771,102
Share Capital 31 December 2021	35,958,431,755

Overview equity USD thousands

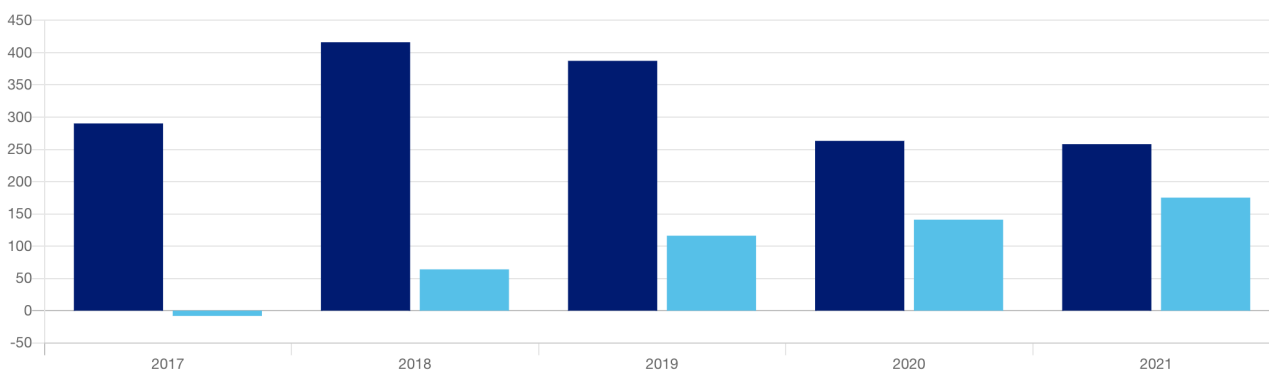
Equity 1 January 2021	232,809
Total comprehensive loss	-91,425
Shares issued	80,205
Warrants issued	-3,300
Warrants exercised	4,095
Equity 31 December 2021	222,384

USD thousands	2021	2020	2019	2018	2017
Comprehensive income	-91,425	-408,814	-34,833	-110,427	48,477
(Loss) Profit for the year	-104,796	-376,176	-57,779	-55,570	37,538
Equity	222,384	232,809	482,478	471,379	596,545
Equity Ratio	19%	23%	29%	32%	42%

Net financial liabilities decreased in 2021

Net financial liabilities amounted to USD 233.0 million and decreased by USD 5.2 million compared to the beginning

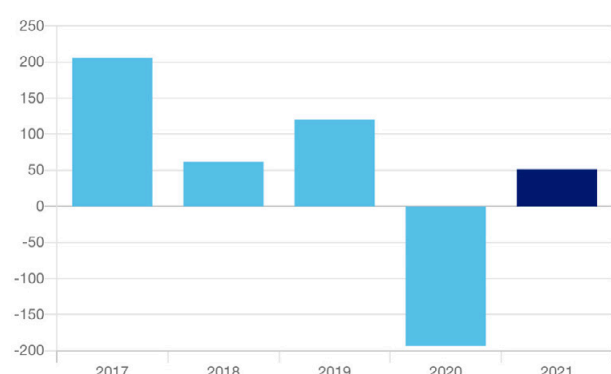
of the year. Total financial liabilities amounted to USD 495.9 million and increased during the year due to sale and lease-back of three MAX aircraft and one spare engine.

Interest-bearing and net interest bearing debt

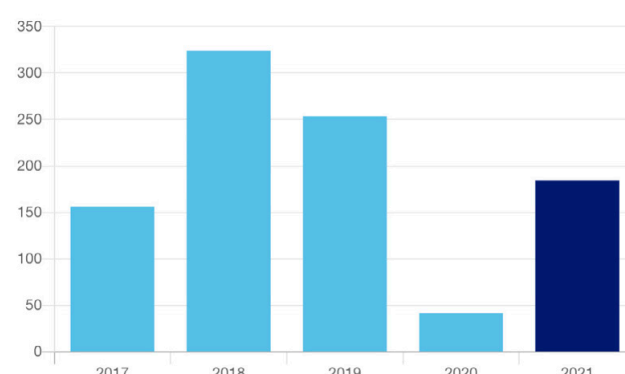
Cash Flow and Investments

USD thousand	2021	2020	Change
Net cash from operating activities	50,612	-193,219	243,831
Net cash to investing activities	4,630	-2,279	6,909
Net cash to/from financing activities	32,814	79,659	-46,485
Increase / decrease in cash and cash equivalents	88,056	-115,839	203,895
Cash and cash equivalents at 31 December	204,767	117,657	87,110

Cash from operation activities



Investment in operation assets



Liquidity position up by USD 104 million in 2021

Net cash from operating activities totaled USD 50.6 million in 2021. Net cash from investing activities amounted to USD 4.6 million. Net cash from financing activities amounted to USD 32.8 million, of which issuance of shares amounted to USD 80.2 million and net repayment of borrowings and lease liabilities totaled USD 47.4 million.

Total liquidity amounted to USD 263.0 million at year-end 2021. Thereof cash and cash equivalents amounted to USD 204.8 million and marketable securities amounted to USD 58.2 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.

Gross investments in 2021 USD 184.1 million

Investments in operating assets amounted to USD 184.1 million. Thereof was USD 151.5 million used for investments in new aircraft and aircraft spare parts. Total engine overhaul for own and leased aircraft totaled USD 31.2 million. Sale of assets totaled USD 197.0 million, thereof to sale-leaseback of three new MAX aircraft, a spare engine and one B767 aircraft. Other investments amounted to USD 1.4 million.

Outlook

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



Ambitious 2022 flight schedule

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

Scheduled flights offered to 50 destinations in 2022

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

Bookings accelerating into the spring and summer

The Omicron variant negatively affected travel throughout January resulting in a load factor at around 60%. This short-term impact will continue into February and therefore negatively affect the results for the first quarter of 2022. However, due to indications that the nature of this variant is less severe, the Company started to see a

positive turnaround in booking development from mid-January for the months ahead. There is significant pent-up demand in all key markets, not least from tourists wishing to experience Iceland's nature, culture and hospitality. Therefore, bookings are expected to remain strong going forward into the year.

Strong outlook in the cargo operation

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

The outlook for leasing operations improving

The outlook in the global market for ad-hoc and long-term charters has improved although it has not reached pre-Covid levels. In addition to the ongoing long-term leasing projects the Company has secured new short-term projects, such as charter flights between Orlando and Havana in connection with scheduled Icelandair flights from Iceland to Orlando. These flights contribute to better aircraft utilization and generate important revenue for the Company. In addition, flights to Havana from Houston and Miami are scheduled in the first months of the year.

Risk management

Icelandair risk management objective is to manage and control risk exposures and keep them within acceptable levels, subject to optimized returns. All risk management is carried out within guidelines set by the Board of Directors which decides the Company's risk appetite in pursuit of its strategic and operational objectives.

Business units are responsible for managing day-to-day performance. As risk owners, the business units and shared functions identify and evaluate risks and make risk-informed decisions. The Audit Committee, on behalf of the Board, is accountable for reviewing and assessing the risk management processes. The Risk team, which reports jointly to the Chair of the Audit Committee and CFO, ensures that robust processes are in place for identifying and assessing the Company's emerging and principal risks.

The international aviation market, in which Icelandair operates, is both highly competitive and sensitive to a multitude of macro-economic, sector-specific, financial, and enterprise-related risks that can impact the Company's operations and its ability to achieve its strategic objectives. Many of these risks are outside the Company's sphere of influence.

The Board of Directors is responsible for determining the Company's risk appetite and defining policy measures to reduce exposure to financial and operational risk to corresponding levels. These policy measures outline the

parameters and framework that need to be considered when identifying and mitigating risk. The Audit Committee, on behalf of the Board, is accountable for reviewing and assessing the risk management and internal control processes. The Risk Management Committee, chaired by the CEO, endeavors to reduce risk exposure to the maximum feasible extent within the Board's policy limits.

Financial risk is handled centrally for all companies within Icelandair while day-to-day operational risk is largely managed by directors and line managers at the division level. Relevant risk owners are obliged to monitor and manage risks proactively and to include relevant information in the planning, steering and control processes.

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.

Financial risk

Icelandair has exposure to the following financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk

Credit risk

Credit risk is dependent on the likelihood of a counterparty's default and the loss of their financial obligations. The Company's credit risk principally arises from its holdings in cash and cash equivalents, marketable securities, which are kept with local and international banks with acceptable credit ratings, as well as receivables from customers. Counterparties are selected based on business experience. The Company monitors potential losses related to credit risk exposure and makes allowances for impairment through both a specific and a collective component. Icelandair has not experienced higher than usual credit losses in the past two years, despite the extraordinary operating circumstances.

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.

At year-end 2021 the Company's cash and cash equivalents amounted to USD 204 million, and USD 58 million of marketable securities with trusted counterparties, in total USD 263 million. The Company further had access to an additional USD 52 million in revolving credit facilities from its local commercial banks. Finally, Icelandair Group had access to a USD 120 million credit facility with a 90% guarantee by the Icelandic government. The line, which was granted as part of the Company's financial restructuring in 2020, was terminated by the Company on 7 February 2022.

Market risk

Market risk emerges from changes in market prices, such as foreign exchange rates, interest rates, carbon prices and fuel prices, as those changes will affect the Company's cash flows or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. The Company holds some of its ISK holdings in mutual funds that invest in term deposits and bonds issued by rated domestic banks as well as government bonds. These investments fall within the agreed risk management policy.

Icelandair uses spot and forward trading, swaps and options in order to manage market risks and seeks to apply hedge accounting to manage volatility in profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

Foreign currency risk

The Company seeks to reduce its foreign exchange exposure arising from currency mismatch in the cash flow by netting receipts and payments in each individual currency and by internal trading within the Company. The shortfall of ISK is financed by a surplus of European currencies, most importantly EUR and Scandinavian currencies but also GBP and CAD. The COVID-19 pandemic has however temporarily changed both the cash flow and the balance sheet exposure. The share offering in 2020 was conducted in ISK and therefore the ISK short 12-month cash flow position shifted to a long position. As a result, ISK denominated financial assets were more dominant than before. The year 2021 saw a conversion back to pre-COVID-19 exposures.

The Company paused its rolling foreign exchange hedging program from early 2020 until the second half of 2021. The Company has resumed its regular foreign exchange cash flow hedging program although pre-COVID ratios have not yet been reached.

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.

Fuel price risk

Icelandair is exposed to fuel price risk. The Company's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in the event of a substantial price fall. Icelandair strategy as reflected in its currently approved hedging policy is to hedge between 40% and 60% of estimated fuel consumption 12 months forward and up to 20% from 13-18 months forward. However, the Company temporarily halted all fuel hedging at the outset of the Covid-19 pandemic and has not entered any new hedge positions since February 2020.

The Company's pre-COVID positions were restructured in July 2020 with the last of the pre-existing contracts maturing in July 2022. Icelandair closely monitors developments in the oil market and may resume hedging activities as opportunities arise. The hedging policy allows for both swaps and options traded with approved counterparties and within approved limits. All pre-existing hedge positions were forward contracts. Any new fuel hedging contracts will likely include some type of stop-loss mechanism to limit the associated risk.

Jet fuel price USD/tonne 2020-2021



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.

Carbon emission is a fixed proportion of the fuel consumption, but the price volatility of carbon has been greater. Carbon prices rose significantly in 2021. Procurement of emission allowances has material effects on the cost of operations. Due to the COVID-19 pandemic and the lower-than-normal scope of operations, particularly in the first half of the year, along with the residual allowance from 2020, the free

allowances provided by the ETS will materially counter the commitments for 2021. Therefore, the risk has been non-existent in 2021, as ramp-up progresses and usage will exceed the free allowance in 2022 the risk will arise again. 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 addition to the associated costs, minimizing the environmental impact of its operations is an important part of Icelandair's business strategy 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.

Carbon price EUR/Tonne 2020-2021



Operational risk

The long and successful history of Icelandair 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 Company. Methods of coping with threats of disruptions and disturbances are decentralized when it comes to operational hazards.

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.

The Group considers the following to be its main operational risks:

- Macroeconomic and competition risk
- Safety and security risk
- Regulatory risk
- Environmental and sustainability risk
- Technical risk
- Labor market risk
- Reputational risk

Further information regarding the Company operational risk can be found in the **Consolidated Financial Statements**.

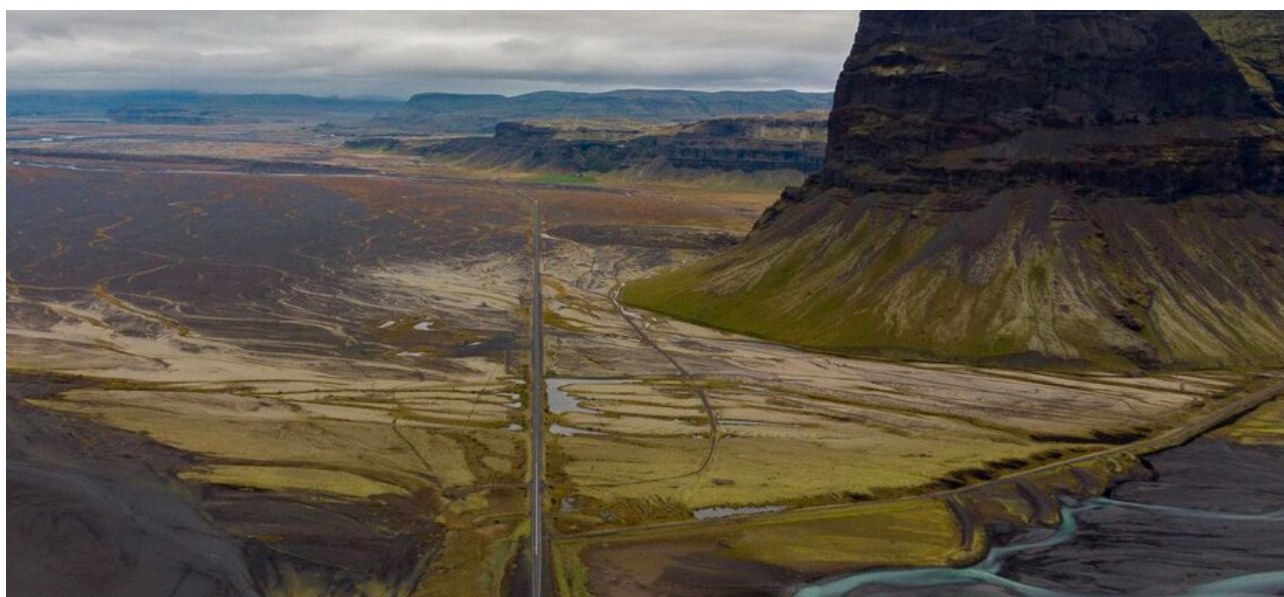


Sustainability

Important steps

Having a positive impact on the Icelandic economy and society, and minimising our environmental impact, is one of the key focus areas when it comes to our sustainability efforts. The COVID-19 pandemic has had an unprecedented impact on the global society and the aviation sector has been among the sectors most affected by the crisis.

During this time, we have adapted fast to new circumstances and our goals and targets have needed to be adjusted to the new context. This does not mean that our ambitions for sustainable air travel have changed. On the contrary, we have sharpened our focus and become more convinced of the importance of being at the forefront of sustainability, both in the context of aviation as well as the Icelandic economy.



Our approach to sustainability

Icelandair supports the United Nations' Sustainable Development Goals (SDGs) and we have chosen to use them as a tool to structure our strategic sustainability agenda.

These goals have become a universal language of governments and businesses to work towards a more sustainable future.



Based on information gathered from dialogue with key stakeholders, with involvement from across Icelandair, we have chosen four of the SDGs as our strategic focus.

As demonstrated in the image above these are the SDGs for decent work and economic growth (#8), climate action (#13), responsible consumption and production (#12) and gender equality (#5).

These goals represent the areas where the Company considers it can have the most impact and best create shared value, and thereby contribute to a more sustainable future.

Specific targets for the Company's key sustainability focus areas, and the associated action plans, were revised in 2021 given the unprecedented circumstances.

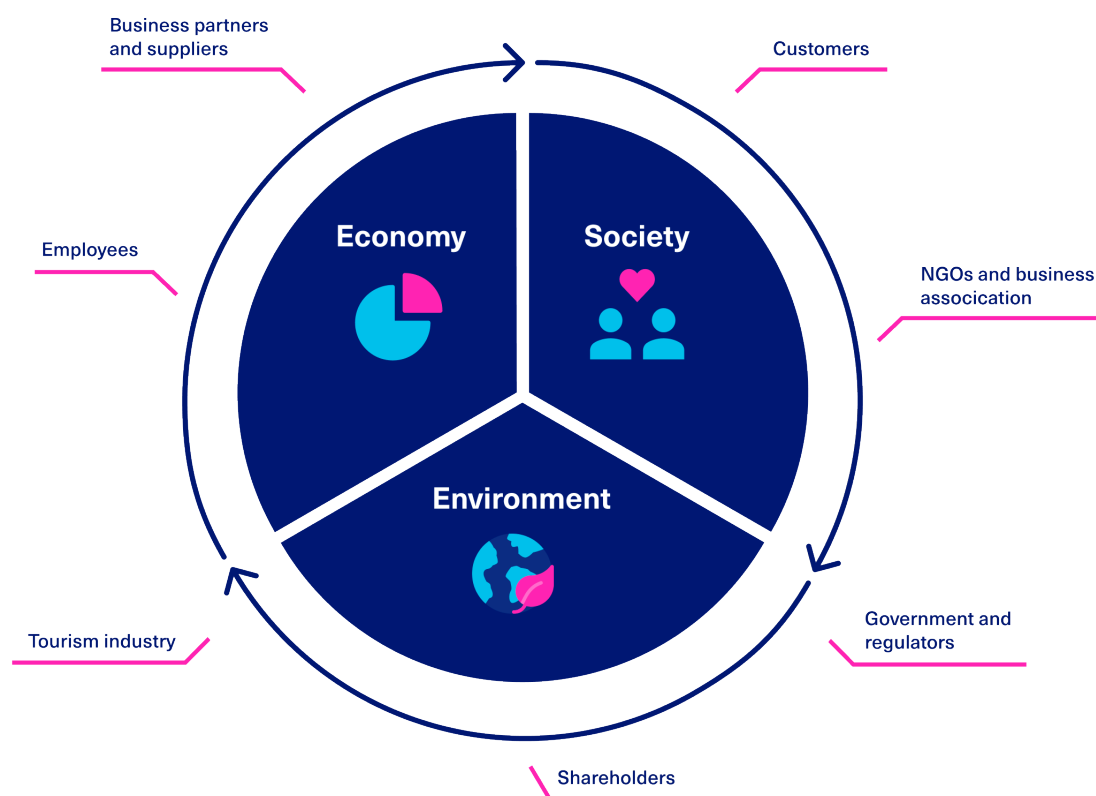
Stakeholder engagement

Icelandair has an ongoing dialogue and cooperation with a wide range of stakeholders through its business operations and customer engagement, which includes sustainability-related issues.

Our primary stakeholders

Our key stakeholders are our customers, employees, shareholders, business partners and suppliers, the tourism industry, NGOs and business associations, government and regulators. For reviewing which topics are the most

relevant and material in terms of sustainability for Icelandair we strive to have a continuous engagement with our internal and external stakeholders. This engagement has raised our awareness of trends in society and helped identify the Company's impact on society and the environment.



Primary stakeholders

Our responsibility

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

Material topics

Icelandair has performed a materiality analysis to identify its key economic, environmental and social impacts. 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 Sustainable Development Goals, as well as the results of its stakeholder engagement. A wider team from across the Company then validated the most material topics for the Company.

Icelandair's sustainability strategy is closely aligned with four of the SDGs. The four key goals that were chosen represent areas where the Company concluded that it can have a significant impact and create shared value.

Strategic focus areas and key goals

SDG #5 Gender Equality: with a focus on the gender ratio at the management level, among pilots, cabin crew and maintenance roles to work towards a more equal gender representation.

SDG #8 Decent Work and Economic Growth: with a focus on promoting policies to support job creation and growing enterprises, as the leading airline and an important employer, and to promote beneficial and sustainable tourism.

SDG #12 Responsible Production and Consumption: with a focus on our operation to promote sustainable procurement practices, and substantially reduce waste generation.

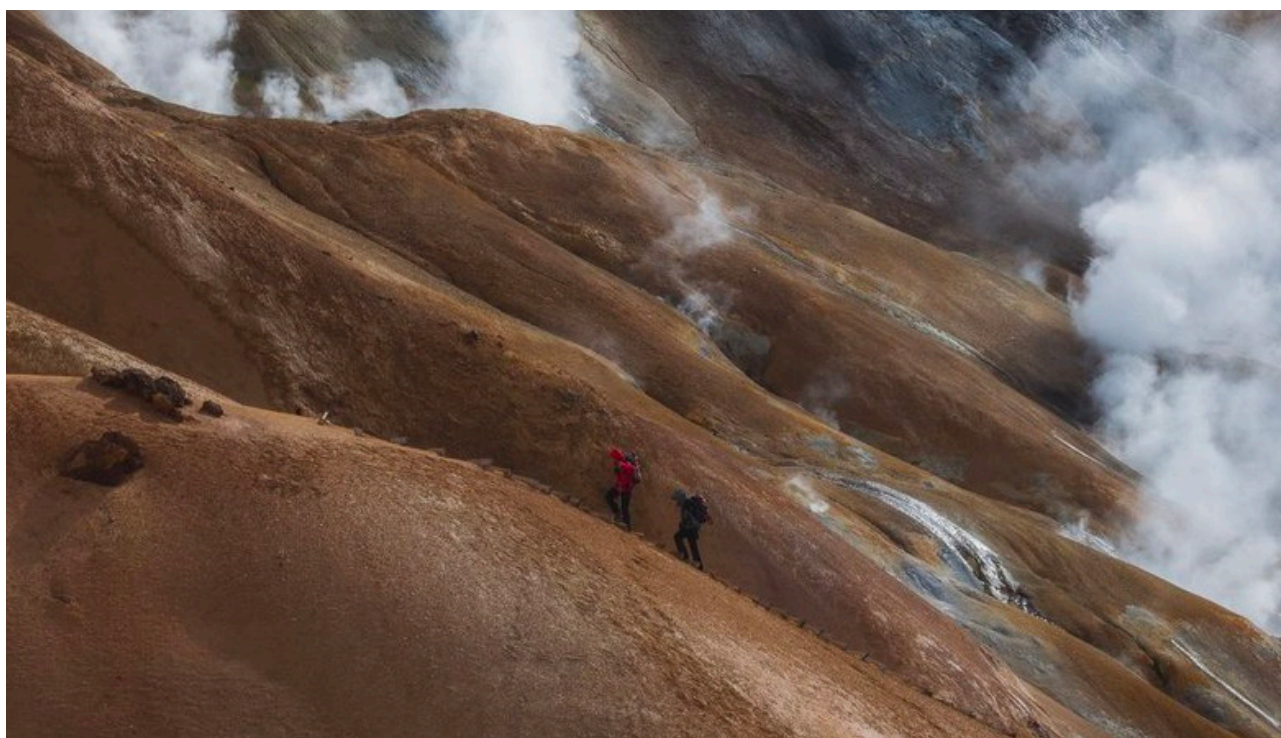
SDG #13 Climate Action: with a focus on our flight operations and ground vehicles to ensure that the Company does all it can to limit its climate impact.

Based on our materiality analysis, the following topics are the most material for Icelandair and its stakeholders and are covered in this report.

Climate impact
Other environmental impact
Passenger safety and well-being
Employee well-being and development
Gender equality and diversity

Contribution to the Icelandic economy
Responsible procurement
Business ethics and anti-corruption
Governance

This Annual and Sustainability Report is a key part of our commitment to communicate transparently with stakeholders.



Climate

Global transition

Icelandair adheres to the goals of the International Air Transport Association (IATA) to address the global challenge of climate change. In October 2021, IATA made an announcement regarding the global air transport industry aiming to achieve net-zero carbon emissions by 2050. This commitment aligns with the Paris Agreement goal to limit global warming to 1.5°C. This is expected to be achievable through a combination of measures and collective effort of all stakeholders.

Emissions

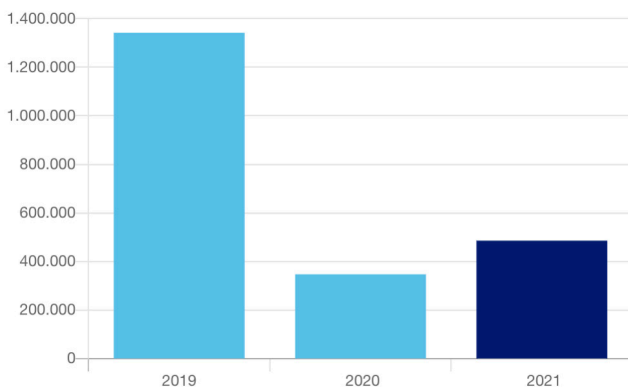
From spring 2021, the number of flights began to increase again in line with progress of vaccinations and lifting of travel restrictions. The Boeing 737 MAX aircraft were

reintroduced to service during the year. The MAX aircraft are of a new generation of more environmentally friendly aircraft and therefore an important part of reducing carbon emissions in Icelandair's operation. The implementation of the MAX aircraft resulted in better fuel efficiency numbers in 2021 than in 2019 despite a lower load factor in the passenger network of 65.2% for the full year 2021 compared to an 82% load factor in 2019.

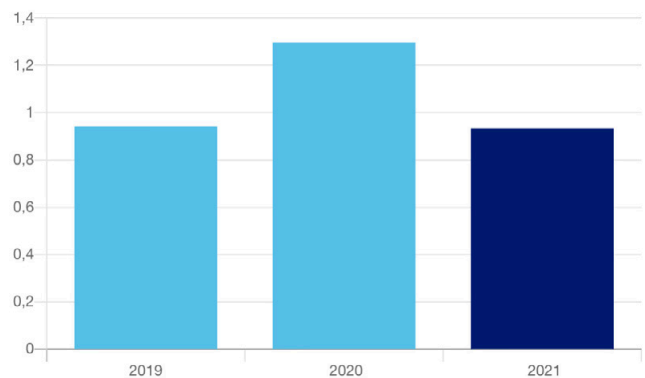
The total emissions from aviation in 2021 were 484,955 tCO₂e, a reduction of 64% compared to 2019. From Q2 2021 emissions from the route network includes domestic and regional routes.

The emissions from Ground vehicles in 2021 were 952 tCO₂e, a reduction of 42% from 2019. This number includes data from vehicles and equipment directly linked to the airport. It does not include company cars.

Total CO₂ emissions



kgCO₂ per OTK



Icelandair monitors fuel efficiency and CO₂ emissions from flight and ground operations. Further information on emissions (GHG scope 1-3) can be found in the ESG overview.



Sustainability is at the center of our strategy. Icelandair plays a significant role in Icelandic society and economy and we are committed to reducing our environmental impact. I would say that the highlight in 2021 was the announcement of our ambitious new goals of reducing carbon emissions by 50% per OTK by 2030. The key to success is cooperation with all stakeholders and the authorities and we believe Iceland has great opportunities to be at the forefront in this area. We are in this together and the interests of Iceland as a country and Icelandair clearly go hand in hand when it comes to developing a sustainable future.

Ásdís Ýr Pétursdóttir

Director - Communications & Sustainability



New goals of reducing carbon emissions

Our goals of reducing emissions are in line with the airline industry's goals. Facing a transition that is challenging we have in addition now set new specific targets for reducing emissions by 2030. Reaching these goals will require continued efforts through a combination of measures,

such as fleet renewal, operational improvements, the implementation of sustainable aviation fuels as well as carbon offsetting. The implementation of the Boeing 737 MAX aircrafts into our fleet is an important contributor to reducing our emissions, in addition to the operational efficiencies that they bring to our business.

Reducing CO2 emissions (target year)



- 50% reduction in net emissions per OTK* compared to 2019 (2030)

*OTK (operational tonne kilometre)

- Net Zero emissions from flight operations (2050)

- 40% reduction of emissions from ground vehicles compared to 2019 (2025)

*The key metric that is used to monitor environmental impact is CO2 per Operational ton kilometre (OTK). The OTK metric displays how much CO2 is emitted by moving one payload ton (the weight of the aircraft, passengers and cargo) one kilometer.



Cargo transport – low carbon footprint of fresh fish

Demand for cargo remained strong in 2021 and the Company kept the focus on meeting it, protecting important export from Iceland and importing necessities to the country. A key focus area in our cargo services is ensuring efficient transport of fresh Icelandic seafood and thus supporting important export revenue generation in Iceland.

Utilizing our strong route network, we work closely with our partners to deliver fresh seafood products that have a low carbon footprint compared to other protein sources and can be ready on consumers' plates in diverse markets within 36 hours of being caught.

Offsetting program

Icelandair has offered passengers the option to offset the carbon footprint of their air travel since September 2019. Even though the Covid pandemic still had an impact on

traveling, passengers still participated in the compensation of their carbon footprint and contributed to the planting of around 5000 trees during 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. Icelandair offsets all employee business travel.

Support of Green by Iceland

Grænvangur, Green by Iceland, is a public-private partnership set up to promote green climate solutions. Participants are all working towards solutions for a more sustainable world. In Iceland, many challenges have been addressed by utilizing the country's natural resources. Iceland's electricity production comes from renewable energy sources and houses get heating from geothermal district heating. Icelandic expertise can potentially help other countries to reduce their carbon emissions.

In 2021, Icelandair became one of Grænvangur's sponsors.

Sustainable aviation discussed at the Arctic Circle

Icelandair participated in the Arctic Circle Assembly, held in Reykjavik 2021, and hosted a breakout session on Aviation and Sustainability. In the session Jens Þórðarson, former COO at Icelandair, Halla Hrund Logadóttir, Director General of the National Energy authority in Iceland, and Anders Forslund, founder and CEO of Heart Aerospace, talked about future opportunities in reducing aviation's carbon footprint.

Halla Hrund discussed the role and objectives of governments, Jens explained the goals and focus areas of the aviation industry and what airlines can do. Finally, Anders introduced the development of electric aircraft that he believes would suit domestic flights in Iceland very well, with good access to energy of renewable origin and short flight distances. On the sustainability journey, we all have to contribute – governments and businesses alike – to ensure a more sustainable future.



Environmental management

Icelandair is an environmentally-conscious company and recognises the impact that air travel has on the environment. The Company is dedicated to minimising its environmental impact 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 IATA (The International Air Transport Association) Environmental Assessment program (IEnvA), which requires demonstration of ongoing environmental performance improvements. The IEnvA programme uses environmental standards and promotes best practices in the aviation sector. These are based on recognized environmental management system principles such as ISO 14001. Assessments are conducted by accredited independent organisations with competencies in aviation and environmental auditing.



Collaboration

Sustainable business growth requires the Company to address its environmental impact, both globally and locally. As part of this effort, Icelandair participates in the work of various environmental working groups, such as with the Airlines for Europe (A4E). Europe's airlines have committed to decarbonize air transport and accelerate their efforts to make Europe the world's first carbon neutral continent by 2050 through the reduction of CO2 emissions in absolute terms, and through CO2 mitigation.

Sustainability challenges cannot be met in isolation and Icelandair therefore participates in a number of sustainability initiatives. These are for example, the Nordic Initiative for Sustainable Aviation (NISA) and The Nordic Network for Electric Aviation (NEA). NISA is an association

working to promote and develop a more sustainable aviation industry, with a specific focus on alternative sustainable fuels for the aviation sector. NEA is a platform where Nordic actors come together to accelerate the introduction of electric aviation in the Nordic countries. Their programs explore development of alternative fuels and electric airplanes.

Participation in sustainability initiatives plays an important role in the continuous development of the Company's approach to addressing sustainability challenges.

Waste

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

Iceland can lead the way in carbon free domestic flights

Icelandair sets a high standard when it comes to environmental matters, and we believe that we are in a good position to become one of the first airlines in the world to make domestic flights carbon-free. In 2021, the Company signed two declarations of intent to explore emerging technologies in hydrogen and electric powered aircraft. The former with Universal Hydrogen, which has designed energy exchange equipment to turn Icelandair's Dash-8s into hydrogen-powered airplanes. The second is with Heart Aerospace, which is working on developing passenger aircraft powered by electricity.

Short routes and easy access to electricity from renewable sources place Iceland in a vital position in terms of energy exchange in domestic flights. The projects also fit well with the government's policy framework for the future of tourism, which aims to make Iceland a leader in sustainability.



Total amount of waste generated by Icelandair was 688 tonnes in 2021. 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.

The decrease in travel demand has had the side effects that the amount of waste generated from the Company is considerably less than 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.

Icelandair has initiated various successful projects to improve waste recycling within the Company such as further usage of used oils, timber and metal that goes into appropriate recycling streams. In line with law and regulation, all hazardous waste is returned to certified parties to ensure their proper treatment.

The Company that handles all garbage collection and disposal for Icelandair is licensed by the Environment Agency.

Promoting responsible use of resources

The amount of indirectly consumed energy, electricity and heat, is not a significant aspect in Icelandair environmental management system.

The production of electricity and heat in Iceland are mainly from renewable sources and therefore have a low carbon

footprint. Almost all (99%) electricity in Iceland is produced using renewable energy sources. Our use of geothermal energy for space heating, with heat distributed to buildings through extensive district-heating systems, results in about 85% of houses in Iceland being heated with geothermal energy.

Nevertheless, we have implemented the best available technology in house management systems in our newest buildings in Hafnarfjörður and the hangar in Keflavík, to monitor efficiency in usage of electricity and heat.

From our electricity provider we get a guarantee of origin for all our consumption.

Green and renewable electricity
from geothermal power plants



It is hereby confirmed,
That HS Orka has issued and cancelled Guarantee of Origin according to regulation nr.
76/2012 and electricity usage of:

2021

Icelandair
Origin of electricity: 100% Geothermal

www.hsorka.is

 **HS ORKA**

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 surroundings.

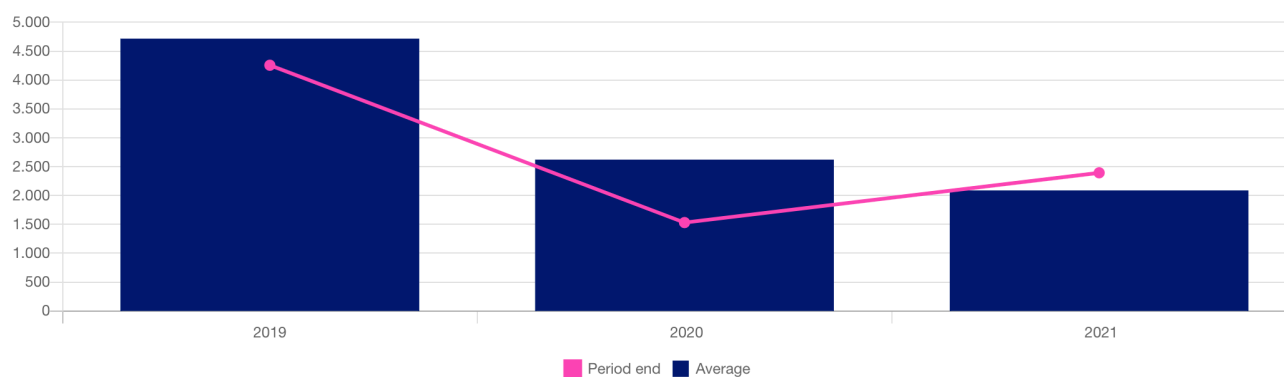
Icelandair complies with these limitation and guidelines and is, in addition, gradually replacing its older fleet with new generation aircraft that create less noise than older models. Procedures have been adapted to reduce environmental effect and close cooperation with local communities has had a positive impact in reducing noise pollution. Noise pollution from air traffic in 2021 was not a significant environmental issue to monitor in Icelandair's operation during the year.



Employees

Our 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, provide guidance to maintain a strong and motivating company culture.

Number of employees



Number of average FTE's / FTE's at period end

For the fiscal year 2021, Icelandair Group consisted of multiple operating companies with Icelandair as its core with 97% 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. Along with the ramp up of Icelandair's operations during the year the number of employees increased by 1000.

	2021	2020	2019
Icelandair	1,869	2,208	3,451
Icelandair Cargo	86	77	91
Fjarvakur - Icelandair Shared Services*			131
Air Iceland Connect**	69	100	210
Loftleidir Icelandair	12	13	14
VITA	16	19	29
Icelandair Hotels (3*)		137	659
Iceland Travel (4*)	35	67	126
Icelandair Group (5*)			4
	2,087	2,621	4,715

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

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

(3*) Icelandair Hotels were a part of Icelandair Group only in Q1 of 2020

(3*) 137 is the average for 12 months included in Icelandair Group in Q1 2020

(4*) Iceland Travel were a part of Icelandair Group until 1 December 2021

(5*) Icelandair Group is part of Icelandair from beginning of 2019

“

The rapid ramp up of our operations in 2021 called for a great effort in recruitment. We were fortunate to have many of our experienced colleagues return to the company as well as a number of new recruits that allow us to return stronger, and more diverse than ever. I will remember the year as one, where once again, my colleagues at Icelandair pulled together to over-deliver in a highly challenging situation.

Kristján Pétur Sæmundsson
Talent Manager

”



Health and safety

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

Extensive measures were taken during the continued pandemic in 2021 to ensure the health and safety of Icelandair's employees. Special preventive arrangements were made to ensure the safety of all employees. We continued to make necessary changes to 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.

World Class Workplace award by Effectory

Icelandair was awarded a World Class Workplace, number one globally, by Effectory, a leading European provider of HR solutions. This award is awarded to high performing organizations once a year that show excellence in employership and is based solely on the opinions of employees. Following a company-wide survey, the results are compared to Effectory's reliable benchmarks. The results demonstrate that Icelandair Group's employees are very satisfied and engaged.

Sveina Berglind Jónsdóttir, Director of People Operations at Icelandair: "We are very proud of this award, especially after last year - that was very challenging for our business as for other airlines. Winning is truly rewarding and encouraging. We will continue to pursue our HR strategy and keep employees informed, be as honest and transparent as possible and give employees the chance to have a voice."

Health Indicator*

10.2

Average no. of sick days per FTE

* The health indicator is inclusive of employee sick days

A new policy was implemented regarding remote working called Flexible working @Icelandair. The aim of the policy is to provide employees with the flexibility and opportunity to work remotely when the job does not require them to be on site. In addition to increased flexibility and good work-life balance for employees, this policy also gives the Company an opportunity to recruit and employ the best talent for the organization irrespective of location and reduce carbon footprint by decreasing unnecessary transportation.

During the past year, there was continued emphasis on strong communication and information flow from leadership and necessary support in remote working. We are proud of how our people have adapted to new working conditions and constant changes due to Covid-19 restrictions.



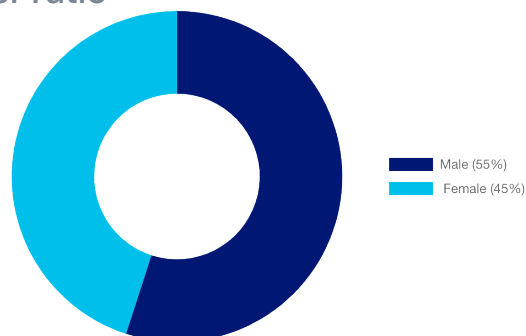
Equal rights

Equal rights policy

One of Icelandair Group's sustainability focus areas 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 Company's Equal Rights Policy and Equal Rights Plan.

The Company promotes equality by providing equal job opportunities and fairness for employees and job applicants. Rich emphasis is on building diverse teams

Gender ratio



and any discrimination is not tolerated. Diversity in our leadership team is specially important.

Gender equity objectives for 2025

Achieving gender equality across the Company's operations remains one of the Company's core focus areas when it comes to sustainability. The Company continues its

efforts towards its long-term goals in this area. Icelandair Group has set targets in line with IATA's "25by25" equality project about gender equality within management, pilot positions, cabin crew positions and aircraft maintenance.

Promoting gender equality (target year)



- Never less than 40% of either gender in management positions (2025)
- Increase the number of female pilot positions by 25% (2025)
- Increase the number of male cabin crew positions by 25% (2025)
- Increase the number of female aircraft maintenance by promoting the job and education to girls (2023)

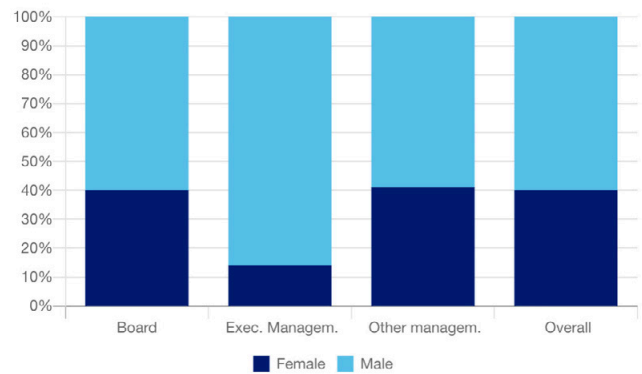
Equal opportunities and gender stereotypes

The first step to ensure equal opportunities is to reduce the impact of gender stereotypes by showing strong 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, 14% of the Executive Management, 41% of other management positions and 40% of overall management positions.

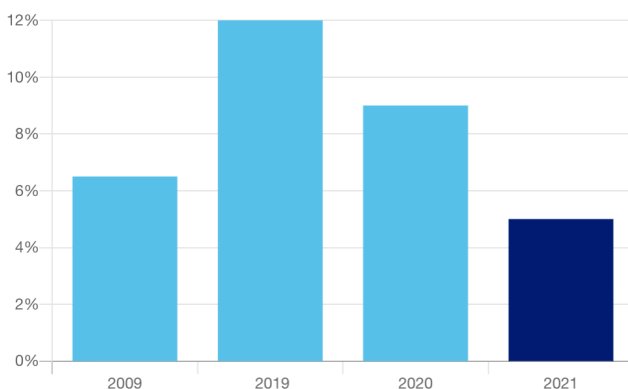
Before Covid, Icelandair was among the airlines that had the highest proportion of female pilots in the world, or 12%, increasing from 6.5% in 2009. However the effects of Covid-19 has changed the landscape for female pilots significantly and the proportion of female pilots was 9% averaged for 2020 and down to 5% in 2021.

Gender ratio - management

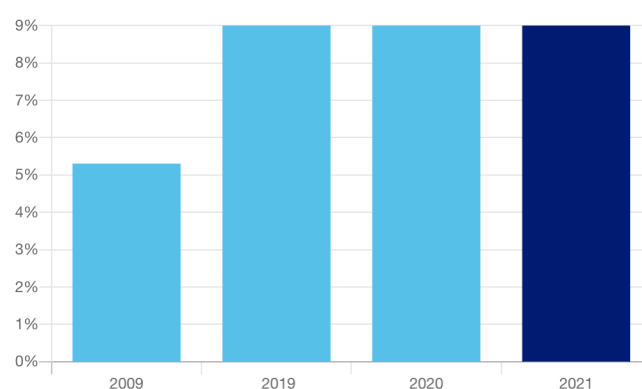


Male cabin crew members were 5.3% 10 years ago but were up to 9% in 2019. During 2021 the company was able to hire more men in seasonal cabin crew positions but averaged over the year the proportion was 9%. The gender balance within aircraft maintenance roles has not changed over time and is still over 99% men.

Female Pilots

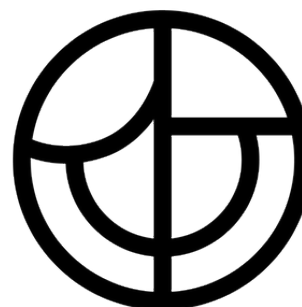


Male cabin crew



Equal Pay Policy

Icelandair implemented an equal pay policy in 2018. The purpose of the Equal Pay Policy is to ensure gender pay equality within the Company through the implementation of an Equal Pay System. Icelandair 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 will annually establish equal pay objectives based on measurements derived from a pay analysis. Two companies within Icelandair Group, Icelandair and Icelandair Cargo had been certified by a third party and received Equal pay certification in 2021. Icelandair and Icelandair Cargo were audited in 2021 and will be recertified 2022-2025.



**EQUAL PAY
CERTIFICATE
2022 - 2025**

		2021	2020	2019
Gender pay ratio	Basic earnings	0.3% in favour of men	0.93% in favour of women	0.24% in favour of men
Gender pay ratio	Regular earnings	3% in favour of men	2.86% in favour of men	1.87% in favour of men

Equal rights policy and plan

According to the Act on Equal Status and Rights Irrespective of Gender no. 150/2020 all companies and institutions that have 25 or more employees must make an Equality Plan or integrate equality matters into their personnel policies. The Company updated their Equality plan in 2021. The Equality Plan contains goals that are defined and a project execution plan where responsibilities and key steps are stated. The equality plan consists of more than 20 actions.

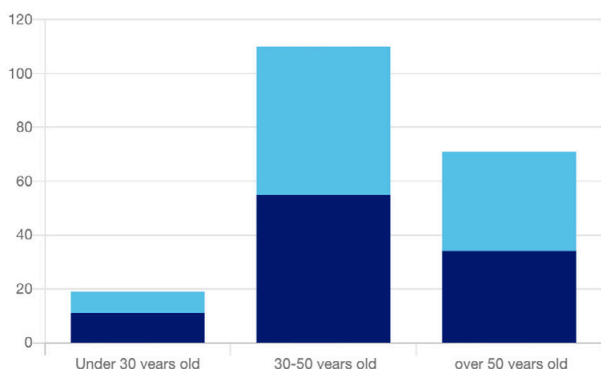
Employee age distribution

The change in Icelandair'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. In 2021 the age

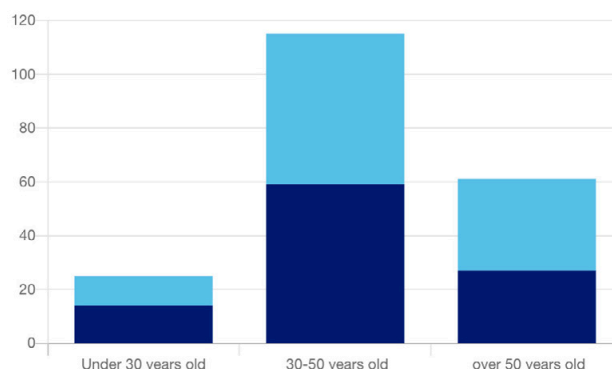
distribution is moving back to pre-Covid numbers. As the leading airline in Iceland and an important employer, a successful ramp up of its operations is crucial for Icelandic tourism, the economy and society at large. Icelandair transported around 350 thousand tourists to Iceland and recruited almost 1,000 employees in 2021, bringing the number of FTEs to almost 2,400 at year-end 2021.

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. This deduces that the most senior employees are now working and when the company continues ramping up, employees are hired back in terms of previous tenure at the Company. Therefore, it will take time to reach balance with regards to diversity in the workforce.

Employee age distribution Male / Female 2020

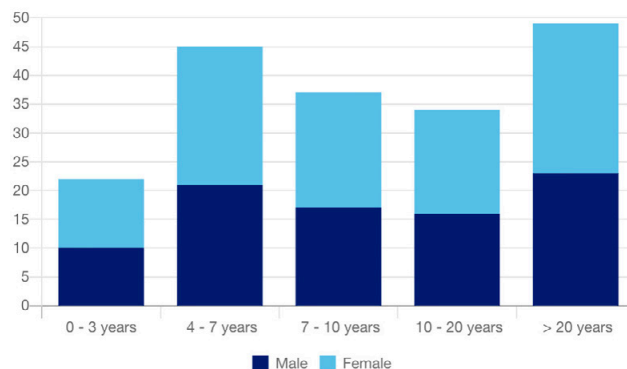


Employee age distribution Male / Female 2021



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 Company than usual in the labour 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 three years but now that proportion is down to 14%. At year-end, 29% of the workforce had been working for more than 20 years at the Company.



Employee turnover rates

The employee turnover rates vary across subsidiaries within the group with the overall rate for the group as a whole of 7% down from 69% in 2020.

Employee turnover rates
2020

69%

Employee turnover rates
2021

7%

rate for the group as a whole



Employees satisfaction

Icelandair measures its working environment and cultural alignment through an annual workplace audits. The 2021 audit showed that 55,1% of the employees was both engaged and committed. This means that the attitude of the majority of the employees was positive both towards their daily job and towards the company. This critical element of the company culture is further supported with a high employee net promoter score of 32,5 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 our People & Culture strategy.

Competence development

Icelandair has fostered and developed a capable and knowledgeable group of employees that possess valuable

airline and aviation expertise. It seeks to attract talented and qualified employees to ensure that it 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 our employees 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's People & Culture team has taken measures to supply its diverse employee groups with access to market leading learning and development material. By the same token, Icelandair 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, we have 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 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.

Responsible business

In 2021 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. In 2020 we implemented a Code of Conduct for suppliers and set targets with regards to responsible procurement and to ensure a responsible supply chain. By the end of 2020 all critical domestic suppliers had received the Icelandair Supplier Code of Conduct and as of 2021 it had become an integral

part of most new and renewed contracts. In 2021 a risk screening model to evaluate suppliers was developed and actions to act on the assessment were established. The current procurement processes involve the risk screening model to be one of the decision factors when choosing a supplier before a contract with a supplier is signed. The goal was that all significant suppliers had gone through the risk screening model by the end of 2021 but due to the operating circumstances caused by the pandemic that was not possible. We will continue to work towards that in 2022.

Driving economic value (target year)



■ Integrate Icelandair's Supplier Code of Conduct in 50% business contracts (2023)

■ Perform and register risk assessment on all new signed and renewed contracts (2023)

Human Rights

Icelandair respects human rights, as set out in the UN Universal Declaration of Human Rights and requires all its employees to treat others with trust, dignity, respect, fairness and equity. Iceland is considered to be one of the well-placed countries with regards to human rights and they are guaranteed by the Icelandic Constitution.

Icelandair has implemented an e-learning module on the Company's Code of Conduct. All cabin crew members have been trained in relation to human trafficking awareness and preventive actions. The Company respects fair labour practices and contractors, sub-contractors or work agencies working for Icelandair shall ensure that wages, wage-related obligations and safety in the workplace all comply with Icelandair standards.

Importance is placed on ensuring that employees respect the equal rights policy and conduct themselves within its spirit. All discrimination, such as based on gender, age, origin, religion, operating field, opinions or position in other respects, is not permitted. Icelandair's policy and its related

actions against bullying, and sexual and gender-related harassment and violence include clear procedures and preventive measures. Information on the policy can be accessed on the Company's intranet, together with a plan of action that details the options available to employees who feel victimised. All managers received appropriate training and open lectures were held for all employees to attend.

Anti-corruption and bribery policy

Icelandair 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 must comply with applicable anti-bribery and anti-corruption legislation and policies, and Icelandair Code of Conduct. Icelandair anti-corruption and bribery policy 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. The policy can be found on the Company website.

Contributing to society

As the airline that brings the majority of tourists to Iceland and as an important employer in the country, a successful ramp-up of our operations in 2021 is vital for Icelandic tourism, the local economy and society at large. Icelandair contributes directly to the Icelandic economy in the form of taxes and fees paid to the government and municipalities. Additionally, its indirect contributions are significant and drive economic benefits, not only to the local tourism industry but the Icelandic economy as a whole.



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. During this period, Icelandair 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.

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 pandemic and to bounce back stronger than ever.

Driving economic value (target year)

8 DECENT WORK AND ECONOMIC GROWTH



■ Integrate Icelandair's Supplier Code of Conduct in 50% business contracts (2023)

■ Perform and register risk assessment on all new signed and renewed contracts (2023)

Significant impact

Iceland is dependent on efficient flight connections for international relations, business, travel and to maintain a good quality of life. As the leading airline in Iceland and an important employer, a successful ramp up of its operations is crucial for Icelandic tourism, the economy and society at large.

Due to the drastic impact of Covid, the Icelandic government introduced general measures to soften the impact of the pandemic. As many other companies Icelandair benefitted from these measures in 2020 and 2021. However, the total tax footprint of Icelandair in the years 2020 and 2021 amounted to around USD 200 million which is five times the measures received. That includes all taxes and fees paid to the government and municipalities, net of the measures received.

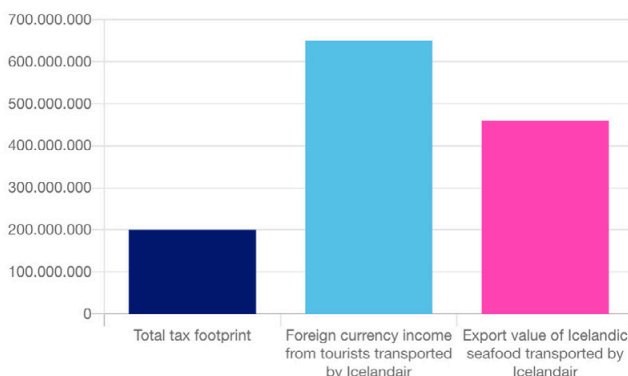
Additionally, the indirect impact of Icelandair's operations is considerable. We transported around 350 thousand tourists to Iceland during 2021 that spent around USD 650 million on products and services within Iceland. Icelandair also plays an important role in the Icelandic seafood industry by securing transport of fresh products to key markets in Europe and North America. The export value of Icelandic seafood that we transported in 2021 was around USD 450 million.

Icelandair managed to successfully ramp up its operations in 2021 and in line with increased production, the Company recruited almost 1,000 employees in 2021, bringing the number of FTEs (average fulltime employee) to almost 2,400 at year-end 2021.

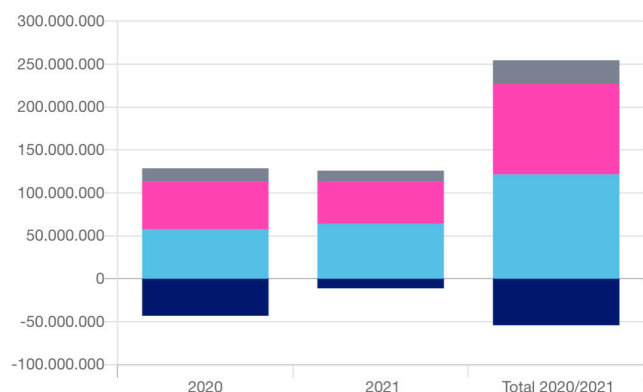


“ The total tax footprint of Icelandair in the years 2020 and 2021 amounted to USD 200 million ”

Icelandair total tax footprint in USD



Icelandair direct and indirect impact on Icelandic economy in USD



Society and partnerships

Apart from being an important employer in Iceland, Icelandair 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 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 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. We are proud to be involved in the Eyrarrósín award, given to outstanding cultural projects (museums,

festivals, exhibition spaces and more) in the rural areas of Iceland, thereby fostering the creativity and innovation that bloom outside the capital.

- Iceland Airwaves
- Icelandic Music Experiments (Músíktílaunir)
- DesignMarch
- Eyrarrósín award

Live from Reykjavík

The pandemic threw a spanner in the works of many festivals and fun travel plans. As founding sponsors of the Iceland Airwaves music festival, Icelandair was proud to be involved in the reinvention of Airwaves into the amazing hybrid live event and livestream from Reykjavík in 2021. Thanks to this redesign of the iconic event, 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 is committed to playing a participatory and supporting role in 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)

In support of our search and rescue teams

A volcanic eruption began at Fagradalsfjall on the Reykjanes peninsula in March 2021 and drew thousands of visitors throughout the year. The event highlighted the essential work done by Landsbjörg, the Icelandic Association for Search and Rescue (ICE-SAR). In July we signed a new five-year cooperation agreement with ICE-SAR, and also presented the local ICE-SAR team in Grindavík with a new annual award, Verndarvængurinn (the Guardian Wing), for their important contribution to ensuring the safety of visitors to the eruption site.



The spirit of exploration

A small country needs innovators in the business world, and through the Icelandic Tourism Fund, Icelandair 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.

- Arctic Adventures
- ST Holding ehf. (Special Tours and Whales of Iceland)
- LAVA (Interactive volcano exhibition)
- Þríhnúkar (Inside the volcano)
- Íslenskar heilsulindir

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 the national football teams on the global stage.

- 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 women's football team, which has had great success on the international stage. In 2020, the team qualified to compete in the 2021 UEFA European Women's Football Championship (postponed until 2022 due to COVID-19). The success of the team has greatly increased the awareness for gender equality in sports in Iceland.



Environmental, social and governance (ESG) accounting

The following sustainability information is presented in accordance with Nasdaq's ESG Reporting Guide 2.0. issued in February 2020. As part of Icelandair's Annual and Sustainability report, it provides a comprehensive insight into the Company's approach to sustainability and should include all information to fulfill 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	2021	2020
E1 GhG Emissions			
Total amount, in CO2 equivalents, for Scope 1	tCO2e	486,064	355,779
Total amount, in CO2 equivalents, for Scope 2	tCO2e	213	214
Total amount, in CO2 equivalents, for Scope 3	tCO2e	68	174
E2 Emissions Intensity			
Total GhG emission per output scaling factor	tCO2e per USDk	0.83	0.82
	tCO2e per FTEs	233	143
	tCO2e per passenger	0.33	0.47
Total non-GhG emissions per output scaling factor		-	-
E3 Energy Usage			
Total amount of energy directly consumed (fossil fuels)	kWh	1,973,201,386	1,474,663,115
Total amount of energy indirectly consumed (electricity and heat)	kWh	22,904,111	24,223,530
E4 Energy Intensity			
Total direct energy usage per output scaling factor	kWh per USDk	3,413	3,457
	kWh per FTEs	957,824	603,660
	kWh per passenger	1,366	1,965
E5 Energy Mix			
Non renewable energy (Fossil fuels are the primary energy source)	%	99%	98%
Renewable energy	%	1%	2%
E6 Water Usage			
Total amount of water consumed	m3	346,556	330,923
Total amount of water reclaimed	m3	-	-

E7 Environmental Operations			
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	Yes (fossil fuel)	No
E8 Climate Oversight / Board			
Does your Board of Directors oversee and/or manage climate-related risks	Yes/No	No	No
E9 Climate Oversight / Management			
Does your Senior Management Team oversee and/or manage climate-related risks	Yes/No	No	No
E10 Climate Risk Mitigation			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development		-	-

Social data metrics

	Units	2021	2020
S1 CEO Pay ratio			
CEO total compensation to median FTE total compensation	ratio	6.4	4.41
Does your company report this metric in regulatory filings	Yes/No	Yes	Yes
S2 Gender Pay Ratio			
Gender pay analysis (basic earnings)	%	women 0,3% lower than men	women 0,93% lower than men
Gender pay analysis (regular earnings)	%	men 3% higher than women	men 2,86% higher than women
S3 Employee Turnover			
Year-over-year change for full-time employees	%	7%	69%
S4 Gender Diversity			
Total enterprise headcount held by men and women	women/men%	45/55	48/52
Entry- and mid- level positions held by men and women	women/men%		-
Senior- and executive-level positions held by men and women	women/men%	25/75	38/62

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
S7 Injury Rate			
Frequency of injury events relative to total workforce time		-	-
S8 Global Health & Safety			
Does your company follow an occupational health and/or global health & safety policy	Yes/No	Yes	Yes
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	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	Yes

Governance Metrics

	Units	2021	2020
G1 Board Diversity			
Total board seats occupied by women (as compared to men)	%	40%	40%
Committee chairs occupied by women (as compared to men)	%	25%	25%
G2 Board Independence			
Does company prohibit CEO from serving as board chair	Yes/No	Yes	Yes
Total board seats occupied by independants	%	80%	100%
G3 Incentivized Pay			
Are executives formally incentivized to perform on sustainability	Yes/No	No	No

G4 Collective Bargaining			
Total enterprise headcount covered by collective bargaining agreements	%	97%	97%
G5 Supplier Code of Conduct			
Are your vendors or suppliers required to follow a Code of Conduct	Yes/No	Yes	Yes
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	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
G9 Disclosure Practices			
Does your company provide sustainability data to sustainability reporting frameworks ?	Yes/No		No
Does your company focus on specific UN Sustainable Development Goals (SDGs)	Yes/No		Yes
Does your company set targets and report progress on the UN SDGs	Yes/No		Yes
G10 External Assurance			
Are your sustainability disclosures assured or validated by a third party	Yes/No		No





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 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, accessible on the website **www.leidbeiningar.is**. Corporate Governance practices ensure open and transparent relationships between the Company's management, its Board of Directors, its shareholders and other stakeholders.

Various policies and relevant processes have been developed to support good governance practices. The policies are published publicly to offer stakeholders a better vision and understanding of how the company

operates and to encourage more active stakeholder engagement.

The Code of Ethics, Supplier Code of Conduct and Anti-corruption and bribery policy can be accessed on Icelandair Group's website. Employees have been provided with information on the Code of Ethics as well as education and training on the Anti-corruption and bribery policy and procedures. The purpose of the procedure for reporting non-compliance (whistleblowing) is to prevent and investigate any misconduct, criminal or otherwise, at the earliest opportunity. The policy includes guidelines of the prevention of corruption and bribery and designed to help employees to take practical and preventative action by immediately reporting inappropriate behaviour.

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 procuration 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 as well as the Icelandair Group website. 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 27 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 2021 with the exception of Matthew Evans, who entered the Board representing the largest shareholder in July 2021.

Sub-committees of the Board

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

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Health & Safety Committee
No. of meetings in 2021	27	4	4	8	4	3
Gudmundur Hafsteinsson	x (Chairman)		x (Chairman)			
Nina Jonsson	x		x		x	x
Svafa Grönfeldt	x	x			x (Chairman)	
John F. Thomas	x	x			x	x (Chairman)
Matthew Evans	x				x	
Ulfar Steindorsson	(half year)			x		
Alexander Edvardsson		x (Chairman)				
Hjörleifur Pálsson				x (Chairman)		
Helga Árnadóttir				x		

Further information regarding the Sub-committees activities can be found in the **Consolidated Financial Statements**.

Code of ethics

On 25 May 2009 the Board of Directors approved a Code of Ethics which was amended on 5 January 2011 and 18 Novem-

ber 2016. The Code of Ethics is accessible to all Company's employees through the Company's intranet, MyWork and on the Icelandair Group website.



Accounts

Statement by the Board of Directors and the CEO

The consolidated financial statements for the year ended 31 December 2021 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.

In our opinion, the Consolidated Financial Statements of Icelandair Group hf. for the year 2021 identified as “549300UMI5MBLZSXGL15-2021-12-31-en.zip” are prepared in all material respects, in compliance with the ESEF Regulation.

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 2021, its assets, liabilities and consolidated financial position as at 31 December 2021 and its consolidated cash flows for the year 2021.

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 2021 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.

Reykjavík, 3 February 2022.
Board of Directors

Guðmundur Hafsteinsson, Chairman of the Board
Nina Jonsson
John F. Thomas
Matthew Evans
Svafa Grönfeldt

Bogi Nils Bogason, CEO