

Annual Report 2023



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Introduction by the CEO

Last year was the third largest in the history of Keflavík International Airport, when 7.8 million passengers passed through the airport. This year, it is assumed that 8.5 million passengers will pass through the airport. During summer, it is expected that 25 airlines will fly scheduled flights to 83 destinations, and during winter, 21 airlines will fly from here to 75 destinations.

If we put all these numbers in a larger context, we quickly arrive at the fact that the number of destinations in relation to the population in the domestic market is unheard of. The value inherent in these numerous flight connections is enormous when it comes to the quality of life and prosperity in Iceland, because they are one of the key drivers of economic growth. The terminal at Keflavík Airport has for the past many years served a key role, along with the transfer airlines, in connecting Iceland with the continents on both sides of the Atlantic. The strategy of the parent company Isavia goes even further: to connect the world through Iceland. That strategy is very ambitious, but at the same time feasible.

To make this ambitious strategy a reality, the company culture needs to support the journey. In far too many cases, corporate culture simply does not support the company's strategic focus, and more often than not, it works against the proposed focus. After all, research shows that policy implementation fails in the majority of cases. However, this does not mean that the companies go under, but that the company culture must first be corrected before the standards for success are raised.

This is exactly what Isavia's parent company has been actively working on for the past two and a half years with a cultural journey called Together on a New Journey. During this time, the corporate culture has been in the foreground of everything that is done at the company. Of course, the operation of Keflavík Airport itself has remained as scheduled, as the journey is primarily about how we can be constructive in our communication and co-operation, as these are key factors for

success. The company's success on the cultural journey is noteworthy, and compared to many other international companies, we have managed to make giant strides in the direction of a constructive corporate culture and pave the way for even better results.

The operation of the domestic airport system is carried out by the subsidiary Isavia Regional Airports ehf. The operation has been facing some headwinds in recent years. Since 2017, the number of passengers has steadily decreased, and although the number of passengers last year was comparable to 2019, the company's plans assume that there will be little or no increase in passengers in the domestic airport system between years. There are many reasons for the decrease in the number of passengers, but the importance of domestic flights in a country as sparsely populated as Iceland has proven itself many times over when it comes to equalising the status of people, regardless of where they live. At the same time, there has been a shortage of funds in the operation of the domestic airport system, which is run on the basis of a service contract with the state, which has control over the level of service and its funding. There is currently a draft of a new service agreement for two years, and in that agreement, important steps have been taken to increase funding from the state, which should be celebrated.

The operation of Isavia's air navigation services is provided by the subsidiary Isavia ANS. The company provides air navigation and air traffic services on behalf of Iceland not only in the Icelandic air traffic control area, but also in the upper airspace over Greenland. The company's operations have been successful, and air traffic

through the company's air traffic control area has now fully recovered after the pandemic caused by COVID-19. In foreign comparisons, it has succeeded in offering competitive prices to users of the air navigation service, but this can be partly attributed to the economies of scale achieved by controlling air traffic in the upper airspace over Greenland. That economy of scale is useful for the many airlines that fly across the North Atlantic, but not least the Icelandic transfer airlines that use Keflavík Airport as a transfer hub.

The operation of the Duty Free Store at Keflavík Airport is provided by the subsidiary the Duty Free Store ehf. The company operates shops selling duty-free goods in the Leifur Eiríksson Air Terminal under an operating licence from its parent company, Isavia. The Duty Free Store was established in 2005 for commercial operations at Keflavík Airport, so the company has a long and successful history at the airport. Income from duty-free trade at Keflavík Airport has been an extremely important source of income that has been used for the development of the airport. Last year was one of the best years in the operation of the Duty Free Store. Recently, the Board of Directors of the parent company decided to start work on outsourcing the operation of the Duty Free Store with the aim of finding ways to further increase Keflavík Airport's income from duty free operations. It is expected that the results of that work will be available in the last quarter of this year.

In the past few years, Isavia has taken large and important strides towards sustainability, and the company's sustainability policy is accompanied by a five-year action plan in which our emphases, goals and criteria in the field are set out. They



Sveinbjörn Indriðason
CEO of Isavia

were selected with reference to the company's policies, comments from external stakeholders, our commitment to the UN Global Compact, the United Nations Global Goals and government priorities.

Isavia issues an annual report pursuant to GRI standards and its special clauses regarding airports. The report gives an overview of the company's operations in 2023 and their impact on the economy, the environment, the community and human rights. The report is also submitted as a progress report for our support of the UN Global Compact. It is a statement of our intent to continue to work towards the ten basic principles of the United Nations regarding social responsibility in the fields of human rights, labour, the environment and anti-corruption measures.

I would like to take this opportunity to thank all the staff of the Isavia Group for once again showing what we are made of. I am really looking forward to continuing to embrace the opportunities that are all around us, and with this team by my side, the sky is the limit.

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Since Isavia was founded in 2010, most of the company's activities have been moving forward, and much has been achieved in the interest of the goals that the owner set for himself when it was founded. In the past few years, there have been quite a number of setbacks, of various kinds, but the company has been able to overcome the difficulties it has had to face in that regard. Recently, the volcanic activity at Reykjanes has called for a variety of responses from Isavia's management and staff, who have worked tirelessly and succeeded exceptionally well in keeping the operations of Keflavik Airport running under challenging conditions along with our main partners. For this we are thankful.

Last year was the first full year without travel restrictions since the outbreak of the COVID-19 pandemic. The recovery of Isavia's scope of activity exceeded expectations, and Keflavik Airport was one of the first airports in Europe to achieve the milestone of receiving more passengers than in 2019, which was the last full year before the pandemic. At the same time, the parent company used the opportunity to go on the offensive, because once again, the destination Iceland and the transit terminal at Keflavik International Airport had proven their worth.

The strategy of the parent company is based on working according to a strategy circle, which states, among other things, that its purpose is to lead an airport community that increases the quality of life and prosperity in Iceland. It also presents the vision that Keflavik Airport connects the world through Iceland. Whether you look at the purpose or the vision, the priorities are extremely ambitious and call for a broad overview and support from its Board. Keeping in mind that the company's purpose is ultimately to support an increased quality of life and prosperity in Iceland, the main thing is to consider flight connections because they directly result in economic growth, and the transit hub plays a key role in that.

To meet this, we have now looked to the next five years and assessed which steps need to be taken first to achieve the vision. The result of that assessment is that in 2028, the company needs to have the capacity to support the expected future growth of airlines that choose Keflavik Airport as a transit hub. In order to achieve this success, the Board and management of the company believe that the main focus in the operation must be on the customers and the airport community, culture and digital optimisation. It is important to emphasise that this vision presented for the year 2028 is extremely ambitious, and currently, much needs to be done before this can be successful. Of course, it is important to set ambitious goals, but at the same time, it is also necessary to try to analyse what is needed so that the company's goals are achieved and then to work together on the paths that need to be taken to reach the set goal.

If you look at the plans that our transit airlines have presented, it is clear that the task ahead is a challenge. In recent months, the parent company has been working on a review of its development plan with the aim of speeding up the development of aircraft stands, precisely to support the terminal at Keflavik Airport. Last year, the company issued bonds to US investors in the amount of EUR 175 million, equivalent to about ISK 25 billion. The tender was very successful, and the terms offered to us were very favourable to us based on the situation in the credit markets. It is clear that the terms offered to the company are recognition of the company's activities and its future vision, as well as the planned development.

In the past operating year, the Board completed work on the parent company's updated strategy, as well as strengthening the company even further in terms of good governance.

Along with the work on the strategy, the Board has done a lot of work on aspects related to good governance, which is no less important. Part of that

work was to formulate new Rules of Procedure for the CEO to further clarify the role, responsibility and mandate of the CEO, and the Board's Rules of Procedure were updated at the same time. Work has begun on the review of the company's organizational chart, and then there will also be a draft of the updated Code of Conduct. The ownership policies of the parent company Isavia towards its subsidiaries are also being reviewed, and in that work, reference is made to the OECD guidelines from 2015 on the governance of publicly owned companies and good governance in general. The company's Board has also convened for a working meeting in order to set clearer criteria when it comes to the company's relations with the owner's representative.

When Isavia was established in 2010, the operation of Keflavik International Airport, the domestic airports and the air navigation service were put under one umbrella. Since then, a lot has happened. In 2020, the company was divided in such a way that the parent company Isavia now manages the operation of Keflavik Airport, while the operation of the domestic airports and the air navigation service are in separate subsidiaries. These changes, along with the major changes that have occurred in the scope of activities, which no one dreamed of at the time, call for a discussion about how the parent company can meet the tasks that await it in the coming years in the best possible way. The growth at Keflavik Airport before the pandemic far exceeded all expectations at the time. Today, the intentions of the hub airlines at Keflavik Airport are such that meeting them will be a gargantuan task. It is therefore important to discuss whether the organization of Isavia, the umbrella, is a child of its time and whether it is time to review the structure and role of the company.

It is more important now than ever that the company's owner representative, the Ministry of Finance and Economy on behalf of the state, understands and supports the newly updated strategy of the parent company Isavia. What lies ahead will have an impact beyond the parent company itself, and its development plan will be more ambitious, in terms of time and cost, than the current financial capacity can support. As long as the development plan remains unchanged, it is therefore inevitable to assume that the company will need to be further supported with increased share capital. The task at hand is to thoroughly



Kristján Þór Júlíusson
Chairman of the Board

inform the owner representative about our latest plans and thereby give them the opportunity to make an informed decision about the future plans of the parent company Isavia.

In the state's General Ownership Policy for all state-owned companies, it is clearly stipulated that the companies must follow the government's goals in environmental and climate matters. Sustainability is a guiding principle in all of Isavia's activities, and the company focuses on pulling its weight when it comes to sustainability in its operations. The company is happy to look for all reasonable ways to do its part in this field.

I should like to thank our Board and the entire staff of the company for the great work they are doing in this diverse and challenging working environment. We approach all our work at Isavia with the guiding principle that Isavia contributes to increasing the quality of life and prosperity in Iceland. We wholeheartedly accept the responsibility and obligations that come with this difficult task.

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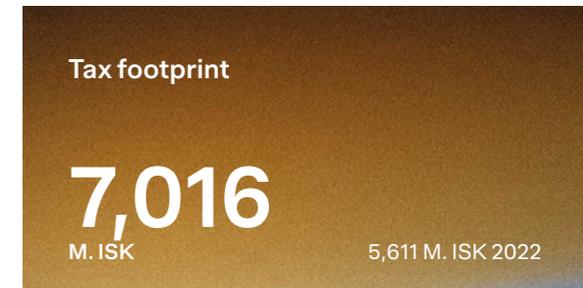
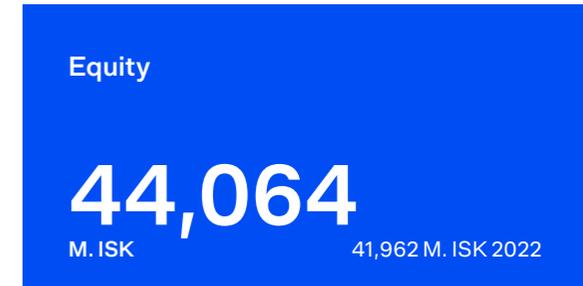
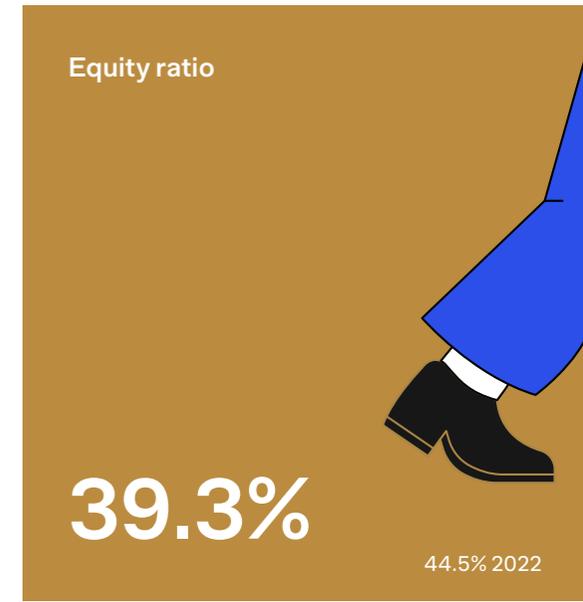
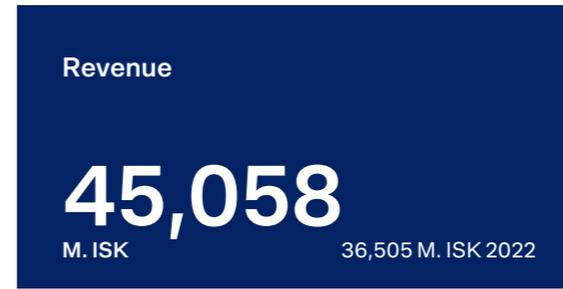
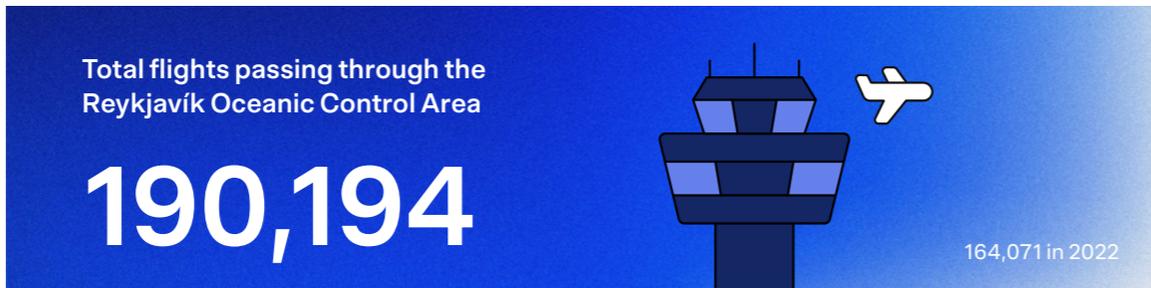
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Passengers

Total passenger movements through all Isavia airports numbered just over 8.5 million in 2023, which is a 24.2% increase from 2022. The biggest increase was at Keflavík Airport, or around 26.9%; 1.7% at Reykjavík Airport; around 1% at Egilsstaðir Airport; and around 2% decrease at Akureyri Airport.

The total of international passengers using Icelandic scheduled-flight airports in 2023 increased from just under 6.2 million to just over 7.8 million, i.e. a 26.3% increase between years. The number of domestic passengers increased over the same period, from just under 645,000 to just over 665,000, i.e. an increase of 3.1%.

Flight Movements

Flight movements in all Isavia airports were just under 145,000 in 2023, or an increase of 3.4% from the year before. There was an increase in movements of 4.2% at Reykjavík Airport, 4.0% at Keflavík Airport, around 3.3% at Akureyri Airport but a decrease of 7.5% at Egilsstaðir Airport.

Flight movements between countries were just under 65,000, or a 17.3% increase from 2022. Of this, the increase was greatest at Keflavík Airport, or just under 21%. Flight movements within Iceland decreased from just under 84,000 in 2022 to just under 80,000 in 2023, or approximately 5.7%. This is due to less activity in private and instructional flights and touch landings.

Freight transportation

In 2023, 62,400 thousand tonnes of goods passed through the company's airports, which is a 9.8% increase from the previous year. International freight transportation was just over 61,000 tonnes, which is about a 10.1% increase from 2022. Domestic freight transportation, however, decreased by 3.6%, or from 1,383 tonnes to just over 1,333 tonnes.

Air traffic control

Nearly 190,000 aircraft passed through Icelandic airspace in 2023, an increase of around 15.9% from 2022. A total of over 262 million kilometres were flown in the Icelandic air traffic control area in 2023, or more than 15.0% than the previous year. Just over a third of all air traffic over the North Atlantic crosses the Icelandic air traffic control area, which is controlled by Isavia ANS. Air traffic throughout 2023 was 97% of air traffic in 2018 and 105% of air traffic in 2019, counted in the number of flights in the Icelandic air traffic control area (Reykjavík CTA).

Number of passengers at all airports	2021	2022	2023	%
Domestic	556,835	645,331	665,554	3.1%
International	2,181,896	6,179,367	7,807,372	26.3%
	2,738,731	6,824,698	8,472,926	
Number of flight movements	2021	2022	2023	%
Domestic	109,581	84,780	79,906	-5.7%
International	28,971	55,380	64,961	17.3%
	138,552	140,160	144,867	

Freight transportations (tonnes)	2021	2022	2023	%
Domestic	1,120	1,383	1,333	-3.6%
International	59,494	55,473	61,086	10.1%
	60,614	56,856	62,419	
Total flights passing through the Reykjavík Oceanic Control Area	2021	2022	2023	%
	98,051	164,071	190,194	15.9%

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From the profit and loss account (M. ISK)	2023	2022
Revenue	45,058	36,505
EBITDA	8,145	5,165
EBIT	4,006	1,233
Financial income/expenses	(1,302)	(2,042)
Profit before taxes	2,705	(809)
Operating profits	2,102	(617)

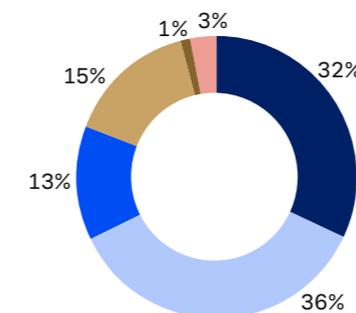
From the balance sheet (M. ISK)	2023	2022
Property, plant and equipment	84,112	71,304
Assets	112,101	94,278
Equity	44,064	41,962
Interest-bearing liabilities	57,451	44,434
Current ratio	1.85	1.62

From the statement of cash flows (M. ISK)	2023	2022
Operating activities	10,502	5,096
Investment activities	(16,075)	(14,646)
Financing activities	11,409	4,271
Cash and cash equivalents at the end of period	15,514	9,495

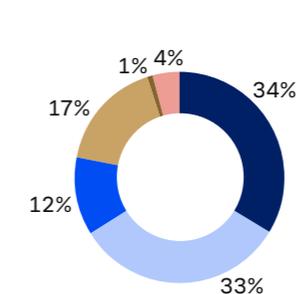
Financial ratios	2023	2022
Contribution margin	18.08%	14.15%
Profit margin	4.66%	(1.69%)
Return of equity	0.44	0.4
Earnings per ISK of share capital	4.89%	(1.57%)
Rate of return on assets	0.09	(0.03)
Equity ratio	39.31%	44.51%
Average number of positions	1,348	1,247

Operation's Income

2023



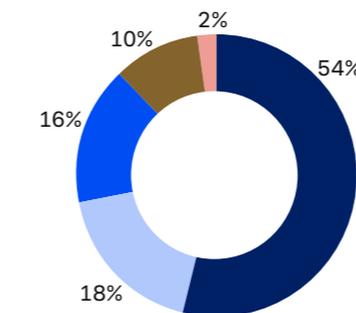
2022



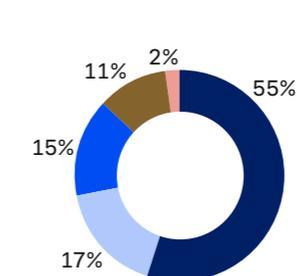
- Goods sold
- Aeronautical revenue
- Non-Aeronautical revenue
- Revenue from international air navigation services
- Revenue from domestic air navigation services
- Other revenue

Operating Expenses

2023



2022



- Salaries and other personal expenses
- Costs of goods sold
- Other operating expenses
- Depreciation
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06.03 2023

Keflavík International Airport receives an international service award for the fifth year in a row

Keflavík International Airport is among the best airports in Europe in 2022 in its size category (5–15 million passengers per year) when it comes to service quality. This is the result of an international service survey by the Airports Council International (ACI) which is carried out at nearly 300 airports around the world every year.

03.04 2023

A collaborative project that accelerates energy transition in aviation in the Nordic countries

Isavia and other operators of airports and airlines in the Nordic countries have now joined forces to accelerate energy transition in aviation as much as possible. Isavia, with its subsidiary Isavia Regional Airports at the helm, along with partners in the electric aircraft project NEA (Nordic Network for Electric Aviation), has signed an agreement with Nordic Innovation to implement the second phase of this important collaborative project.

16.05 2023

Isavia and NIB sign a loan agreement for the development of Keflavík International Airport

Isavia ohf. has entered into an agreement with the Nordic Investment Bank (NIB) for a ten-year loan in the amount of 50 million euros, or the equivalent of around ISK 7.5 billion, for the development of Keflavík Airport, in particular the eastern wing of the terminal.

04.07 2023

Keflavík International Airport one of the best connected airports in its size category

Keflavík Airport is in eleventh place in its size category on the European Association of Airports' (ACI Europe) list regarding the quality of connections. It is worth noting that Keflavík Airport is higher on this list than Oslo Airport and Arlanda in Stockholm. Every year, ACI publishes a report on airport connections and their quality, where various factors are combined in the overall rating of the airports. Keflavík Airport received a very good rating as a hub, making it one of the top airports in its size category.

24.07 2023

New taxiway put into use at Keflavík International Airport

A new taxiway has been formally put into use at Keflavík Airport. The taxiway, which has been named Mike, connects the apron and the runway. The taxiway is Isavia's first addition to the runway system, but all other additions were built by NATO or the US military.

14.08 2023

Fourth level in the ACI Airport Carbon Accreditation achieved

Keflavík International Airport's policy on climate issues, and measures to reduce the airport's carbon footprint as a whole, have received the fourth level of the Airports Council International's (ACI) Airport Carbon Accreditation. The Airport Carbon Accreditation (ACA) assesses whether airports are measuring carbon emissions correctly and also evaluates the effectiveness of measures intended to reduce their carbon footprint. The goal is to reduce the environmental impact of airports by measuring, managing and reducing carbon emissions. Isavia's goal is for Keflavík International Airport to become carbon neutral by 2030.



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28.08 2023

Isavia's first bond issue has been completed – ISK 25 billion for refinancing and development

Isavia has issued bonds to American investors in a restricted procedure to the amount of 175 million euros. This is equivalent to over ISK 25 billion. This is the first bond issue in the history of Isavia.

31.08 2023

New and more spacious baggage hall at Keflavík International Airport

A new and more spacious baggage hall awaited the passengers who landed at Keflavík Airport from noon today. The baggage hall is the first phase to be put into use in the new east wing of the terminal and aims to improve passenger facilities and their experience.

05.10 2023

Electronic flight schedules

A change to the submission of visual flight schedules has now come into effect, where flight schedules are to be submitted electronically. The Icelandic Transport Authority's exemptions for receiving shorter flight schedules have also been revoked, and flight schedules will not be accepted by e-mail or by phone in towers and at AFIS.

31.10 2023

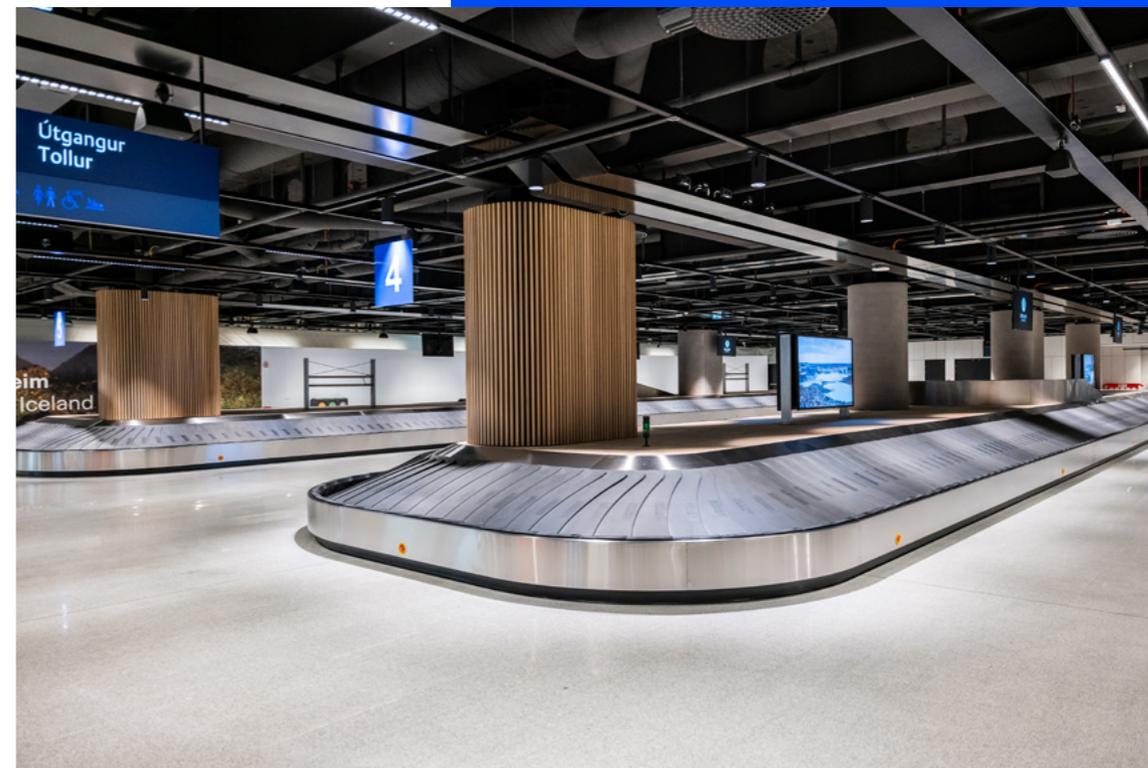
Easyjet's first flight to Akureyri

It was a historic moment when the British airline Easyjet started direct scheduled flights between Akureyri Airport and Gatwick Airport in London on 31 October 2023. The company's first plane landed at the airport at 10:40 am that day during a ceremony where representatives from the tourism industry, municipalities and the state gathered and celebrated this important milestone.

16.11 2023

Keflavík International Airport promotes the Icelandic language

The Icelandic Language Day was celebrated at Keflavík Airport on 16 November 2023 by launching the campaign Höldum íslenskunni á lofti (Raise Icelandic up). It aims to make Icelandic a more visible and important part of the airport's visitors' experience. The Board of Isavia has simultaneously decided that Icelandic will be ahead of other languages on all instructional signs by the end of 2024.



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The Board of Directors & Corporate Governance

We have an important role to play in managing the operation and development of the infrastructure that forms the basis of Iceland's air transport. To be able to carry out this role safely and efficiently requires strong management and clear Rules of Procedure that help the operations grow and develop.

Laws on Isavia's operations

Isavia ohf. is a public limited liability company owned by the Icelandic state. The company's operations are governed by Act No. 65/2023 on the Development and Operation of Airports and Air Traffic Services and the Aviation Act No. 80/2022. The government is authorised to entrust Isavia with the management and handling of international commitments and agreements, and the company is obliged to comply with instructions regarding the implementation and performance of such agreements.

The Board of Directors and corporate governance

Isavia's corporate governance practices take into account the following factors: Act No. 2/1995 on Public Limited Companies, the company's Articles of Association, the Board's Rules of Procedure and the General Ownership Policy of the state (including the appendix pertaining to Isavia ohf.).

Board members are nominated to the Board by the Minister of Finance and Economic Affairs and are elected at the Annual General Meeting for one year at a time. It has five members and five alternates. The gender ratio on the Board is 40% women and 60% men. All Board members are considered to be independent within the meaning of the Guidelines on Corporate Governance issued by the Icelandic Chamber

of Commerce, the SA Confederation of Icelandic Enterprise and Nasdaq OMX Iceland. All Board members have issued a report with an account of their assets in other companies, and these are not considered to affect their work on the Board. None of the Board members work for the parent company.

Isavia's Board must comply with the company's Code of Ethics, same as the Group's staff in general. The company's Board refers to the Guidelines of Corporate Governance and complies with them in all major respects. The main deviation is that the company has no Nomination Committee, as the nomination for the company's Board is with the Minister of Finance and Economic Affairs, who manages the state's share in the company. The Board's sub-committees are the Audit Committee and the Remuneration Committee, and their scope of activities also includes the subsidiaries of Isavia ohf.

In order to increase the quality and efficiency of the Board's work, it is obliged to carry out a performance evaluation annually. The evaluation is carried out by external consultants, following a standard methodology, and includes the size of the Board, its composition, practices and procedures, as well as the company's development and the CEO's performance.

Board of Directors 2023

Kristján Þór Júlíusson
Chairman



Hrólfur Ölvísson
Vice Chairman



Hólmfríður Árnadóttir
Board Member



Jón Steindór Valdimarsson
Board Member



Nanna Margrét Gunnlaugsdóttir
Board Member



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The Board's Rules of Procedure

The Board has established detailed Rules of Procedure defining its tasks and the scope of authority between it and the CEO. Rules of Procedure are reviewed and approved every year. They include, i.a. the division of tasks between Board members, rules on the eligibility of Board members to take part in processing matters, procedure and minutes for meetings, rules on confidentiality, the obligation to provide information to the Board and the decision-making powers of the Board.

The Board holds supreme authority in Isavia's matters between shareholders' meetings according to law and the company's Articles of Association, manages the company, ensures adequate supervision of the accounts and disposal of the company's funds, as well as confirms the operating budget and investment plans and ensures compliance with them.

The Board is responsible for ensuring that the company has an organised and effective control system, which consists of integrated risk management and efficient internal control. The Board makes all major decisions in the company's operations and ensures that the company is operated in accordance with the relevant laws and regulations. Furthermore, the Board has the goal of promoting the company's growth and results in the long term by formulating company policy in consultation with company management.

Corporate Governance Statement

The Corporate Governance Statement is the Board's statement for the previous operating year that is published along with the Annual Accounts. The Statement includes information on Board members, subcommittees, shareholders' relations, the Executive Board, ethical standards and other matters relating to the Board.

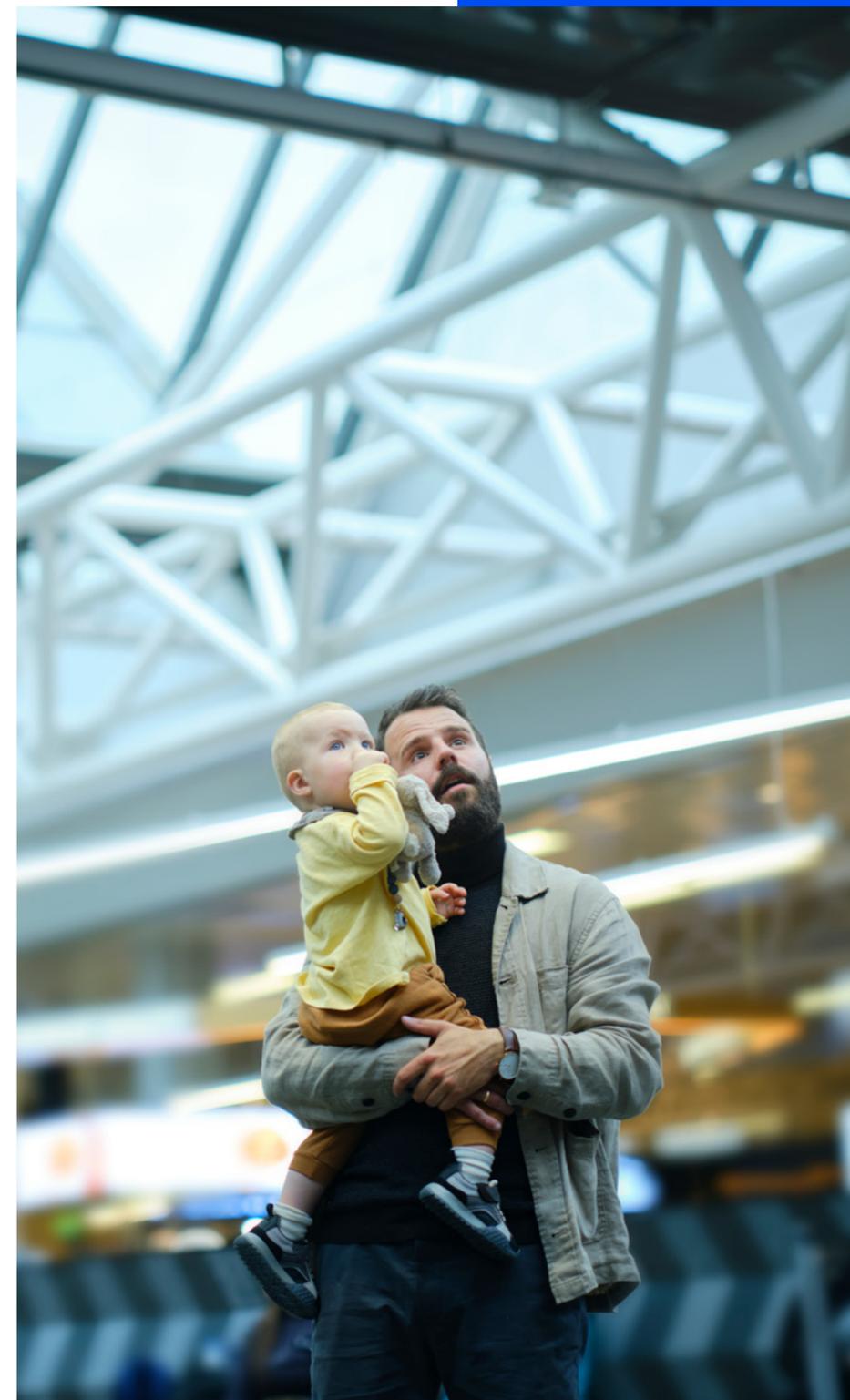
Remuneration Committee

Isavia's goal is to attract, motivate and retain excellent staff and make working for the company a desirable option. According to the state's General Ownership Policy, wages at the company must be competitive, but at the same time moderate and not leading, and take into account public ownership. The company's Remuneration Committee is made up of two Board members, and the Remuneration Policy is approved at the Annual General Meeting. According to the Remuneration Policy, Board members are to receive a fixed monthly fee for their work. As a general rule in preparing employment contracts, there are to be no further payments on termination of employment other than those stated in the contract. The remuneration of executives is reviewed once a year.

Subsidiary Boards

Isavia ohf. has three subsidiaries: Isavia ANS ehf., Isavia Regional Airports ehf. and the Duty Free Store ehf. The companies are 100% owned by Isavia and are run in accordance with the Ownership Policy of Isavia's subsidiaries, their Articles of Association and the Rules of Procedure of the Boards. Policies, rules and guidelines that the parent company is obliged to implement by law, or its Ownership Policy also apply to subsidiaries. The Boards of all the three subsidiaries have three members. The gender ratio is 33% women and 67% men.

Further information on the Board of Directors and corporate governance can be found on [Isavia's website](#).



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Isavia ohf. is responsible for the development and operation of Keflavik International Airport. Its subsidiaries Isavia ANS and Isavia Regional Airports manage, on one hand, air navigation services in one of the world's largest air traffic control areas and, on the other hand, a strong network of domestic airports in Iceland. In addition, its subsidiary the Duty Free Store operates three retail shops at Keflavik International Airport.

Isavia ohf.'s Operations

Keflavik International Airport is operated by the parent company Isavia. The airport is operated wholly on business terms and in a demanding competitive environment. This is where the greatest opportunities lie, as well as the greatest operational risks.

The company's two core divisions operate in Keflavik International Airport. On one hand, Commercial and Airport Development, which handles airlines and route development, revenue and sales, business insight and optimisation, marketing and experience, infrastructure and buildings and airport development and expansion. On the other hand, Service and Operation, which handles aviation security, services and co-ordination; airport services' control tower operations; service quality; emergency preparedness; and safety management.

Isavia has two support divisions. On one hand, Finance and Human Resources, which handles accounting and settlement, legal services, procurement, document management and economics services, as well as human resources and training. On the other, Digital Development and IT, which handles digital development, systems operations and user services.

Governance, corporate strategy and sustainability, processes and improvements, public relations and planning at Keflavik International Airport are the responsibility of the CEO's office. The support divisions and the CEO office are a part of Keflavik International Airport operations. There is strong focus on all divisions of the parent company and the CEO's office working for the Isavia Group as a whole.

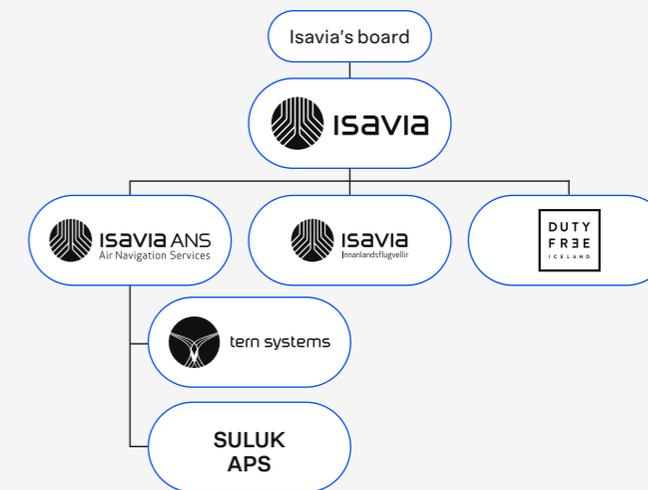
Isavia ANS

Isavia ANS ehf. has an operating license to provide air navigation services for domestic, international and intercontinental flights and handles air traffic services in the North Atlantic on behalf of Iceland, in an area called the Icelandic air traffic control area. The International Civil Aviation Organisation (ICAO) has granted seven countries the task of handling air traffic services over this area: in addition to Iceland, these include the United Kingdom, Canada, Norway, the United States, Denmark and Portugal.

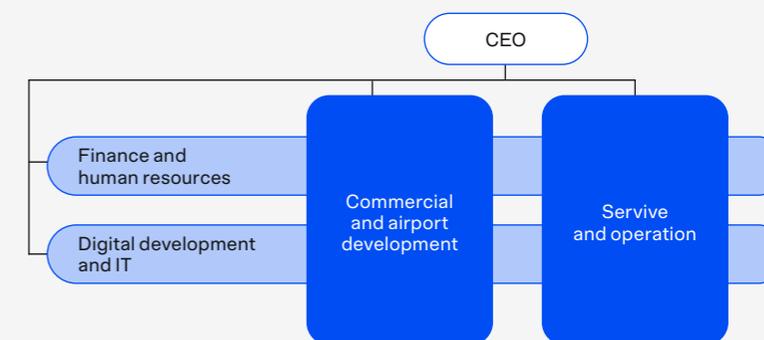
Operations are based on international agreements with 25 countries for services and financing, based on a full cost recovery system. Almost a quarter of air traffic in the North Atlantic passes through the Icelandic air traffic control area, but the area has a very unique position among oceanic areas due to its flexibility, both in terms off-flight routes and altitudes.

The offices of Isavia ANS ehf. are at Nauthólsvegur in Reykjavik, but aviation communications, a division within Isavia ANS, also has operations in Sóleyjarimi in Grafarvogur, and technicians have facilities at Steinhella in Hafnarfjörður. Isavia ANS subsidiaries are Tern Systems, which develops software for air navigation services, and Suluk, which manages the operation of air navigation services in Greenland. Suluk ApS is located at Kangerslussuaq Airport in Greenland. Tern's headquarters are in Hlíðarsmári in Kópavogur, and a subsidiary and offices in Budapest, Hungary.

Operational Chart



Organisational chart Isavia ohf.



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Isavia Regional Airports

Isavia Regional Airports deals with the operations of Iceland's scheduled airports other than Keflavík International Airport. The company operates three airports that can handle international flights – Reykjavík Airport, Akureyri Airport and Egilsstaðir Airport – as well as nine smaller airports and landing sites for regular scheduled domestic flights. The company is also responsible for 30 other landing sites throughout Iceland.

Isavia Regional Airport's offices are located at Reykjavík Airport. The operation handles everything from general airport services, air traffic services, aviation security and supervision of construction projects, to safety and quality issues. Operations are based on a service agreement between the company and the Ministry of Infrastructure, which determines the level of service for each airport and how they are operated and maintained. This is due to the fact that the airports in question are part of the public transport system owned by the state.

This year, Parliament approved a new law on the reserve airport fee for the development of domestic airports, which is intended to secure funding for the development of infrastructure at domestic airports.

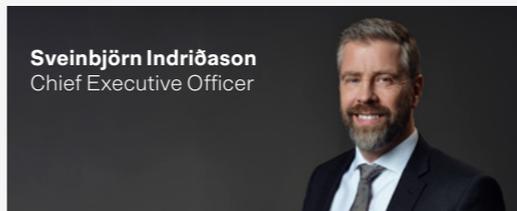
International Flight Connections at Regional Airports

Good results were achieved in the Nature Direct marketing project, which is about promoting the airports in Akureyri and Egilsstaðir in collaboration with Business Iceland, Isavia, Austurbrú and Visit North Iceland, with the financial support of the government. The airline easyJet began regular flights to Akureyri at the end of October, twice a week from London Gatwick, and easyJet plans to operate this flight until the end of March 2024. It was especially great to receive this increased traffic now that the extension to the terminal at Akureyri Airport will soon be put into use, and all construction on the airport will be completed by the summer of 2024.

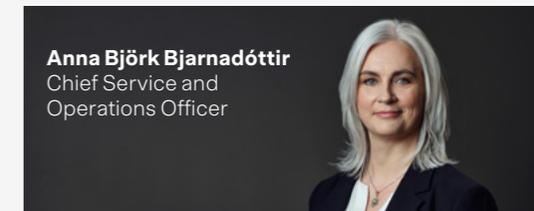
The increase in international flights to Akureyri and Egilsstaðir Airport in 2023 was a source of great joy, but in addition to the increased traffic from easyJet, there was also increase in traffic from the airlines Transavia, Edelweiss and Niceair.

Between 15 October and 30 November 2023, Icelandair offered flights between Akureyri and Keflavík Airport in connection with its international flights from Keflavík Airport.

Executive Board



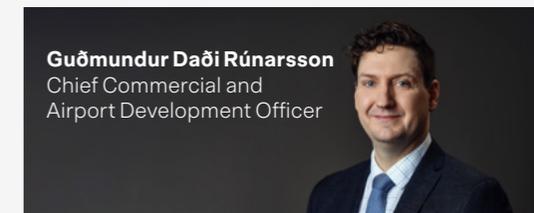
Sveinbjörn Indriðason
Chief Executive Officer



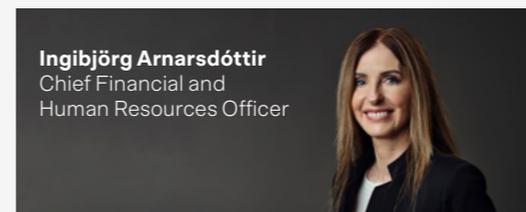
Anna Björk Bjarnadóttir
Chief Service and Operations Officer



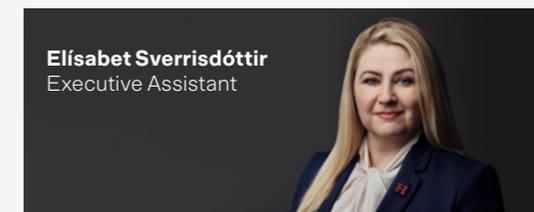
Bjarni Örn Kærnested
Chief Digital Development and IT Officer



Guðmundur Daði Rúnarsson
Chief Commercial and Airport Development Officer



Ingibjörg Arnarsdóttir
Chief Financial and Human Resources Officer



Elísabet Sverrisdóttir
Executive Assistant

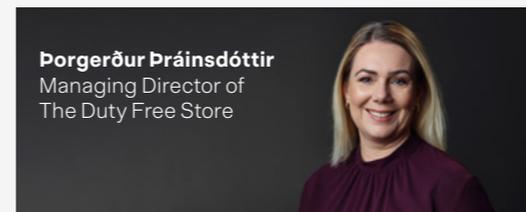
Subsidiary Operations



Kjartan Briem
Managing Director of Isavia ANS



Sigrún Björk Jakobsdóttir
Managing Director of Isavia Regional Airports



Þorgerður Þráinsdóttir
Managing Director of The Duty Free Store

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The Duty Free Store

The Duty Free Store operates two departures stores and an arrivals store selling duty-free goods under an operating licence from its parent company, Isavia. In 2023, construction began on the Duty Free Store's new arrivals store, which will greatly improve service and the experience of passengers arriving in Iceland. Emphasis is placed on accessibility and product selection, as well as an efficient service area. Construction on the new store will be completed in the first half of 2024. The Duty Free Store's offices are in Keflavík.

At the beginning of the year, a change was made to the alcohol and tobacco tax paid by duty-free arrivals stores. The change resulted in a significant increase in the tax, which made it necessary to make changes to the Duty Free Store's pricing. It was no longer possible to have the same sales price in the arrivals and departures stores for the types of alcohol that carries the highest alcohol and tobacco tax. Due to the alcohol and tobacco tax paid on sales in the arrivals store, the price of strong alcohol and tobacco is now higher in the arrivals store than in the departures store. Despite this change, the Duty Free Store emphasises that prices are competitive compared to other duty-free stores and that passengers can continue to make good and favourable purchases upon arrival in the country.

Passenger and traffic forecasts 2024

Every year, forecasts of the number of passengers and flight movements at Keflavík Airport are published at the end of the year. These two factors have the greatest impact on our operation, and forecasts are therefore an important part of responding to a dynamic operating environment. The forecasts are prepared in close co-operation with the airlines that fly to Keflavík International Airport and are based, i.a. on airline business hours, on information from Isavia's systems, dialogues and news about airline plans.

The passenger forecast for the year 2024 predicts that almost 8.5 million passengers will travel through Keflavík Airport, making the year the third largest in the history of Keflavík International Airport, if the forecast is correct. It is expected that the percentage of connecting passengers will be 30%, or more than 2.5 million passengers. A forecast is also made for the number of foreign tourists. That forecast predicts that almost 2.4 million foreign tourists will visit Iceland in 2024, which would be the highest number of foreign tourists to Iceland. Until now, the year 2018 is the largest with regards to the number of foreign tourists, a total of 2.3 million.

A traffic forecast for the Icelandic air traffic control area is prepared at least annually by a working group called the North Atlantic Economic Financial Forecasting Group (NAT EFFG). The forecast covers air traffic in the North Atlantic, including all traffic in the Icelandic air traffic control area. The forecast is used for income and cost estimates, amongst other things. Isavia ANS has a representative in the group, along with all service providers and representatives of associations using the service in the North Atlantic.



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Value Creation

Isavia ohf. is a service company that plays an important role. We are the largest gateway for airlines and passengers into the country, which creates value not only for tourism in Iceland, but for the entire country through increased prosperity and quality of life. During the year, the company's Executive Board worked to sharpen the company's business model and better connect the business model with the company's strategic priorities for the next five years.

Activities that Create Value for Society

Isavia owns and develops land around Keflavík Airport and thus provides capacity at Keflavík Airport. Our activities are aimed at serving airlines and passengers and leading the airport community at Keflavík Airport in close co-operation with our business partners. The goal is to develop and maintain a positive experience for passengers travelling through the airport, while we develop and maintain business relationships with the airlines. A constructive corporate culture is the key to success, and we always have safety and responsibility as a guiding principle in our work.

We contribute resources to our activities that, through the operation of the company, create value for different stakeholders. We strive to provide reliable, efficient and safe services in a sustainable manner, where communication with staff evokes feelings of trust, friendliness, well-being, security and predictability. We are committed to providing real-time information and efficient service with personal assistance as needed. Isavia engages in sustainable procurement and works continuously to improve environmental issues. We focus on social value creation from the operation.

Isavia's Value Proposition

Isavia's customer group is, on the one hand, airlines, and on the other hand, passengers. Our value proposition to airlines is transport infrastructure in the right place with access to a unique market (Iceland); we can also offer efficient connections between continents and have potential for growth. The company's value proposition to passengers is, on the one hand, access to Iceland and unique Icelandic experiences and products, and on the other hand, access to numerous flight connections with short connecting times.

Our key partners are business partners and service providers. Business partners are key partners in the acquisition of non-aeronautical revenue, and service providers are important partners in fulfilling the company's value proposition to airlines.

Key Resources

The company maintains two over-three-thousand-metre-long runways at Keflavík Airport, along with buildings, equipment and devices to service passengers. The company also provides a commercial premises and an advertising area at the airport.

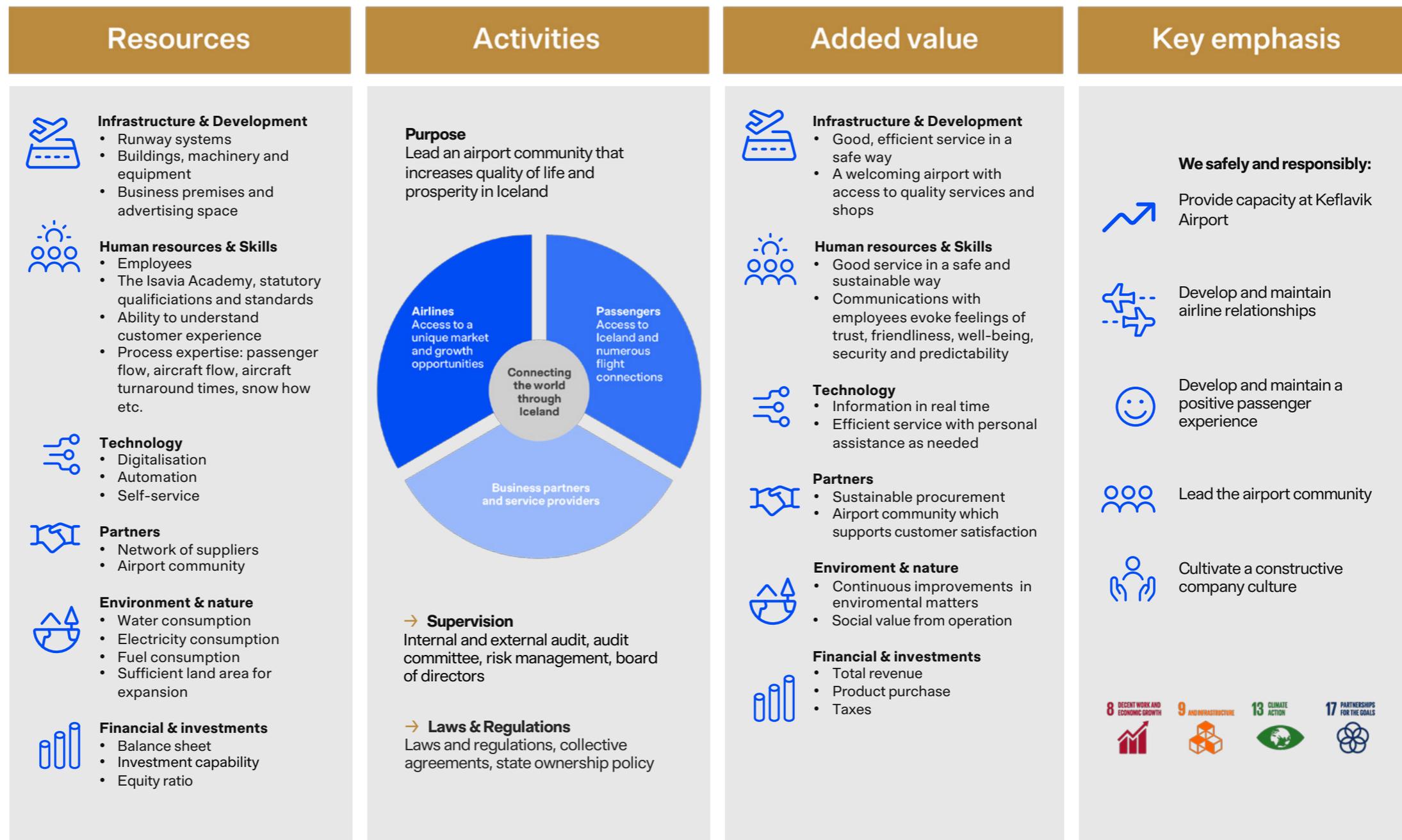
Our staff is the company's greatest resource. Isavia ohf. has nearly 900 employees on the payroll. Keflavík International Airport is also the workplace of nearly 8,000 people through various partners. The company takes good care of the staff by respecting human rights, promoting health and safety and constantly working towards a better workplace environment. Isavia operates its own school to build employees' expertise, and thus promotes the increased skills of all staff at Keflavík Airport.

Our staff has important knowledge and experience in the development, operation and service of airports and thus plays an important role in building the airport's competitiveness. Their expertise covers airport operations and services, from passenger flow, aircraft rotation speed and infrastructure maintenance. Isavia's staff also have the skill to understand the customer experience. Much emphasis is placed on digital development at the company and increasing automation and self-service at Keflavík Airport to further improve customer service.

A total of 7.8 million passengers passed through Keflavík Airport in 2023. 28 airlines passed through the airport during the year, which have connections to 95 destinations around the world. Over 250 companies operate or provide services at the airport, and we are also in contact with a large number of suppliers. Keflavík Airport is the largest workplace in Suðurnes and thus creates value for the local community, both for its residents who go to the airport for their jobs, and also for employers who sell their products and services to the company. Isavia rents out facilities for various services at the airport and also offers operating licenses to restaurants and shops. This is how we work with our business partners to create value for passengers.

Isavia's operations are extensive and therefore inevitably have an impact on its environment. The operation requires resources, e.g. water, heat and electricity and uses land for the development and operation of the airport. The carbon footprint of the airport's direct operations is primarily due to the fuel consumption of equipment used to maintain runway safety. We work systematically to reduce the negative impact and increase the positive impact of our own activities and the activities of those who are members of the value chain. An example of this is the collaborative project of the entire airport community at Keflavík Airport on ways to reduce the carbon footprint of the airport's operations as a whole. Targeted co-operation and collaboration leads to success.

Business Model



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Social value creation from the operation of Keflavík International Airport

In 2022, the company had the social value of Keflavík International Airport's operations calculated with the help of British consultants who specialise in calculating the social impact of business operations and who work with companies all over the world. The results indicate how Keflavík Airport's operations are fulfilling the company's purpose of increasing the quality of life and prosperity in Iceland, and provide a better analysis of improvement opportunities for the operations. The goal is to maximise the company's profitability and value creation through the entire value chain, while systematically working on improvements in environmental and social issues where human rights and people's quality of life are at the forefront.

70 aspects of Isavia ohf.'s operations were analysed, and therefore, the information (impact indicators) comes from many layers of the operation. Data is now available for a four-year period: 2019–2022. In short, the results are that for every billion in revenue, one and a half billion is created in social value creation from own operations. If the impact of the supply chain is also taken into account, the ratio is one billion in revenue versus two billion in social value creation. No measurement was made for the year 2023, so last year's figures are published again. It is expected that the social value will be analysed for 2023 and 2024 before the publication of the next Annual Report.

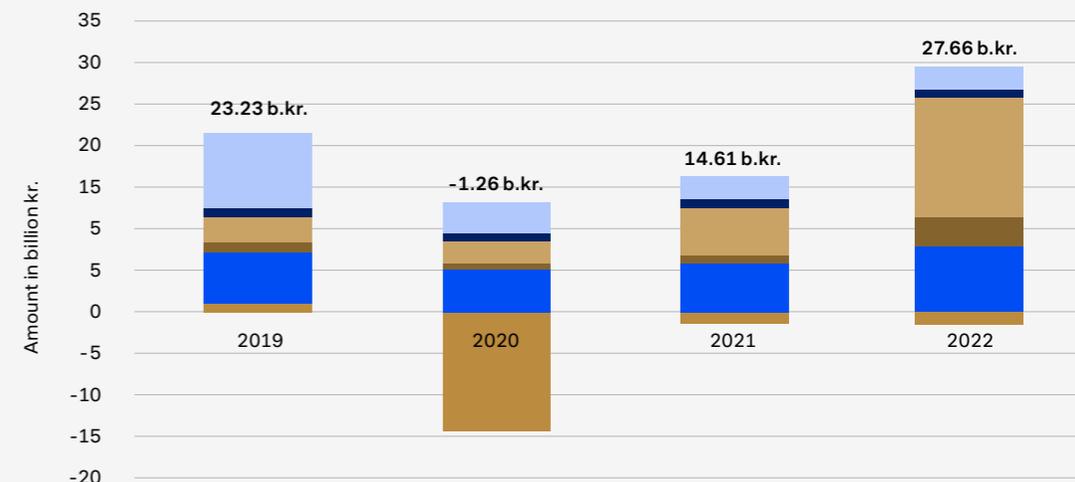
Social Value in the Balance Sheet

Social value explains how much additional value a company provides beyond its finances. A company's net social income is the net value for society that the company creates through direct operations. With this, we are taking a big step towards being prepared for further upcoming requirements regarding non-financial information.

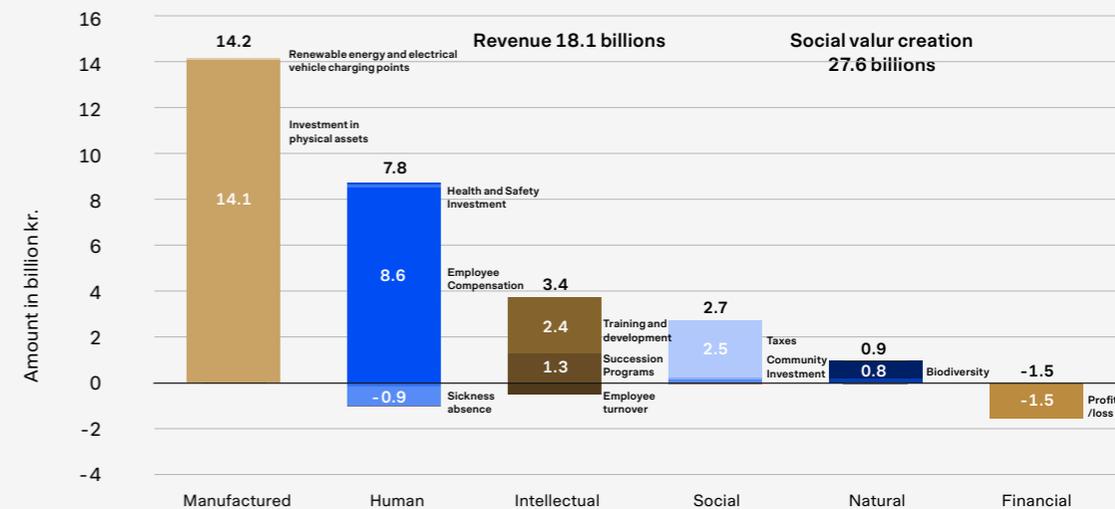
Isavia ohf.'s Supply Chain

Isavia's supply chain was also analysed based on social impact. Suppliers were assessed based on which resources were purchased and from which country with regard to positive and negative impact. The analysis was performed using Route2's Extended Multi-Regional Input Output Model. The model calculates the global, economic, social and environmental impact of production of inputs from our suppliers. The analyses covers 191 countries and between 26–500 sectors in each country. The model then measures and evaluates this impact by translating it into positive economic benefits and/or negative social and societal impact. The results provide Isavia with an assessment of the impact of its procurement expenditures and thus the opportunity to work with suppliers to minimise this impact.

Social Value Creation – Isavia ohf. 2019-2022



Social Value Creation – Isavia ohf. 2022



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Strategy and Future Development

Isavia is a publicly owned company and operates under legislation on operations and the state's Ownership Policy. The company's strategy is formulated by its Board of Directors and Executive Board within this framework. Isavia's subsidiaries set their own corporate strategies but work in accordance with most of the parent company's support policies. This in accordance with Isavia ohf.'s subsidiary Ownership Policy. The Executive Board of each subsidiary is responsible for the implementation of its strategy.

Isavia is a service company which plays the important role of managing the operation, maintenance and development of the infrastructure on which Icelandic aviation is based, its connection with the rest of the world and aviation between continents. Its operations are therefore of considerable national interest, and the company's employees make every effort to conduct their work in a safe and efficient manner in harmony with the environment and community.

Isavia ohf.'s Strategy

Isavia ohf.'s purpose is to lead an airport community that increases the quality of life and prosperity in Iceland. In this, the operations of Keflavík International Airport play a key role for the country's infrastructure and the responsibility that comes with the operations for a sustainable future.

Our vision is to connect the world through Iceland. It includes increasing the number of flight connections between continents and thereby improving the access of citizens to foreign markets, which contributes to the increased competitiveness and prosperity of Iceland.

In 2023, the company's business model and value chain were more clearly defined. There are many links within the business model that create value for the company and the customer,

but a clear business model helps companies achieve their goals. Subsequently, work was done to hone the company's strategic priorities and therefore set a clear vision and action plan for the next five years. The actions are part of making the company more strategic in management.

We adhere to four of the United Nations' Global Goals (8, 9, 13 and 17), but the company also works with other Global Goals in its support policies.

Isavia's Strategy Circle

The Strategy Circle is a compass for the company's priorities for the future. It connects seven strategic focus areas that lead the company to its future vision and reflects work towards sustainability in all areas of operations.

Isavia's Strategy Circle and its related objectives have been presented to all employees and are now part of the company's new recruit presentations.

Isavia is one of many companies operating at Keflavík International Airport. The company is a leader in the airport community and takes the initiative to work purposefully with its business partners for joint success as a whole. In that co-operation, we put our



customers first by offering a unique experience and efficient, smart and good service.

Keflavík International Airport is one of Iceland's key infrastructures, so the emphasis is on developing and maintaining its infrastructure for the long term and constantly improving the use of resources with profitability and long-term interests as a guiding principle. Simultaneously, innovation and continuous development is promoted in its operations. We are guided by sustainability in everything we do and focus on being a role model in safety and protection matters.

A clear strategy and vision is the key for employees to connect their work to the strategy and follow it. A company culture where communication and collaboration between employees is based on constructive and honest communication is the basis for the company to succeed in an ever-changing environment. Isavia has been a part of a transformation project with foreign consultants called Together on a New Journey from mid-2021. The journey is intended to shift the company's culture to a constructive culture to support the successful implementation of the company's strategy.

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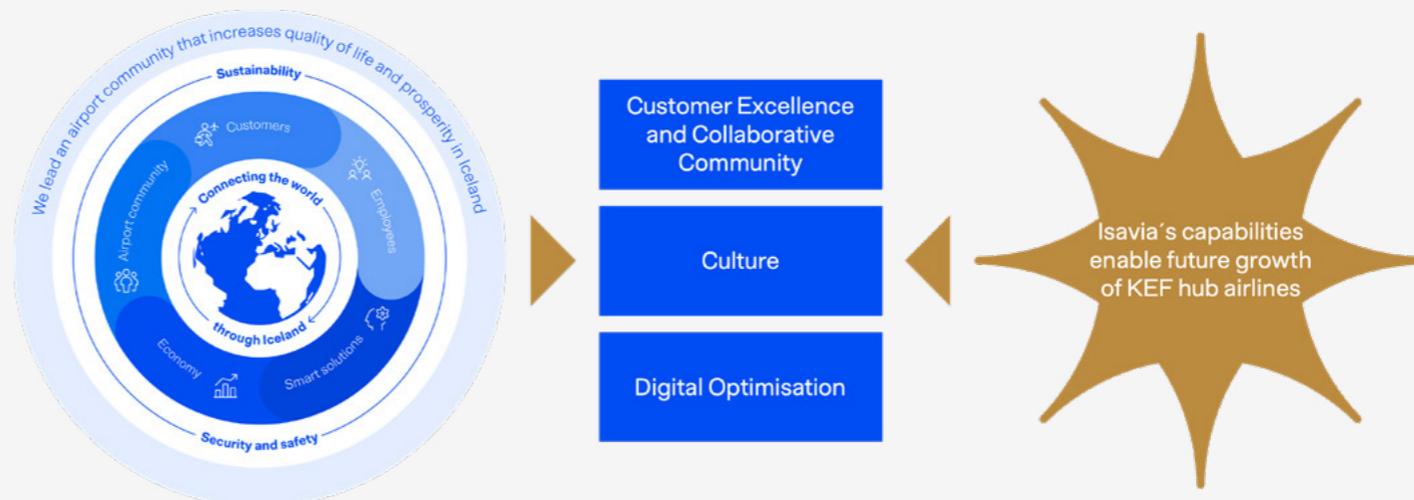
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Strategic focus areas to 2028

The Strategy for the Next 5 Years

The company's vision of connecting the world through Iceland is a journey to the year 2040. So that employees could be even more targeted in their work towards the vision, the Executive Board worked to create a strategy for the year 2028, which is the company's guiding light for the next five years. In five years, Isavia will be capable of enabling the future growth of Keflavik Airport's hub airlines. The emphasis will be on initiatives connected to customer excellence and collaborative communities, culture and digital optimisation to succeed.



Culture Statement

– Our behavioural guidance

We are respectful and honest with ourselves and others.
 We have fun in our daily work, are brave and constructive
 and take responsibility for our own performance.

Together we will succeed.

Culture and Policy

One of the company's key projects over the past three years has been to change the company culture at Isavia. The project is entitled Together on a New Journey and underpins the successful implementation of the strategy of the company. All of our employees participate in the journey and work in accordance with the company's cultural charter, which is in the spirit of the ideal culture we work towards. Emphasis has been placed on training the company's leaders to work in accordance with the ideal culture that has been decided to work towards and to increase their ability to support their people.

The cultural journey is meant to change the passive and aggressive culture of the company to a constructive culture which emphasises success, personal growth, inspirational surroundings and a good relationship between parties. Leaders and other employees have received regular training in the methodology of constructive culture in workshops which were held by foreign consultants and company leaders. The focus is now on enabling our frontline employees to use constructive methods in their work and to better connect strategy implementation with the ideal culture with an emphasis on achieving success together. This is how leaders become stronger in strategic management. In a survey that was carried out in the fall of 2023, it was found that excellent results have been achieved on the journey. The company is rapidly moving closer to the ideal culture.

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Key Performance Indicators

It was worked with five key metrics at Isavia ohf. in 2023. Below is an overview of the metrics, objectives and the measurement at the end of the year.

Metric	Objectives for 2023	Measurement 2023
Return on equity will be over 10% in 2027.	Return on equity will increase from 1.9% to 3.2%.	3.54%
The percentage of satisfied customers will be 85% in 2027.	Passenger satisfaction will increase from 84% to 85% in 2023. Measurements will begin on the satisfaction of other customers.	83%
Employee satisfaction will exceed 8 out of 10 in 2027.	Employee satisfaction will increase from 7.5 to 8.0 in 2023 and maintain there.	Total satisfaction 7.7
Keflavik International Airport's carbon footprint will be below 1,000 tonnes of CO₂ in 2027.	It will decrease from 2,185 tonnes to 1,760 tonnes by the end of 2023 (fuel, electricity and waste).	1,928 tonnes
There will be no serious safety, security or occupational health incidents at Keflavik International Airport in 2027.	There will be no serious incidents in the safety, security and occupational health and safety categories attributable to Isavia's operations and infrastructure at Keflavik International Airport in 2023.	38 serious incidents in occupational safety and health

Strategic KPIs

This year, work was done to hone the focus points of the strategy for the next five year; at the same time, the company's strategic key performance indicators were revised by the Executive Board and approved by the Board. There are now nine metrics, which are valid until the end of 2028. Objectives have been set for 2024 to work towards final results.

Metric	Objectives for 2024
EBITDA will be 42% at the end of 2028.	EBITDA will be 34%.
Customer satisfaction (passengers) will be 85% at the end of 2028.	Customer satisfaction will be 85%.
Customer satisfaction (airlines).	Make a basic measurement.
Ideal culture will be achieved at the end of 2028.	The percentage of staff who consider achievement behaviour exhibited in Isavia will be 64%.
Have the capacity to serve up to 38 runway movements per 60 min. at the end of 2028.	Ability to serve 32 movements per 60 min.
Average cost per boarded passenger ISK 4,450 at the end of 2028.	Average cost per boarded passenger ISK 4,700.
The carbon footprint of fuel will be below 600 tonnes by the end of 2028.	The carbon footprint of the fuel will be 1,300 tonnes of CO ₂ .
No serious incidents in the security, safety and occupational health and safety categories attributable to operations and infrastructure at KEF.	No serious incidents.
Return on equity >10.9% at the end of 2028.	Return on equity will be 7.5% .



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Isavia ANS's Strategy

The role of Isavia ANS is to be a secure airlift in the north.

The company's strategy goals are:

- A known company with a positive image.
- Outstanding in core activities.
- Happy employees and a desirable workplace.

Continued strategic planning work for Isavia ANS for the next 4 to 5 years has begun. An agreement has been reached with consultants from Conscious Consulting for assistance, but it is considered essential that the cultural journey and the company's strategy go hand in hand. Having a clear strategy and goals that the staff work on together will strengthen the activities.

Isavia Regional Airports Strategy

The vision of Isavia Regional Airports is a strong airport operation that lays the foundation for an improved quality of life throughout the country.

Strategy priorities until 2027 are:

- **Solid operation:** The company's operation is based on a solid foundation and a dynamic team of employees, which creates scope for the long-term development of domestic aviation.
- **Visibility:** The unique position of Isavia Regional Airports is clear among stakeholders, and there is an understanding of the importance of the operation.
- **Energy transition and sustainability:** The company builds a sustainable operation, supports the preparation of energy transition in aviation and thus contributes to environmentally friendly transport.
- **Communications and co-operation:** The company is an active participant in the promotion of aviation as a means of transport.

The Duty Free Store's Strategy

The Duty Free Store places emphasis on good service, a good and varied product range, innovations and special products for travel shops, long service hours, good accessibility and a pleasant experience.

Strategy priorities until 2027 are:

- The right product in the right place.
- Customer experience.
- A desirable workplace.
- Strong infrastructure.

The Duty Free Store has set objectives for sustainability in line with Isavia's Sustainability Policy. The company plans to become net-zero by 2030, have all packaging of sales products in environmentally friendly packaging and increase the number of and visibility of sustainable options for customers in stores. To achieve these goals, the Duty Free Store has set an ambitious action plan for the coming years.

Support Policies and Responsible Operations

The support policies co-ordinate actions between Isavia's parent and subsidiary companies. They are presented to emphasise specific issues and increase the likelihood of success through detailed operational objectives, metrics and actions. Support policies always meet minimum legal obligations but go further in accordance with the company's strategy.

Isavia has presented support policies in accordance with the overall strategies of Isavia ohf. and subsidiaries and in accordance with Codes of Ethics that support responsible practices towards people, the environment and the economy.

The Chief Officers of the parent company and subsidiaries meet quarterly. There, they discuss both policy-related issues and other issues that the Chief Officers of the companies want to discuss with each other in order to co-ordinate policy-related actions and responsibilities. The Boards of the companies regularly discuss issues related to finances, the company's investments, sustainability and social responsibility. Regular communication and conversation with customers and business partners who work within the airport community and the local community is also an integral part of the operation.

The company's Code of Ethics was updated at the beginning of 2024. This Code of Ethics applies to staff, management and the Boards of the Group's companies and covers all aspects of the company's operations, staff events and professional travel. It is specifically stated in the Code of Ethics that decisions must be made in a sustainable manner, that work is carried out in accordance with the ten principles of the United Nations, the United Nations' Global Goals and that the same requirements are made to suppliers in accordance with the Code of conduct for suppliers. When making decisions, we endeavour to ensure that we are always complying with current laws, regulations and international conventions that the company operates under.

Active Policies	Isavia ohf. Subsidiaries Ownership Policy			
	Isavia Strategy	The Duty Free Store Strategy	Isavia ANS Strategy	Isavia Regional Airports Strategy
Human Resource Policy	✓	✓	✓	✓
Risk policy	✓	✓	✓	✓
Sustainability policy	✓	✓	✓	✓
Information security policy	✓	✓	✓	✓
Occupational health policy	✓	✓	✓	✓
Procurement practices	✓	✓	✓	✓
Code of Conduct	✓	✓	✓	✓
Code of Conduct for Suppliers	✓	✓	✓	✓
Safety policy	✓			✓

Processing of personal data, rules on enquiries based on information law, EKKO response plan, complaints handling rules, whistleblower protection rules.

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The Code of Ethics specifically addresses the importance of operating in accordance with proper and sound business practices and endeavouring at all times to combat corruption, bribery, blackmail and embezzlement. Employees must be mindful of personal data protection and respect the feelings, privacy and private lives of others. Emphasis is placed on treating colleagues and business partners with respect. Bullying, sexual harassment, gender-based harassment or any kind of violence is not tolerated in any circumstances. We do not discriminate on the basis of gender, religion, beliefs, ethnic origin, race, colour, financial situation, origin, disability, age or on any other grounds.

We are guided by sustainability in everything we do. We show initiative and work strategically towards being a role model of sustainability in Iceland. We work continuously to increase sustainability in the entire airport community, share knowledge and collaborate closely with the local community. In this way, we build long-term added value for the economy as a whole.

We emphasise sustainable decision-making and working towards progress and continuous improvement in the field. Isavia's Sustainability Policy emphasises the company's commitment to environmental protection, minimisation of negative environmental impacts due to operations, sustainable procurement, good use of resources, reuse, recycling and strengthening of the circular economy.

Infrastructure is built in a sustainable way, and we minimise the environmental impact of construction and operations. The company's goal is becoming net-zero in its own operations by 2030 at the latest. This goal will be achieved through co-operation and active monitoring of environmental factors, energy transition and carbon offsets as needed. In the company's operations, the greatest success in reducing the carbon footprint is achieved through the energy replacement of machines and vehicles.

Further information on environmental issues can be found in the sustainability section of the report.

The company's Human Resources and Equality Policy places emphasis on equality and that all employees receive equal opportunities and possibilities. It specifically discusses that employees receive equal pay and equal terms of employment for the same jobs or jobs of equal value regardless of gender, as the company has an equal pay system in accordance with the requirements of the equal pay standard and Icelandic law at all times.

There is a special support policy on occupational health and safety where Isavia undertakes to be a role model in safety, health and occupational issues by promoting a safe and healthy work environment

for those who work in and visit the operating units of the company. The policy is part of preventing accidents, working towards good staff facilities and ensuring a healthy working environment. We encourage and support our staff in adopting healthy lifestyles, and the company provides welfare services. Emphasis is placed on working on safety and occupational health issues in collaboration with other stakeholders at Keflavik International Airport.

The HR Policy is discussed in more detail under the human resources section of the report and the Occupational Health and Safety Policy under the section on security and safety.

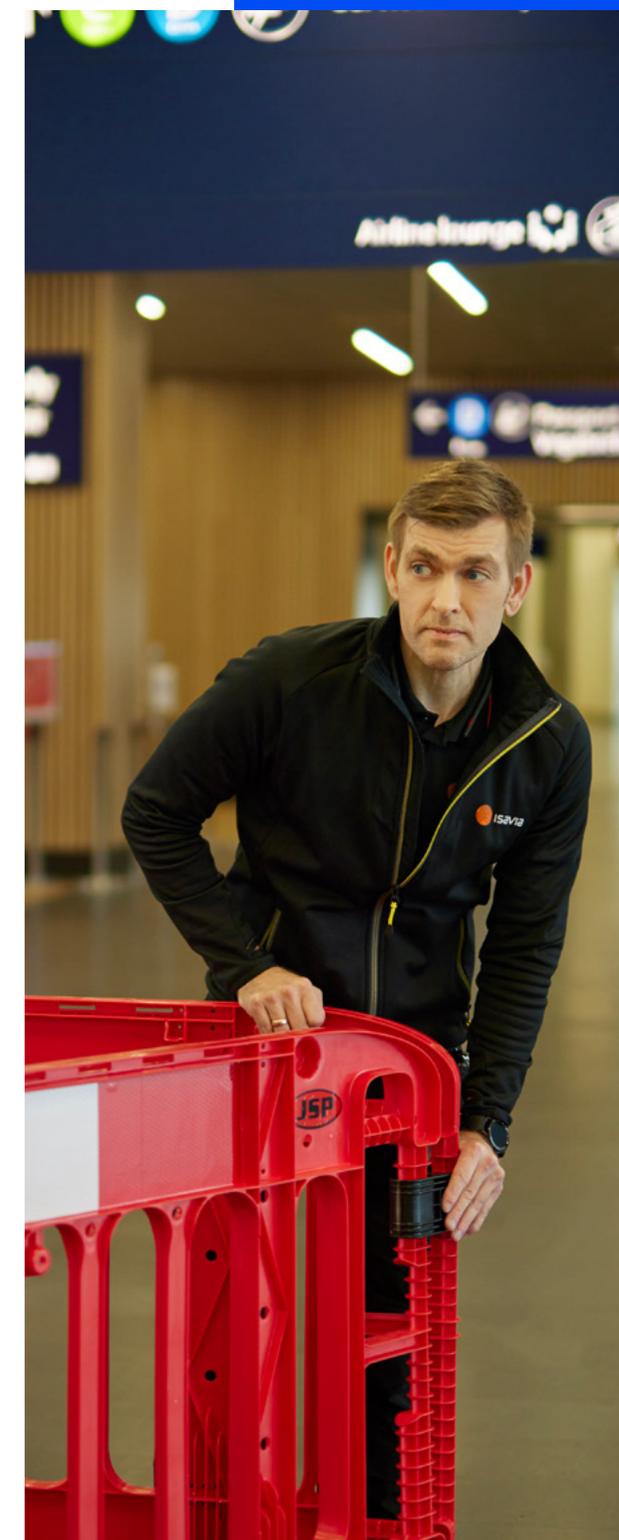
The Code of conduct for suppliers are set in accordance with the ten principles of the UN Global Compact and the conditions of the International Labour Organisation (ILO). Suppliers of the company are required to meet the Code of Ethics as a minimum, and they must impose the same demands on their suppliers. A suspicion of the infraction of these guidelines must be reported to Isavia. The Code of Ethics is an attachment to all the company's contracts. If requested, suppliers need to confirm that they adhere to the guidelines. The Code of Ethics addresses freedom of association and the right to negotiations, forced labour, child labour, discrimination, wages, working hours, health and safety, human rights, environmental issues, business ethics and conflicts of interest.

Procurement and supplier communication is discussed in more detail under the procurement section.

Support policies are set and reviewed in accordance with formal procedures and are approved by the CEO or the Board, as appropriate. The company's Code of Ethics and the suppliers' Code of Ethics fall under the same process.

The CEO, or individual Chief Officers, are responsible for reviewing and overseeing the progress of different support policies, and all Chief Officers are responsible for their implementation in their divisions. The CEO is the supervisor of the Sustainability Policy, the Isavia Code of Ethics and the supplier Code of Ethics. The Chief Service and Operation Officer is the supervisor of the Occupational Health and Safety Policy. The Chief Finance and Human Resources Officer is the supervisor of the Human Resources and Equality Policy, the Policy on Comprehensive Risk Management and Procurement Procedures. The Chief Digital Development and IT Officer is the supervisor of the Information Security Policy.

Valid policies are presented within the company and published on [the company's external website](#).



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Sustainability Policy

We are guided by sustainability in everything we do. Isavia's Sustainability Policy is one of the company's support policies and is also one of seven policy priorities in Isavia's Strategy Circle. The policy, objectives, criteria and action plan that accompanies it should support our success in sustainability.

The Sustainability Policy describes the balance between economy, environment and society. The Sustainability Circle is divided into four components that are most important to us, with the emphasis on the overall strategy and the activities of the company. The environmental component has been divided up, and climate issues have been highlighted in order to draw attention to the importance of reducing the company's carbon footprint.

The company's goal is for Keflavík International Airport to become carbon-free by 2030. In order for this to become a reality, we are working according to an ambitious action plan until the year 2027. Isavia's goals, metrics and actions to achieve sustainability are set out in a five-year sustainability action plan that was submitted to the Environment Agency of Iceland at the end of 2021, as required by law. Innovation in the field of sustainability is monitored and investments made as necessary so that Keflavík International Airport is prepared for a sustainable future. Continuous progress and improvements are being made in the field.

Goals and related improvement projects were selected with reference to the nature and policies of the company, comments from external stakeholders, the UN Global Goals and related government priorities, as well as in climate issues. Account was also taken of improvement opportunities linked to GRI aspects and to the company's commitments to the principles of the UN Global Compact and to an incentive programme of which Isavia is a member. Account was also taken of the sustainability journey for airports issued by ACI, the Airport Council International.

The implementation of the policy can only be achieved through close co-operation with the different units of the company, with subsidiaries on goals and actions and in co-operation with the airport community at Keflavík International Airport. The company has a certified environmental management system, and therefore, the company's Executive Board and Board of Directors are regularly informed about different aspects of sustainability and concerns that arise related to them. The CEO is responsible for the Group's Sustainability Policy, but the implementation is handled by the director of corporate strategy and sustainability on their behalf. All Chief Officers are responsible for the implementation of policy. Actions in sustainability are followed up with responsible parties in policy accounting regularly throughout the year. This increases the likelihood that the expected results will be achieved. The responsible parties for the actions are the company's Chief Officers and Directors.

Sustainability Policy Action Plan

Work was carried out systematically according to the action plan in 2023, and actions were followed up in the company's policy accounting. In 2023, work was done on 25 actions in sustainability. About 45% success was achieved in the progress of actions. A total of 6 actions out of 25 were completed in 2023 in the four categories covered by the Sustainability Policy. Other actions were transferred to the year 2024, as those actions were set for more than one year.

Isavia's Sustainability Policy and action plan are currently being reviewed in accordance with recent and upcoming changes in the company's external environment. An updated five-year policy and action plan will be published before the end of 2024. Detailed information on Isavia's Sustainability Policy and action plan [can be found here](#).



Planning and Development

We follow clear Master and Development Plans. Such plans do not exist in Icelandic law but are known from abroad. We use the plans to present our intentions regarding expansion and development. Their aim is to communicate building plans and future vision for the airport to stakeholders, setting out phasing and flexible plans that take into account passenger and traffic forecasts to stakeholders. The airport's Master Plan and Development Plan have been approved by Isavia's Board of Directors after having been considered by the Executive Board.

When formulating its Master Plan, we have endeavoured to foster good relations with the immediate community. Consultation meetings are held when devising the Master Plan, and its progress is regularly presented to stakeholders and the media. The Master Plan was first officially presented in 2015. It is valid for 25 years,

and our goal is to update it every five years. Work on the update was well underway in 2020 when it was postponed due to uncertainty in the aviation world. In 2022, the work was resumed and an updated Master Plan was presented to the partners at about thirty consultation meetings, with local authorities, airlines, operators, the Coast Guard, fire brigade and numerous other stakeholders.

The updated Master Plan was then presented to Isavia's Board for approval in autumn 2022 and was officially published in March 2023.

The Master Plan deals in particular with the cost estimates and time schedules for the construction work and analyses changes in passenger patterns and flight traffic in the context of building plans.

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Assessment of the environmental impact of development at Keflavík International Airport

Isavia decided to request authorisation from the National Planning Agency to assess the overall environmental impact of the construction work at Keflavík International Airport. This was done after consultation with the National Planning Agency and taking into account the benefits that the environmental impact assessment process can deliver. In its assessment of the environmental impact, the airport has gone further and has demonstrated that the overall impact of its Development Plan exceeds the requirements laid down in environmental impact assessment legislation.

The environmental assessment report details the projects that Isavia has planned until 2032 and their main impacts. Options discussed are two plus a no change option. Different levels of development are considered based on assumptions about the development of the volume of passengers until the year 2032, i.e. whether a new gangway, East Wing, is planned or not. A no change option means that there will be no construction.

In the first stage of the assessment, which was carried out in 2019, an assessment plan was formulated, in which the project was defined, the main influencing factors of the project were explained and the environmental factors that will be emphasised were highlighted. At the same time, an account was given of the research and data that would be collected to assess the environmental impact of the options available.

The National Planning Agency presented the assessment plan to the public and sought comments from consulting bodies. The public, stakeholders, license providers and professional organisations had the opportunity to present comments. The National Planning Agency gave its opinion on the assessment plan with instructions on the processing, content and presentation of the environmental assessment report.

The second part of the assessment was mostly completed in 2022, and an environmental assessment report was prepared. Work is being done to gather data and assess the environmental impact of the project in accordance with the assessment plan. The results of the assessment are reported in an environmental assessment report that addressed, i.a. the main environmental impacts of options, the results of studies, the compatibility of each option with existing plans, along with proposals for countermeasures and monitoring. Based on the results of the environmental assessment and a comparison of the options, the developer makes a decision and gives reasons for which one they recommend.

The National Planning Agency submitted its opinion on the environmental assessment of Keflavík Airport's expansion on 6 October 2023. The environmental assessment report was submitted to the National Planning Agency on 3 March 2023 and publicly announced from 15 March to 2 May 2023. The conclusion of the National Planning Agency's opinion is that the agency believes that the environmental assessment report meets the requirements of Act No. 111/2021.

Future Development

There are interesting, but challenging, times ahead. The aviation industry has always been sensitive to fluctuations in its external environment, and this is especially true now that climate change has become tangible.

Isavia's operations are extensive and complex in many respects. External changes, both foreseen and unforeseen, can increase the complexity of the operations and call for solutions that require imagination and diligence on our part. It is also important to remember that all challenges contain opportunities, as the market's increased emphasis on environmental issues has already shown us.

In order to succeed, we need to increase collaboration with our business partners while embracing opportunities in automation and technological advancements with our customers' interests at heart.

At the same time, the labour market is changing and younger people want to perform their work in a different way than previous and current generations, and we want to be able to respond to that.

When planning airport operations for the future, it is not enough to look at passenger development as one isolated factor, but also to look at the factors in the external environment that influence passengers and airlines to choose Keflavík International Airport over other airports in Europe. We are in competition with foreign international airports and need to be able to react quickly to changes.

The following factors are among those that are believed to influence whether people choose flying as a mode of travel and which connecting airports and destinations:

Sustainable Airport

People around the world are more aware of global warming than before. With increased knowledge of the effects of climate change, people's view of the importance of sustainability is increasing. People are therefore choosing their means of transport and airports according to carbon values. People are increasingly choosing to reject airports that do not take responsibility in climate issues. Companies' financing options depend on their sustainability and climate actions. Regulations and restrictions regarding airport carbon emissions are being tightened.

Climate change has already begun to affect the operations of airports in Iceland. At the domestic airports, e.g. in Akureyri and Egilsstaðir, floods are starting to occur, and at Keflavík International Airport, icing due to fluctuations in temperature has become a more common issue.

Development of Infrastructure

The market is now looking for ways to make energy transition in aviation a reality for the future. The infrastructure of airports around the world needs to take into account the trend that in the coming years, new energy sources will replace fossil fuels. Work is being done on the electrification of equipment and infrastructure, the development of more fuel-efficient aircraft, experiments with electricity as an energy source for smaller aircraft and hydrogen for the machines of the future. The requirement to refuel aircraft with the addition of sustainable aviation fuel (SAF) will begin in 2025. Airport infrastructure needs to support this development so that services can be provided in accordance with new needs.

Digital Transformation and Artificial Intelligence

It is likely that in the coming years, artificial intelligence will replace automation. The artificial intelligence reads information from the various digital infrastructure and devices that are in use at the airport and manages the flow through the airport so that there are no bottlenecks that reduce passenger satisfaction. This will make the passenger experience better through a relaxed journey through the airport. Post-COVID-19, passengers are demanding more sophisticated contactless services, and advances in digital transformation are also supporting that development.

Changes in Purchasing Behaviour

Customer needs are becoming more diverse. At the same time, technology advances and target groups change. The speed has increased, and that calls for the ability to be flexible. An increase in online shopping among passengers is predicted, and therefore a decreasing need for large stores at airports. It is believed that the internal organisation of airports will change in the future to meet the needs of passengers, including facilities where goods are picked up and spaces where people can enjoy refreshments and socialise while waiting for a flight.

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Risk Management

The Board of Directors of Isavia ohf. has put forth a risk management policy and defined key risks and risk appetite for Isavia. Work is carried out in accordance with enterprise risk management based on the company's overall policy. Isavia adheres to a formal process of risk management to reduce and manage financial and non-financial risk.

Isavia's risk management is based on the concept of COSO Enterprise Risk Management. The risk management standard ISO 31000:2018 is also used as a foundation, as is the research of the Airport Co-operative Research Program (ACRP) which covers risk management. These are recognised guidelines, and there is much to be gained by using them.

We emphasise contributing to a good understanding of the risk of the company, that it be analysed, assessed, monitored and managed with recognised actions and in a responsible manner.

Also, great emphasis is placed on Isavia's risk culture being strong, the internal control system consisting of risk management and internal controls and that everywhere there is organised and active monitoring of key risks. The Board of Directors, Audit Committee and Risk Committee shall also be provided with regular and comprehensive updates regarding the organisation and efficiency of risk management.

The risk management process is set up to identify the main risk elements of the company and apply appropriate measures to mitigate undesirable events. The management manages the risk of the company: on the one hand in accordance with the risk appetite of Isavia as set by the Board, which is the risk which the Group is willing to accept, and on the other hand, risk tolerance, which is the limit of acceptable deviation

from the goals, defined among other things in laws and regulations that apply to the operations, domestic and international commitments, policy documents, processes, procedures and manuals.

Efforts are being made to fortify risk management within Isavia. This is done by consolidating the methodology of all the divisions and departments of the parent company and subsidiaries of Isavia so that it takes place in accordance with comprehensive and standardised methods. Goals have been set regarding the maturity of risk management in accordance with recognised theories thereof. The goal is that in April 2024, risk management will be well organised in daily tasks and that decision making and the allocation of resources will include additional risk consideration. Also, risk management will be reflected in performance assessments, as well as in assessments of key indicators which measure threats and opportunities of key factors in both the long term and short term. This goal is expected to be reached by the end of 2025, and the expectation is also that the company will play a lead role in risk management and reach an optimal position by 2027.

Isavia's senior and sub-risk factors are divided as follows

Strategic risk

- Strategy/Policy risk
- Cultural risk
- Political risk
- Ownership risk

Financial risk

- Funding/liquidity risk
- Market risk
- Counterparty risk
- Economic risk

Operational risk

- Information security risk
- Employee risk
- Health and safety risk
- Aviation security risk
- Aviation safety risk
- Airport community and customers
- The Supply chain
- Climate risk
- Risk due to natural disasters

Regulation- and Compliance risk

- Official authorisation risk
- Sustainability risk

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Airports are gateways to communities and are often the first impression that visitors have of cities and countries. They provide access to a network which transports people and products almost everywhere in the world and thus play a key role in the business, development and connections between different cultures. With its wealth creation, the airport operation lays the groundwork for building up the entire community. The operation effects especially the communities in the vicinity of the airports with increased commerce, the development of infrastructure and economic activity.

But the airport operation is also faced with great sustainability challenges. Greenhouse gas emissions, carbon footprint, acoustics, air quality, chemical leaks, threats to biodiversity, security and worker safety and the struggle against human trafficking are among the factors which must be dealt with.

As the factors which Isavia deems important for the company are selected, we consider, on the one hand, the GRI Airport Operators Sector Disclosures and on the other hand, the issues which our stakeholders deem especially important, their expectations towards the company and their assessment of collaboration with Isavia. Consideration is given to the company's operations and to their impact on the economy, the environment, the community and human rights.

Additionally, the overall strategy of Isavia is considered, the obligations of the company regarding the principles of the UN Global Compact, the UN Sustainable Development Goals and the emphases of government related thereto, development and changes in the legal environment, development in provision of information regarding sustainability, as well as the most recent points of emphasis within the aviation industry and comparisons with leading companies.

The Process of Selecting Material Aspects

Materiality assessment for the annual report of Isavia was first drafted in 2018 from interviews with representative parties from all stakeholder groups of Isavia. That assessment has been reviewed annually and updated considering the importance of the issues with which the stakeholder groups of Isavia approach the company and through the systematic efforts of the company to achieve the objectives of stakeholders.

So far, Isavia has left the research and interviews to a third party, with the last time being 2021, where questions were put to all the stakeholder groups of the company, including our staff. The questions were shaped by the sustainability priorities of Isavia and the factors which arise in communication with our stakeholders, because we see our collaboration with stakeholders as a forum for learning lessons and effecting constant improvements.

When prioritising material aspects, we looked at the current materiality assessment, which was updated in 2023, and in addition, we considered the knowledge which we have obtained since the last publication about the factors within the operation which, on the one hand, have a positive effect and, on the other hand, have a negative effect on sustainability according to stakeholders. The material aspects for this issue of the 2023 Annual Report were confirmed by the Executive Committee of Isavia as the final step in its review.

to the upcoming new requirements in corporate disclosure, we will start work on the preparation of a double materiality assessment according to the CSRD regulation and the ESRS standard this spring, and we expect to complete that work this year.

Material aspects and their connection to GRI Standards.

In cases where GRI does not have an appropriate reference, refer to a section of the annual report where disclosure of the importance factor.

Material Aspect	GRI reference
Safety and Occupational Health	GRI 403: Occupational Health and Safety 2018 GRI 404: Training and Education 2016
Mitigation and Adaptation to Climate Change	GRI 302: Energy 2016 GRI 305: Emissions 2016
Financially Sustainable Operations	GRI 201: Economic Performance 2016 GRI 203: Indirect Economic Impacts 2016 GRI A01-3 Key Figures
Responsible Development of Infrastructure	GRI 203: Indirect Economic Impacts 2016
Customer Services	GRI 418: Customer Privacy 2016
Clever Solutions and Efficiency	Strategy and Future Development
Capable Employees and Managers	GRI 401: Employment 2016 GRI 404: Training and Education 2016
Airport Community	Strategy and Future Development
Responsible Utilisation of Resources	GRI 302: Energy 2016 GRI 303: Water and Effluents 2018 GRI 306: Waste 2020 GRI A04 Resource Efficiency
Equal Rights	GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016
The Circular Economy	GRI 306: Waste 2020 GRI A06 Resource Efficiency
Protection Against Pollution Accidents	GRI 306: Effluents and waste 2016 GRI A06 Resource Efficiency
Air Quality	GRI A05 Quality of Life
Acoustics	GRI A07 Quality of Life
Responsible Procurement Practices	GRI 204: Procurement Practices 2016 GRI 412: Human Rights Assessment 2016
Ethics and Good Governance	GRI 2 GRI 412: Human Rights Assessment 2016
Collaboration with Local Community	GRI 413: Local Communities 2016
Information Security	GRI 418: Customer Privacy 2016
Constructive Organisational Culture	Strategy and Future Development
Human Rights	GRI 409: Forced or Compulsory Labor 2016 GRI 412: Human Rights Assessment 2016
Biodiversity	GRI 304: Biodiversity 2016 GRI A09 Quality of Life

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Conversation with the Stakeholders of Isavia

We focus on a widespread consensus and co-operation with those stakeholders who rely on the services of Isavia and are impacted by its operation. Operations have an impact throughout the country and, therefore, on all its inhabitants. We have identified nearly two hundred stakeholders, which are classified into five categories: customers, employees, the community, the authorities and suppliers.

Isavia's communication with stakeholders takes place in a variety of ways, for example through traditional channels of inquiries and presentations, in meetings, through market research conducted by the company or through numerous collaborative projects between us and our stakeholders.

Customers

The company's main customers are: aircraft operators using airports and flight navigation areas, operators at airports (such as flight services entities, shops, restaurants, car rentals and coach service companies) and last but not least, passengers. Communication with airlines using Isavia airports takes place, among other venues, during regular user committee meetings and opening hours meetings to which all users are invited.

The user committee of airports consists of representatives from all airlines that use the airport regularly and their agents. The meetings are an opportunity for them to discuss their views before making important decisions on operations, quality of service, fee collection, new construction, tower services or other issues that have an impact on their important interests. Airport user committees operate in accordance with the provisions of the Aviation Act and regulations.

Communication with passengers takes the form of direct interactions with the employees at airports, traditional communication means and regular customer surveys.

Keflavík Airport emphasises especially close co-operation with air terminal entities, airlines and operators of restaurants and markets on matters of sustainability.

Consultation meetings are held once a year with the users of the flight navigation services as regards operations and investments.

Consultation meetings with users of other aspects of flight navigation services also take place under the auspices of the ICAO Planning Group (NAT-SPG) for the North Atlantic.

Staff

The staff of Isavia and its subsidiaries are a diverse group of people working at locations around the country. Communication with and between employees happens first and foremost on the company's intranet; at staff meetings with the CEO, managing directors and other members of management; and at events held by the company. Isavia Group staff regularly speak at meetings held by other parties.

The Community

We have an open and regular dialogue with the community within which we operate. This applies especially to the municipalities and associations of stakeholders and local areas near to our operations. The main channels of communication are formal meetings with local authority staff and other stakeholders.

We also collaborate closely with entities within the travel industry and provide them and the general public with information during regular meetings. Also, we work closely with fire brigades and rescue services throughout Iceland and conduct annual air accident safety drills involving all response services.

The Authorities

Isavia's communications with the authorities take many forms. The Icelandic state is the owner of the company, and it follows the General State Ownership Policy in its operations. The Ministry of Finance and Economic Affairs has overall control of the shares, and formal communications are carried out at shareholders' meetings and the Annual General Meeting. Other communications with the owner take place during meetings which are convened as needed.

The Ministry of Infrastructure serves as the professional ministry for air traffic issues and as a business partner of Isavia Regional Airports as regards the running of the domestic airport system. We have regular professional communications with the Ministry on aviation issues and close collaboration as regards the implementation of the service agreement. Meetings are also held a few times a year with the Ministry of Culture and Business Affairs in connection with tourism issues. Meetings are also held with the Ministry of Foreign Affairs and the Icelandic Coast Guard in connection with defense-related operations at Keflavík Airport and the Airport's organisational issues.

Isavia has a great deal of interaction with many public bodies, owing to the diversity of the company's activities. The closest interaction is with the Icelandic Transport Authority, which

issues operating permits for airports and flight controls and is responsible for the appropriate supervision of implementation and operations. Other monitoring bodies to mention are the Construction Authority, the Administration of Occupational Safety and Health, the National Planning Agency and the Environment Agency. Many public bodies have operating units within or in close collaboration with Isavia, such as the police, the Directorate of Customs, the National Civil Protection Authorities and the Coast Guard. The municipal bodies connected to the operation of Isavia are mainly the health authorities, fire protection and fire brigades.

Isavia ANS is responsible for the implementation of two international agreements on flight navigation services. One is ICAO's Joint Financing Agreement, with the participation of two states, which provides for the financing of flight navigation services within the Icelandic flight information region (Reykjavík IFR). The other is the agreement between the Icelandic and Danish authorities for flight navigation services within the flight information region of Greenland (Nuuk FIR).

Isavia ANS is an active participant in international co-operation and has close contacts with many foreign parties, such as the International Civil Aviation Organisation (ICAO), a United Nations agency. ICAO establishes international standards for all main aspects of civil aviation, monitors the performance of states and service providers and supervises the implementation of the Joint Finance agreement. As regard the company's operations in Greenland and the Faroe Islands, Isavia ANS is monitored by the Trafik- og byggestyrelsen (Transport, Construction and Housing Authority) in Denmark, and as regards collaboration on flight communications services in the North Atlantic, there is close communication with the Irish Aviation Authorities.

Suppliers

Isavia follows the laws and regulations on public procurement and upholds equality, transparency and efficiency. On Isavia's tender website, you can find information about tenders and related documents, new contracts and terms and conditions related to purchases and invoices. The company's suppliers, both Icelandic and foreign, need to register electronically and fill out the supplier registration form on the Isavia website before transactions take place. Formal market research is employed when the best market information is needed for procurement preparation.

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About the Annual Report

Isavia follows the GRI reporting principles in the making of the company's annual report and issues it in accordance with GRI standards, the standards of the Global Reporting Initiative (GRI), as well as GRI-G4 Airport Operators Sector Disclosures. These sector disclosures deal specifically with the challenges and opportunities faced by airports when it comes to sustainability.

The information that appears in this Annual Report comes from Isavia's information systems and reflects the knowledge that the company had when the report was prepared. The aim of issuing this report is to demonstrate transparency and a more in-depth view of the company's activities and their effects on the environment, economy, society and human rights. The issue of the report does not imply that the company fully knows of all the effects it has thereon, nor that social responsibility has been fully adopted at Isavia.

The company first issued a Social Responsibility Report according to the GRI criteria for the financial year 2016, and has since followed the criteria and later the GRI standard. With targeted annual reporting and transparent information dissemination, we shine a light on the challenges the company faces at each time and report on the success that has been achieved.

Isavia complies with the ISO26000 Guideline on Corporate Social Responsibility, is certified according to the ISO14001 Environmental Management Standard and adheres to both of these standards in its sustainability work.

Numerous employees from various departments within the company were involved in drafting the Annual Report and in information gathering.

The information in the report applies to Isavia ohf. and its subsidiaries that appear in the Consolidated Financial Statements unless otherwise stated. Information in the environmental section of the report only applies to Isavia ohf., Isavia ANS ehf., Isavia Regional Airports ehf. and The Duty Free Store ehf. All information in the report applies to the 2023 calendar year.

In the discussion in the sections on climate, resource utilisation and quality of life, we have added figures from the previous year in parentheses to make it easier for readers to compare.

An external consultant from Ábyrgar lausnir ehf. was recruited to examine the GRI reference table of the report and to ensure the quality of the information.

The Annual Financial Statements of the company were audited by The National Audit Office.

The publication was focused on improving the presentation of content and meeting the needs of different readers. Isavia welcomes all suggestions on the content and preparation of the report and encourages readers to send suggestions via sustainability@isavia. is, as continuous improvement is an integral part of our operation.



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Climate Issues

Isavia runs an extensive operation and is responsible for keeping it harmonious with the environment and society. We work strategically towards reduction of greenhouse gas emissions and use our knowledge and experience to develop new and sustainable solutions. We plan on becoming a net-zero company by 2030 and operate in accordance with a clear action plan to achieve that.

The Airport Carbon Accreditation System – ACA

Keflavik International Airport's policy on climate issues, and measures to reduce the airport's carbon footprint as a whole, have received the fourth level of the Airports Council International's (ACI) Airport Carbon Accreditation.

The ACA (Airport Carbon Accreditation) system assesses whether airports are measuring carbon emissions correctly and also evaluates the effectiveness of measures intended to reduce their carbon footprint. The goal is to reduce the environmental impact of airports by measuring, managing and reducing carbon emissions.

Isavia's goal is for Keflavik International Airport to become net-zero by 2030. This goal will be achieved through collaboration with stakeholders, active monitoring of environmental factors, energy transition, and with certified carbon offsets as needed.

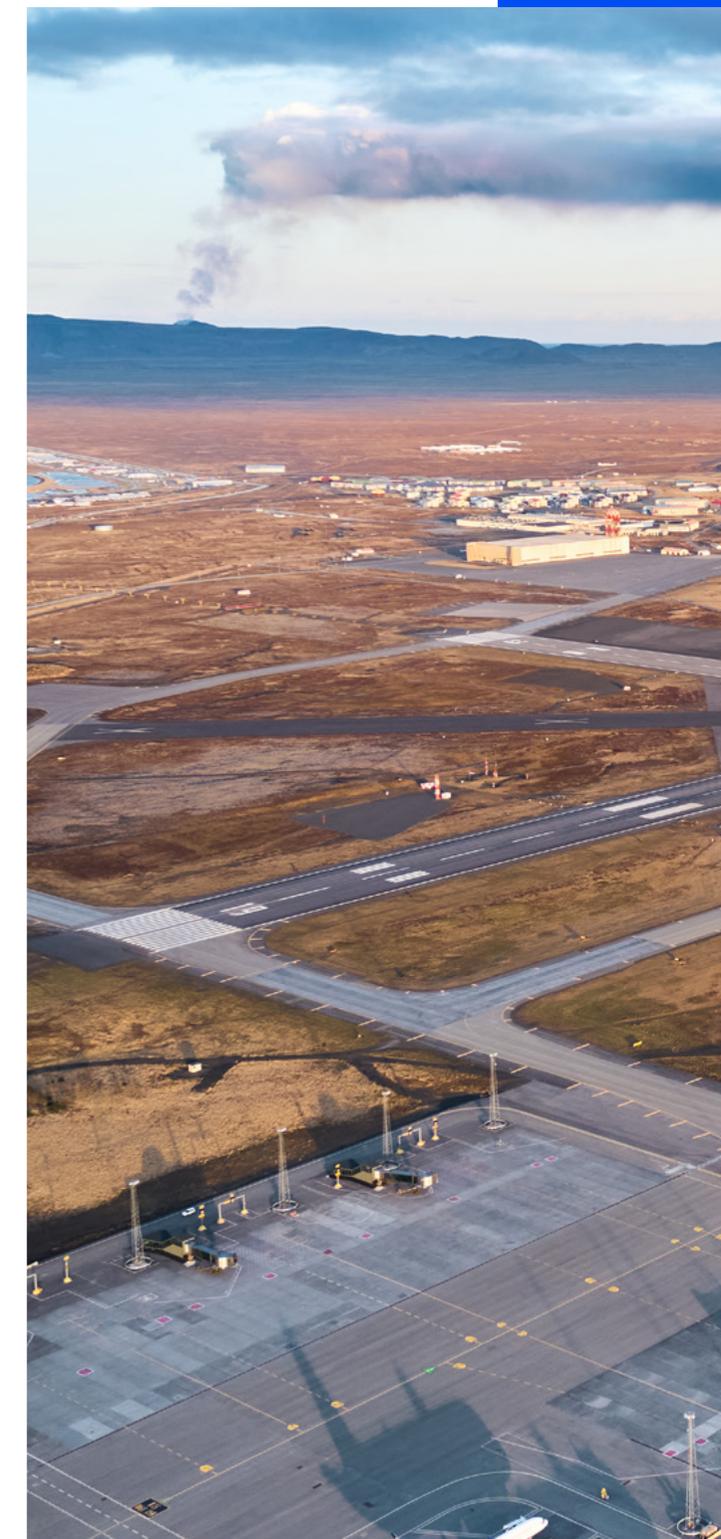
In 2022, the emphasis was on calculating the carbon footprint of the airport's value chain as a whole. This refers to emissions from all companies and entities that are not under Isavia's management but belong to the company's supply and value chain. By achieving level four out of seven in the ACA accreditation, not only has this calculation been certified by an independent international body, but our emission reduction and offset measures have also been certified.

This achievement is not least due to the co-operation of the members of the airport community in Keflavik Airport. In order to manage the airport's total emissions, a collaborative platform was established for all these parties with the aim of finding ways to reduce the carbon footprint of the airport as a whole.

Greenhouse Gas Emissions

We measure the emission caused by the operation of Isavia and work towards reducing it as much as possible. The scope of our carbon footprint is delineated into three parts. Scope 1 includes direct emissions, which are considered our direct responsibility. Scope 2 refers to indirect emissions because of the use of electricity, heating and cooling. Scope 3, last, refers to the emissions which take place within the value chain and resource chain of Isavia.

The carbon footprint of Isavia is, generally speaking, the largest at Keflavik Airport, mostly because of the burning of fossil fuels. Since 2021, the carbon footprint and methodology of calculations is certified and confirmed by an independent third party, in accordance with ISO14064-3.



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Isavia's Carbon Footprint 2023 (tCO₂e)

	2019	2020	2021	2022	2023
Scope 1					
Fuel use	2,605	2,295	1,550	2,345	2,261
Petrol (L)	37,400	26,962	34,358	37,575	34,441
Diesel (L)	853,682	759,292	483,013	776,196	795,679
Jet fuel (L)	78,131	66,676	62,337	58,505	55,300
Gas (kg)	-	-	143	110	976
De-icing	235	144	115	134	195
Refrigerants			41	42	316
Total Scope 1	2,840	2,439	1,705	2,521	2,772
Scope 2					
Electricity*	202	153	179	196	220
Heat*	275	270	205	246	260
Total Scope 2	477	423	384	441	480
Scope 3					
Waste	94	86	122	166	283**
- Recycling Rate	41%	41%	39%	38%	
Well to tank - Fuel	598	527	357	542	531
Electricity -Transmission and distribution	10	7	9	10	11
Wastewater	-	-	56	72	55
Business Travel	-	-	77	297	208
Airplane	-	-	-	-	
Train	-	-	-	-	
Taxi	-	-	-	-	
Purchase of goods and services	18,654	18,475	19,555	53,646	***
Employees travel to and from work	-	-	420	392	432
Staff travel of other operators to and from KEF	-	-	3,970	3,735	3,302
Passenger travel to and from KEF****	34,881	7,910	11,617	28,605	30,122
Landing and takeoff at KEF	82,820	24,231	34,669	63,304	75,870
Other operators at KEF	-	-	1,864	2,429	2,748
Total Scope 3	137,057	51,237	72,716	153,197	113,564
Total Scope 1,2 and 3 (tCO₂e)	140,374	54,099	74,806	156,159	116,816

* The Environment Agency published new coefficients, emissions divided into electricity and heat, recalculated back.

** The Environment Agency issued new coefficients that are higher than older coefficients, not recalculated, which explains the year-on-year increase.

*** Not calculated for 2023 as social value was not calculated.

**** Recalculation and changes from year to year.

Scope 1**Direct greenhouse gas (GHG) emissions through use of energy and chemicals**

In 2023, direct GHG emissions amounted to 2261 (2345) tonnes of CO₂ equivalents. The emissions are largely due to the fuel use of Isavia.

Emissions from the use of de-icing chemicals amounted to 195 (134) tonnes of CO₂ equivalents, a 46% increase between years. Emissions from the use of coolants amounted to 316 tonnes of CO₂ equivalents in 2023, a significant increase between years. The increase can be attributed to leaks in Isavia's cooling equipment.

Direct emissions increased between years, or by 48%. The increase can be attributed to an increase in emissions from coolants and de-icing chemicals. The majority of Isavia's carbon footprint within Scope 1 is related to the use of the large equipment that services runways, aprons and taxiways. Emissions due to fuel use were very similar between years.

Scope 2**Indirect greenhouse gas (GHG) emissions through energy use**

All electricity purchased by Isavia is from renewable sources and comes with confirmed guarantees of origin. Indirect emissions through electricity and hot water use in 2023 totalled 480 (441) tonnes of CO₂. Calculations of the carbon footprint due to hot water and electricity are subject to change as the Environment Agency has updated the emission standards for hot water and electricity. The change finally allows carbon footprints to be separated according to the amount of hot water and electricity, but previously it was only possible to calculate emissions from electricity, which included emissions from the production of hot water. As a result, the carbon footprint increases in Scope 2.

Scope 3**Other indirect greenhouse gas (GHG) emissions**

Scope 3 includes, among other things, indirect emissions which take place while taking off and landing and the travels of passengers to and from the airport. These factors are by far the largest contributors to the carbon footprint of Isavia. Scope 3 is 35 times larger than Scopes 1 and 2 combined. This is a big challenge for us because it refers to emissions which don't occur due to our operation but due to the operation of the resource chain. Calculations of their emissions is therefore an important factor in the collaboration regarding developing improvements and solutions which help all parties reduce emissions. Such mapping gives Isavia an overview of the largest emissions factors from the value chain of the company.

Overview of Emissions According to Scope

Work on the creation of a carbon footprint dashboard for Isavia and its subsidiaries is underway. The dashboard will provide better overview of all our emissions according to Scope, at the same time adding to the understanding and transparent working methods among employees. The dashboard will also meet the increased requirements for calculations of the carbon footprint of companies.

Since 2018, we have carbon offset all direct emissions from the operations. Since 2021, we have also carbon offset other operating factors which fall outside Scope 1, such as the business trips of employees and actions related to waste disposal. It was decided to use certified carbon units that meet ACA requirements.

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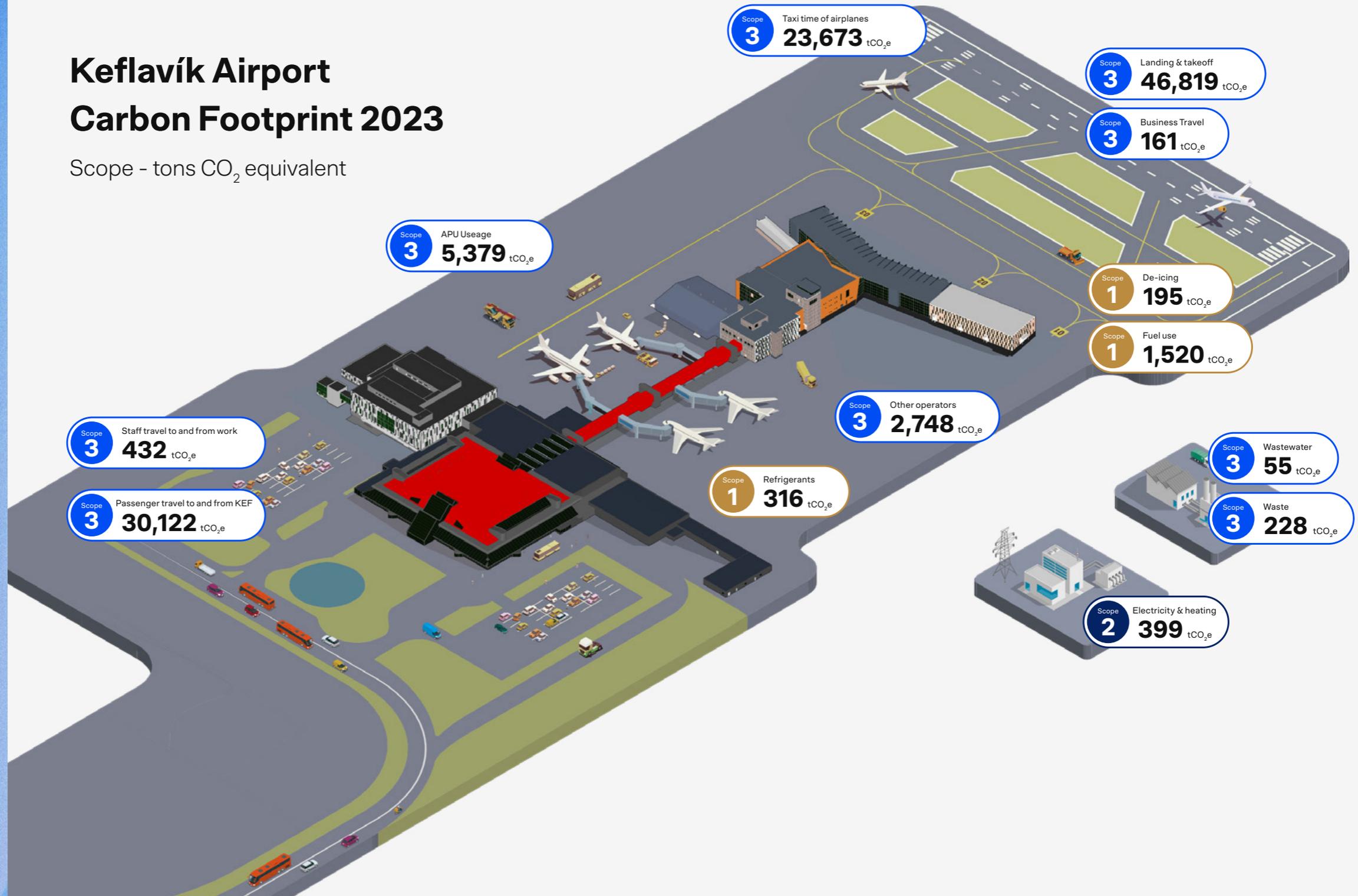
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Keflavík Airport Carbon Footprint 2023

Scope - tons CO₂ equivalent



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Energy Use

Direct Energy Use

Within the operation of Isavia, fuel use is the most substantial factor with regard to GHG emissions from direct energy use. It is, to the largest extent by far, accounted for by the servicing and maintenance of the runways and operating areas of the airports. The extent of the emissions can therefore differ from one year to the next.

We plan on an energy switch within the machinery and equipment of Isavia. So far, however, the technological solutions necessary for replacing all the equipment which we must use in our daily operation have not yet been developed. While we wait, we will use bio-diesel to reduce the carbon footprint of the fuel use. The bio-diesel is sustainably produced and has a certification thereof. With its use, the carbon footprint per each litre of fuel is reduced by 99%. To obtain experience of the use of bio-diesel, we will use it instead of about 15–20% of the estimated fuel use of 2024. Our goal is that in the next few years, 100% of the machinery and equipment of Isavia will run on bio-diesel.

Our action plan for up to the year 2030 includes a detailed replacement plan for all the mechanical equipment within our operation which runs on fossil fuels. The plan deals effectively with the challenges which we face in eliminating GHG emissions from the specialised machines of the airport. Work will also be done on the preparation of the infrastructure plan needed for Keflavík Airport’s energy transition in 2024.

Indirect Energy Use

Indirect energy use is related to the utilisation of electricity and hot water. The electricity use of Isavia increased slightly from the previous year, which can be traced back to an increase in business and a boost in the number of passengers after travel restrictions due to COVID-19 were lifted. In the next few years, the electricity use of the company is expected to increase, both due to the expansion of Keflavík Airport and energy transition.

Surveillance with the electricity use of buildings will be increased in the coming years. This involves measuring use within individual systems or users to reduce energy use. It also includes the implementation of a comprehensive energy utilisation system which will compile information on all use of electricity, water or other energy. Such a system will enable the compilation of all documents regarding use in Keflavík Airport and promote more efficient energy use in the future.

Use of hot water within the Group increased slightly by 6% between years and amounted to 599,504m³ (565,992m³) in 2023.

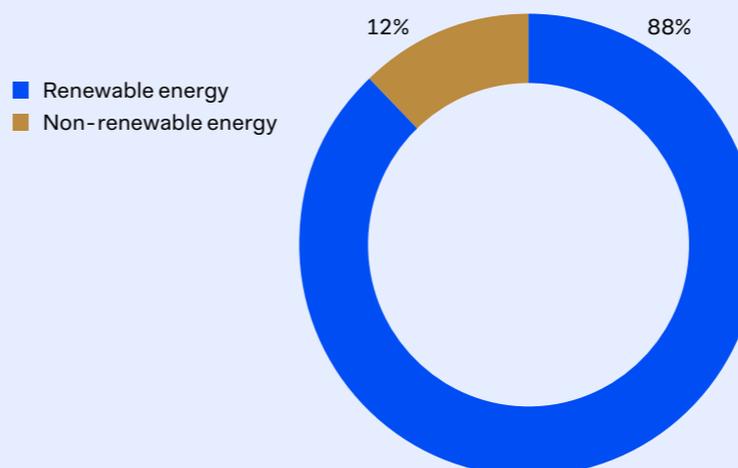
Electricity consumption by Isavia in kWh

	2021	2022	2023	Change from 2022
Total	23,275,863	24,039,569	27,040,736	12.5%
Isavia ohf.	17,575,052	20,296,095	22,021,254	8.5%
Isavia Regional Airports	3,219,705	2,268,887	2,261,843	-0.3%
Isavia ANS	2,440,382	1,412,314	2,684,509	90.1%
The Duty Free store	40,724	62,273	73,130	17.4%

Isavia's hot water consumption in kWh

	2021	2022	2023	Change from 2022
Total	37,811,998	39,487,375	41,825,396	6%
Isavia ohf.	27,725,064	32,678,986	35,358,654	8%
Isavia Regional Airports	6,663,554	4,042,699	3,820,283	-6%
Isavia ANS	3,423,381	2,398,578	2,243,696	-6%
The Duty Free store	-	367,112	402,763	10%

Breakdown of total energy use of Isavia in kWh



Free Route Airspace

The project Free Route Airspace is geared toward reducing the fuel use of airplanes with more economical flight paths and altitudes. The project is headed by Borealis Alliance, an association of nine air navigation service providers (ANSP) in Northern Europe, of which Isavia is a member. Free Route Airspace has been fully implemented for the Icelandic control area, through which more than one-third of all air travel moves when crossing the North Atlantic. In 2023, for instance, over 190 thousand airplanes flew through it.

The effects of flight altitude on the fuel consumption of aircraft are considerable, and it is important for air operators to be given an optimal altitude for their planes. This limits fuel use and prevents unnecessary exhaust. Studies have shown that a deviation of 1,000 feet from the optimal altitude of a jumbo jet can cause a 1% increase in fuel consumption per hour. There is, therefore, a lot to be gained.

In support of the project, ADS-B surveillance from the satellites of Aireon was taken into operation for the Icelandic flight control area north of 70°N to the North Pole. This marks the first time that surveillance services were provided for the entire Icelandic control area. Concurrent with Free Route Airspace, Isavia ANS (Air Navigation Services) has been developing environmental and performance indicators for the category. One of these indicators, which tracks the percentage of aircrafts that receive the requested altitude, is used in the performance plan of the Icelandic Transport Authority for 2020–2024.

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Resource Efficiency

We focus on environmental concerns throughout all the divisions of the company. We monitor and measure the environmental factors which our operations might effect. The goal is to assess whether, and if so, then how, the operation can be made more sustainable in line with nature and society. Isavia ohf. has had an operational ISO14001 environmental management system since 2020; we operate according to clear working procedures and constantly seek new ways for improvement and development in that field.

Recycling Rate and Volume of Waste

Our goal in 2023 was to sort 45% of all the waste generated through our operations. That goal was not reached, but the ratio of sorted waste was 41% (37%). The amount of waste per passenger also increased by 10% year-on-year and is 0.18 (0.17) kg per passenger for the Group.

The environmental impact of unsorted waste is considerable, and efforts are therefore being made to reduce its generation. During 2023, work began on integrating reuse and recycling better into the circular system of Isavia. Smart waste solutions with the PAYT model (Pay as You Throw) will be implemented for operators in the terminal. It involves users paying for the amount they throw away and therefore encourages operators to recycle and reduce waste generation. Landfill disposal of unsorted waste from Isavia ohf. and subsidiaries depends on the geographical areas of the establishments, but most of it is sent abroad for energy efficiency.

During negotiations and renegotiations of concession agreements with operators within the Group, the sustainability of the planned operation is always considered. Furthermore, operators are obligated to commit to meet our sustainability goals for the use of 100% environmentally friendly packaging by the year 2026.

In the construction works at Keflavík Airport this year, mineral materials have been reused as much as possible, either within the construction area or for other

development, instead of materials that would otherwise have been transported from mines.

Since 2022, food waste has been measured within Isavia’s canteen for employees at Keflavík Airport, which is part of an effort to make better use of food.

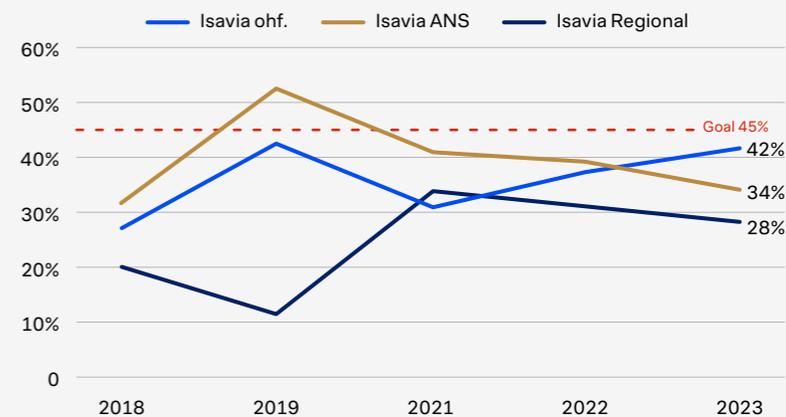
Water

The drinking water of Keflavík Airport and its environs comes from a well in Lágár, approximately eight km southeast of the airport. Isavia obtains water from the distribution systems of the municipalities where the company has a base of operations and neither recycles nor reuses water from airport areas.

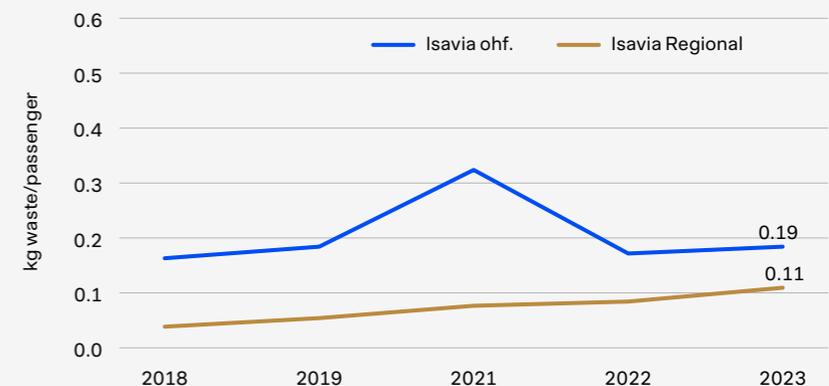
Verkís has had overall responsibility for groundwater investigations at Keflavík Airport since 2017. Groundwater in the area is not used as drinking water but is nevertheless monitored so that its purity and freshness may be ascertained. Rosmhvalanes 2 is the groundwater body of Keflavík Airport and is defined by the Environment Agency as at risk. The last groundwater study was carried out in March 2023, and undesirable chemicals were in some cases measured above European standards. They can mostly be traced to the activities of a third party in previous years and to a small extent to de-icing materials used on aircrafts on the apron of Keflavík Airport when weather conditions demand.

Isavia is one of the first parties in Iceland to measure chemicals that belong to the PFAS chemical group. This was first done in groundwater monitoring in 2022.

Recycling Proportion



Total Quantity Waste per Passenger



Total Quantity Waste

Quantity (kg)	2021	2022	2023	Change since 2022
Total Isavia	764,016	1,139,266	1,559,348	36.9%
Isavia ohf.	698,139	1,064,015	1,441,284	35.5%
Isavia Regional	43,766	59,654	77,742	30.3%
Isavia ANS	22,515	15,597	40,322	158.5%

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The chemicals were measured as exceeding the European benchmark in all the sample holes in the area, albeit in different quantities. The chemicals can mostly be traced to the fire department's use of firefighting foam during training at Keflavík Airport. In 2023, Isavia intended to switch to PFAS-free firefighting foam, but due to the scale of the project, it was postponed until the first half of 2024.

Isavia runs a pump and treatment plant at Stafnes for sewage from the terminal at Keflavík Airport and the surrounding area. Its recipient is the sea and is defined by Heilbrigðiseftirlit Suðurnesja as a less delicate recipient. Measurements and research are carried out regularly in order to monitor the effects on the sewage treatment plant's recipients. In 2022, we engaged the Research Centre of the University of Iceland in Suðurnes to conduct a study of the recipient of the sewage treatment plant. The aim was to study its effect on plant and animal life in the sea close to the discharge lane at Djúpavík in Stafnes. The results indicate that the recipient is very good and that the environmental effect is little.

In other places, Isavia uses the sewage system of the municipality of each operating centre. The recipient is in all cases the sea, although the level of sewage cleaning may differ depending on the sewage system in question.

Oil separators and sediment ponds receive the majority of the polluting substances in the surface water that otherwise would end up in the sewage system. In 2023, it was found that with current usage, many oil separators cannot handle the volume flowing through them. The provision of information on the role of oil separators has been improved, changes have been made to procedures and improved monitoring and maintenance has been established for the year 2024. The aim is to install meters that improve monitoring of oil separators by detecting the amount of oil, water and sand in the oil separators. A new sediment pond will also be commissioned in 2024.

The water use of Isavia is significant, as its operation is extensive. Measurements of hot water consumption are fixed while measurements of cold water consumption differ depending on location. Cold water consumption figures are therefore not as reliable. The Group used 600 MI (566 MI) of hot water in 2023.

Use of Chemicals

At Keflavík Airport, runway de-icing chemicals is used, both in liquid and solid form, on runways, taxiways and aprons, in order to increase safety and reduce the impact of ice on operations. The chemicals used are so-called formate salts and are certified with the eco-labels the Blue Angel and the Swan, are biodegradable and have a low toxicity effect on water. Domestic airports use sand almost exclusively as runway de-icing.

The use of runway de-icing at airports depends on the weather, the number of aircraft movements and their distribution within the 24-hour period, as well as the size of the activity areas in operation at any given time. The use can therefore fluctuate greatly between years. The increased use of chemicals between 2022 and 2023 can be attributed to weather conditions, increased air traffic and priority changes in the service aimed at reducing the use of sand for ice-prevention on aprons and aircraft taxiways.

Pollution prevention

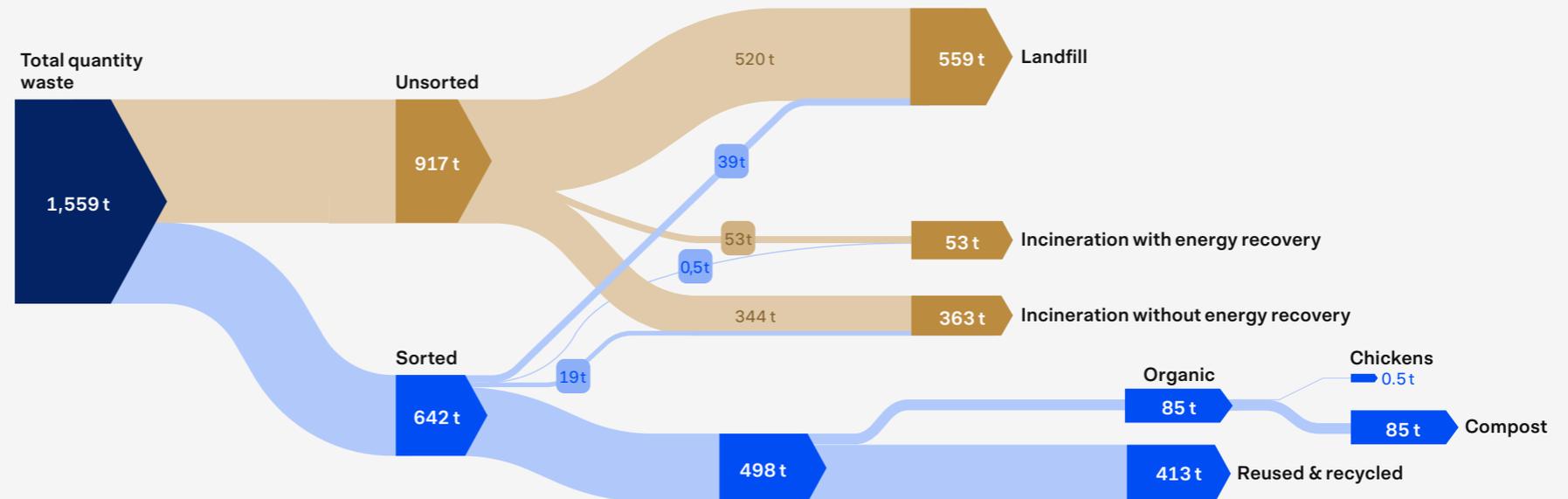
At Keflavík Airport, minor polluting accidents happen regularly, and they are dealt with in accordance with certain working procedures. Most often, the incident in question is a minor oil leak, which can occur during, for instance, the fuelling of airplanes. No major pollution incidents occurred in 2023.

No judgments have been passed this year where Isavia has been found to violate laws or regulations regarding environmental matters, and no such charges are pending.

Quantity of De-icing Chemicals in Airports

	2021	2022	2023
De-icing grains (tonnes)	107	77	116
De-icing liquid (litres)	219,000	188,781	175,542

Waste flows



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Quality of Life

We work strategically towards being a role model in sustainability. We take the initiative to increase sustainability in the entire airport community and collaborate closely with society based on mutual respect. We rely on open communication to disseminate information, and we use our collective experience and knowledge to succeed.

Air Quality

Isavia monitors the quantity of certain chemicals in the atmosphere. Air quality meters are located at Keflavík Airport and in its vicinity. The quantity of nitrogen oxides (NO and NO₂), which are the harmful chemicals which should be the most concerning result of airport operations, are measured. Measurements show that their quantity is usually low and always under the guideline limits. Air quality projections which have been made for Keflavík Airport for up to 14.5 million passengers in one year demonstrate that despite that number, the quantity of nitrous oxides would stay under the guideline limits. The number of passengers moving through the airport in 2023 was 7.7 million.

After the volcanic eruption began in Fagradalsfjall in 2021, Isavia set up other air quality meters in Reykjanes in collaboration with Suðurnesjabær and the Environmental Agency. In addition to prior measurements, the quantity of sulphur dioxide (SO₂) and hydrogen sulphide (H₂S) were measured. No measurements exceeded the health protection limit of 2023.

Real-time information on air quality meters at and around Keflavík Airport can be found on the website loftgaedi.is

Acoustics

We monitor acoustics resulting from flights in Keflavík Airport all year round with noise monitors placed at four locations in the vicinity of the airport. Keflavík Airport's noise monitoring system allows residents, stakeholders and Isavia staff to monitor flight movements at the airport and noise level of aircrafts. You can report nuisance noise that relates to individual aircraft movements via the system.

In 2023, Isavia received 50 (28) reports of noise and nuisance caused by air traffic at Keflavík Airport, most of which were linked to passenger flights directly over residential areas. There were 132 (21) reports of nuisances caused by flight movements at Reykjavík Airport, mainly due to helicopters and most complaints were made in Kópavogur. The increase in complaints can be attributed, amongst other things, to increased aircraft movements during volcanic eruptions. Isavia also made the complaint button on its website more visible and advertised the process in neighbourhood areas. No formal reports were received because of the operation of the other airports of Isavia.

In recent years, we have been working on several mitigation measures due to the disturbance that residents in the immediate vicinity of Keflavík Airport may experience. This includes the implementation of new flight paths and different use of runways, which are implemented to the greatest extent possible, with due regard to safety and environmental factors, such as wind and runway conditions.

Efla Consulting Engineers has been mapping acoustics around Keflavík Airport. The latest information was updated in 2016 at the Environmental Agency, and according to them, no resident suffered 24-hour noise over 65 db as a result of air traffic, about 300 suffered 24-hour noise from 60 to 64 db and about 1,300 suffered 24-hour noise from 55 to 59 db. Updated mapping of acoustics at Keflavík Airport will be completed in 2024.

Further information about Keflavik Airport's noise monitoring system [can be found here](#).

Firebird

During the year, a training simulator, the so-called firebird, was put into use. This is an airplane model where you can start different fires that may occur when a fire breaks out in an aircraft. With the simulator, it is thus possible to create different and challenging situations that responders may have to deal with following a plane crash. Since plane crashes are fortunately very rare, the simulator plays an important role in training and maintaining the skills of those who may have to deal with operations following a plane crash.

The simulator is on the surface of a container and is portable, creating a valuable opportunity that ensures that emergency responders at the country's airports can train with the devices and equipment available at their airport. This was not possible with the previous simulator, as emergency personnel from other airports had to come to Keflavík Airport for the aforementioned training. The equipment has therefore become an indispensable addition to the full scale exercises that Isavia organises at all airports that serve scheduled flights. The new simulator also burns gas, while the older model burned oil, therefore creating a healthier and more environmentally friendly environment during training.



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Ecosystem

We meticulously monitor the fauna and birdlife within airport areas with the aim of decreasing the likelihood of collisions between animals and airplanes. To that end, we analyse the environs of the airports, which animal species live there and the vegetation and food supply. We record the behaviour of the animals and list the incidents which cause harm to them. We use the knowledge to develop countermeasures which include habitat management and driving birds and animals away from runways.

In 2023, 8 (12) confirmed instances of aircraft birdstrike were recorded at Keflavík Airport. In addition, 8 (16) birdstrikes occurred at domestic airports.

Suðurnes Discussion Forum

The Suðurnes Discussion Forum is a collaboration which began in 2019. The four municipalities in Suðurnes participate in the forum – Grindavíkurbær, Reykjanesbær, Suðurnesjabær and Vogar – Kadeco (Keflavík airport development company), the Association of Local Authorities in Suðurnes and Isavia. The aim of the forum is to enhance the economy and fortify infrastructure with reference to the UN Sustainable Development Goals.

The conclusion of the forum's policy formulation was released in June 2021, and now all parties work together on achieving the set goals. A well-attended briefing was held in the assembly hall in Sandgerði on 3 May 2023. There, the members of the Suðurnes Discussion Forum presented their work regarding joint results in the field of sustainable development in Suðurnes. They discussed sustainability in the development and operation of municipalities, the energy transition, the fuel of the future, a green industrial park in Helguvík and the innovation of joint carbon accounting. The Minister of Environment, Energy and Climate addressed the meeting, along with an expert in the field of sustainable development at the Prime Minister's Office.

Work has continued on various collaborative projects related to the forum's strategic planning, i.e. with the school community in Suðurnes and in other social projects. Working groups related to economic development, education in Suðurnes, Reykjanes Geopark etc., are active.

The circular economy has been prioritised in Suðurnes, where sustainability is a key factor in the tasks of the participants in the Suðurnes Discussion Forum.

Success in the field of sustainability consists of solidarity and co-operation on the basic factors related to the local community. To facilitate the implementation of the projects which the

community of Suðurnes decided to collaborate on, the plan is to conduct annual briefings about our common success in the field of sustainability.

Civil Protection and Crisis management

Whether from a macroeconomic or safety perspective, airports and air traffic control are an important part of the infrastructure of Icelandic society. In light of this, Isavia has focused on being an active participant in the civil protection management system to increase the safety and operation of this important infrastructure. The company also plays a key role in response plans for search and rescue in the Icelandic air traffic control area.

Isavia, in collaboration with its partners, typically conducts four full scale exercises at airports per year. The exercises are held all over the country attracting impressive participation, with around 1,000 people taking part in them every year. They serve as a critical component of Isavia and civil protection response and are an important part of the response preparedness. Exercises are not only practical response training but also a forum for discussions and development of Iceland's response system.

Four full scale exercises were held during the year, at Vopnafjörður and Bíldudalur airports in the spring and at Húsavík and Egilsstaðir airports in the fall. The aim is to promote the co-operation and collaboration of all stakeholders involved in the airport accident response plan for each airport, strengthen what is well executed and address areas that can be improved. Responders in responding distance from the airport participate and coordination mechanism is activated from on scene command to national coordination, thus benefiting national response as well as local.

Isavia's Emergency and Crisis Management

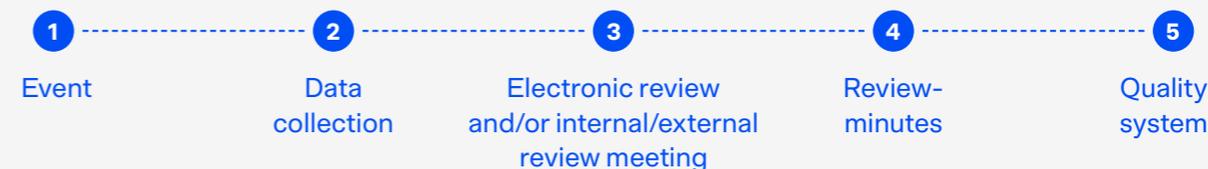
For critical infrastructures crisis and emergency preparedness is crucial both for passenger safety and business continuity. Preparedness and cooperation in emergencies and operational disruptions with the airport community has been excellent. Isavia's Emergency and Crisis management was formally founded in 2015 and has since tackled a variety of events, anticipated as well as unforeseen ones, ensuring vital coordination and continuity during incidents that threatens safety and operations at airports. The aim is to minimize the impact of incidents and disruptions, provide coordinated response, support all operational elements and staff, manage information related to the incident all to ensure safety of passengers, staff and operational recovery as soon as possible.

The Emergency and Crisis Management team has been activated numerous times throughout the year in response to a variety of events. With each challenge, cooperation within the airport community strengthens, and all involved parties become increasingly adept at managing new challenges. Crucial part is maintaining open communication channels, ensuring a robust flow of information, and conducting regular consultation meetings with stakeholders. After an incident a comprehensive review takes place within Isavia and, where relevant, with stakeholders. The findings are integrated into Isavia quality system, facilitating operational improvements. This process allows for valuable insights to be gained from each incident, leading to continuous improvements.

Severe Weather and Power Outages

The year started with several low-pressure weather systems disrupting operations, which led to activation of severe weather procedures at airports. A significant power outage occurred in mid-January when the Suðurnes power line failed. This incident tested the airport's backup power systems, which were found to be fully functional. However, the subsequent review identified some deficiencies, which have since been addressed.

Emergency and Crisis Management Review Process



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Summit of Heads of State and Government of the Council of Europe

The summit held in Reykjavík in mid-May in Harpa concert and conference center in Reykjavík. It is estimated that around 1,000–1,500 visitors came to Iceland for the summit. Extensive coordination between Isavia, the National Police Commissioner, police departments, Ministry of Foreign Affairs and stakeholders within the airport community, took place leading and during the summit.

Seismic Activity and Volcanic Eruptions

Seismic activity and volcanic activity continued on the Reykjanes peninsula. A volcanic eruption began on 10 July at Litli Hrótur and lasted for about four weeks. The eruption was accompanied by large wildfires, among the largest that have occurred in Iceland. A large number of responders worked day and night to bring the wildfires under control, and Isavia provided firefighting personnel and equipment that helped fighting the fires.

Sharp earthquakes occurred near Grindavík on 10 November, which eventually called for the evacuation of the town. The earthquakes did not affect Isavia’s buildings, but nearly four dozen of Isavia’s employees live in Grindavík.

A second eruption began on 18 December. The eruption started with much more force than other eruptions in the area, but at the same time it subsided more quickly and ended three days later.

Volcanic eruptions continued at the beginning of 2024, when an eruption began at Hagafell on 14 January. The eruption was now much closer to Grindavík than before. The eruption lasted until 16 January. The eruption did not affect air traffic or airport operations

On the morning of 8 February, an eruption began at Sýlingarfell, in a similar area as on 18 December, which erupted for about 24 hours. For a short while, there was a slight explosive activity where the lava reached groundwater, but the ash did not reach far from

the eruption and therefore had a limited effect on flights for a short time. Lava gradually flowed over Grindavíkurvegur and to the hot water pipe that supplies Reykjanes with water, including Keflavík Airport. Isavia, along with other stakeholders in aviation, had already taken measures in case such a situation would arise and emergency and crises coordination was activated. The consultation and co-operation of stakeholders was exemplary, and it was possible to keep the heat on in Isavia’s buildings until 12 February, when the hot water system was operating at full pressure again.

At midnight, on the eve of 9 February, a cold-water pipe feeding the airport with cold water rendering all buildings in the airport area without water for nine hours. The lack of cold water was challenging, and although measures were taken with e.g. portable toilets, it was clear that it would not be possible to maintain operations in the long-term. Repairs by the utility company lasted until noon when the cold water came on again.

Seismic activity continues in the Reykjanes Peninsula with regular eruptions. The area is closely monitored, and scientists keep critical infrastructure operators and the public well-informed. Risk assessments have been conducted, and plans are in place.

Industrial action

Isavia’s emergency plans for work stoppages were activated twice in 2023, in the spring when there was a risk that fuel delivery and bus services would stop, and they were also activated at the end of the year when there was a reduction in operations due to actions regarding air traffic control.



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Human Resources

Isavia's Human Resources Policy is to create a workplace where employees show respect for each other and are honest with themselves and others. We intend to be at the forefront as a workplace where equality and trust prevail. Thus, we create a good working environment with a constructive culture which contributes to the happiness of employees and allows them to be courageous and constructive while assuming responsibility for their own performance. We at Isavia believe that we achieve added success as a team.

A Constructive Workplace

Isavia's Human Resources Policy is to create a workplace environment where employees show respect for each other and are honest with themselves and others. Human resources is our greatest resource and that's why we strive to employ people with diverse backgrounds in terms of gender, age, education and experience.

The year 2023 was a fun year in the company's activities, as we have tackled diverse and demanding challenges. The number of employees has increased slightly between years in line with the increased number of visitors and increased air traffic in the air navigation we manage. During the year, we continued to implement a constructive culture in the company's operations, with the aim of supporting its successful policy.

We perform monthly pulse measurements where the staff is asked to provide feedback regarding certain factors within the operation and management within the company. Overall job satisfaction increases slightly between years and goes from 7.7 in 2022 to 7.8 in 2023 on a 10-point scale. We have set ourselves an ambitious goal of job satisfaction exceeding 8 in all establishments.

The most effective way to implement a constructive culture is to ensure that the company has strong leaders. In recent years, we have therefore put a lot of effort into training managers and staff in constructive communication. During the year, we presented manager evaluations where employees had the opportunity to evaluate the competence of their immediate supervisor.

Managers generally had good feedback from the evaluation, and the results were used to further strengthen managers in their leadership role. Managers are advised to have regular staff meetings with all their employee, where they are given the opportunity to receive feedback on their performance.

Mental and Physical Health

The mental and physical health of employees is very important to us. The company has a service contract with Heilsuvernd regarding welfare services for employees. Heilsuvernd manages annual health measurements, provides confidential medical services and is involved in preventive work. We believe it is important to ensure a professional approach in matters related to the mental and physical health of employees, and therefore we make up to 5 sessions with healthcare experts available to all employees free of charge. Heilsuvernd's specialist services include psychologists, social workers, family counsellors, personal trainers and other parties that Isavia's staff can turn to.

In the spirit of a constructive work culture, Isavia's strict policy is that we do not tolerate or engage in bullying, sexual harassment, gender-based harassment or any other form of violence. We are committed to eradicating such behaviour if it is observed in our operations. We do this in accordance with our response plan which covers all our establishments and applies equally to employees, managers and contractors who work for the company or for other service providers at Isavia's establishments.

Facts about Human Resources

- 
Job satisfaction
7.8 on a 10-point scale
- 
Gender ratio
63% men **37%** women
- 
Number of employees
1,447
- 
Average age
39 year
- 
Employee turnover
15%
- 
Advertised jobs 2023
121
- 
Number of job applications
4,438

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Challenges in the Work Environment

In 2023, we faced a difficult challenge in our work environment when mould and moisture damage was detected in our largest establishment at Keflavík Airport. We take all such matters seriously and prioritise the health and well-being of our staff. As a result, our largest offices at the airport were closed and the staff were provided with other temporary facilities. Unfortunately, we were unable to accommodate everyone under one roof, and therefore the company's office activities at Keflavík Airport are now spread around the airport's vicinity. Work is being done to find a future solution for the company's office facilities, and there are hopes that it will be possible to combine the activities again in one place before long.

Isavia ohf., has decided to implement a project-based workspace at the establishments, where possible. The first step was taken at our offices in Dalshraun in Hafnarfjörður, but as of 1 December, such an arrangement was implemented at that establishment.

Equal Rights

The company has implemented, documented and maintained an equal pay system in accordance with the relevant laws and regulations since 2018. Every year, an external party is brought in to conduct an assessment of the system, and in parallel with that assessment, a wage analysis is carried out, which examines whether there is a gender pay gap at the company. The wage analysis revealed that there is no significant difference between the wages of men and women.

This year, Isavia received the recognition of Jafnvægisvogin, the kinetic energy project of Women in Business (FKA). The recognition confirms that at Isavia there is an equal ratio of women and men in the senior management. However, we still have a long way to go to equalise the gender ratio in the lower management layers, and work is being done systematically to annually increase the number of women in the group of team leaders and inspectors at the company.

Almost all employees in the company are members of trade unions and follow their provisions when it comes to rights and obligations. Non-union employees nevertheless enjoy the same rights as other staff with regard to pension fund payments, the accrue of

vacation pay, sickness benefits and other rights stipulated by collective wage agreements. Employees of all genders have taken advantage of their right to maternity leave this year, and almost all of those who have taken leave to fulfil their parental role have returned to work afterwards.

We respect human rights are respected and they are the guiding principle in all our activities. We operate in accordance with the ten basic principles of the United Nations on human rights, work issues, environmental issues and actions against corruption. All employees are informed of the importance of these issues at the start of their employment.

Recruitment and End of Employment

We are very keen to welcome new employees warmly from day one and thus show in action that we care about all our staff. Similarly, we enable employees to develop in their work within the company, and this year a considerable number of employees changed careers within Isavia. In the same way, we do our best to say goodbye to those who retire from the company with respect, and we strive for the interests of the staff and the company to be aligned at the end of employment.



The Cultural Journey of Isavia ANS

Isavia ANS started its cultural journey this year following the example of its parent company. The cultural journey has been one of the company's key projects this year, and we are working with staff and consultants to change the company's culture to the ideal culture that staff prefer, where the emphasis is on constructive communication, motivation, good relationship and co-operation.

The changed culture of Isavia ANS is intended to strengthen the company, unite forces and build an encouraging and constructive co-operation between all staff and units within the company, so that everyone works towards the same goal. We want to communicate with others and approach our work in such a way that we grow, evolve and develop, and so does the company.

Great emphasis has been placed on staff, as well as managers, receiving education and regular training on how to change the workplace culture of Isavia ANS for the better.

The guiding principle of Isavia ANS on its cultural journey is:

We are a co-ordinated team and conduct our work in a positive and professional manner. Through constructive communication, encouragement, respect and joy, we achieve success.

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Total number of employees

	Women	%	Men	%	Genderqueer/ Other	%	Total	%
Total number	537	37%	909	63%	1	<1%	1447	100%
Employees								
Full time	391	27%	787	55%			1178	81%
Part time	146	10%	122	6%	1	<1%	269	19%
Employment								
Permanent	481	33%	842	58%			1323	91%
Temporary	58	4%	65	4%	1	<1%	124	9%
Interns	13		17				29	

Age distribution of all employees

	Women	%	Men	%	Genderqueer/ Other	%	Total	%
Total	539	37%	907	63%	1	<1%	1447	100%
Under 30years	175	12%	233	16%	1	<1%	313	28%
30 – 50 years	231	16%	430	30%	–	–	641	46%
Over 50 years	133	9%	244	17%	–	–	376	26%

Ratio of managers of all employees

		%
Total managers	162	12%
Women	52	4%
Men	110	8%

Age distribution of managers

		%
Total managers	162	100%
Under 30years	4	3%
30 – 50 years	88	54%
Over 50 years	70	43%



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Training and education

Forsenda fyrir rekstri flugvalla og flugleiðsögu eru starfsleyfi og ýmsar kröfur sem þarf að uppfylla. Isaviaskólinn og þjálfunardeild Isavia ANS gegna mikilvægu hlutverki í því ferli. Þjálfun tryggir að starfsfólk hafi lokið við tilskylda þjálfun og finni til öryggis í starfi. Einnig er góð þjálfun stjórnenda lykilinn að góðri samvinnu og liðsanda. Reksturinn er síbreytilegur og því þarf starfsfólki ávallt að standa til boða fjölbreytt fræðsla og þjálfun.

The Isavia Academy

The Isavia Academy is responsible for the organisation and management of education and training at the company. The Academy's staff are, on the one hand experts in teaching, and on the other hand instructors who have a lot of knowledge and experience in frontline work at the company. The role of the Isavia Academy is to ensure that employees receive targeted training so that they can carry out their work with safety and satisfaction. Mandatory job-certification training makes up the lion's share of training within the company. All recruits also receive extensive basic training related to their jobs. Every year, a wide range of courses are available aimed at developing personal skills and promoting well-being at work.

Part of the Academy's activities is servicing subsidiaries and anyone who needs access permit to Iceland's airports. Flight service providers also need to attend the Academy for Aviation security training, driving at the airport training and training for

various types of equipment at Keflavík Airport. Therefore the group of students at the Isavia Academy is much larger than the number of employees within the Isavia Group.

There are four study lines within Isavia Academy; the airport operation line, airport terminal line, aviation security line and a general line. The airport operation, terminal and aviation security studylines ensure the training of frontline personnel. The general line has organised courses for all across the Isavia Group. The courses are either digital, traditional learning or a blend of both. It also manages the training of experts and leaders.

As usual, a good portion of the training was related to occupational health and safety. Occupational health and safety is a requirement for an access permit to Keflavík Airport, contractors complete a special safety course and frontline teams receive first aid training. In addition, a course on peer support and a course on stress and stress prevention were held. Finally, a digital course on trauma first response went live.

Icelandic Courses

Icelandic lessons have been available to Isavia's staff at the workplace. This year we looked for new ways to better meet the different educational needs of students. The result was to develop, in collaboration with an external party, a digital course that would then replace classroom teaching. We also advertised for mentors among Isavia's staff and the response was overwhelming. The aim of the participation of mentors is to support students in their Icelandic studies and discuss the work. But the targeted support of mentors is not only a key to the Icelandic language, because the support is empowering, adapting to the workplace is easier and it strengthens the students' network. The curriculum is customised for Isavia's staff, and three digital sessions have already been designed, but the goal is for them to be eight in total.

Digital Courses and Traditional Learning Courses

As usual, several digital courses were produced during the year; Taxiway Mike due to the opening of a new taxiway, East Wing familiarisation on the eve of the opening of part of the new east building, a course on the new flight information system Veovo Portal, educational materials for aviation security personnel, a new course on sustainability, to name a few.

Traditional learning courses organised this year include courses for instructors and on job trainers, peer management, peer support and first aid. Also, the entire staff was given training related to the cultural project Together on a New Journey.

Average Hours of Training per year per Employee

	2021	2022	2023
Average hours	29 h.	47 h.	39 h.
Men	31 h.	51 h.	42 h.
Women	24 h.	42 h.	34 h.
Genderqueer /Other	-	-	55 h.
Managers	15 h.	49 h.	34 h.
Employees (without managerial responsibility)	31 h.	47 h.	39 h.

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Other Educational Activities and Study Grants

Isavia Academy's staff perform many education-related tasks other than planning education, producing learning materials and writing training programs. In connection with the major construction works at Keflavík Airport, Isavia, in collaboration with the company Mace, which provides Isavia with consultation on the construction, has set a policy on social value. Our mission is to leave behind knowledge in society and enrich the learning of students at various school levels. During the year, workshops were held in primary schools and jobs at airports were presented in vocational education, both for the upper grades of primary schools and secondary school students. We also welcomed students of all ages for job presentations, internships and field trips.

The collaborative project VirtuAir Reality continued during the year. The Isavia Academy visited Poland in the spring, where the main focus was on getting to know the activities of the Aviation Education Centre and the organisation of training and education at the airport in Krakow. The visit was very interesting and the educational centre (which is a kind of visitor centre located at the airport) attracted special attention from the team. It is safe to say that there is remarkable and innovative work being done there in promoting the activities of airports and in the aviation industry to visitors, with a special focus on children of all ages. A website with a description of around 70 jobs at airports and in the aviation industry is ready in Polish and English, and the final touches are being put on its translation and localisation in Icelandic. The goal of the website is to increase the interest of young people in jobs at airports and in the aviation industry. The estimated completion of the project is in February 2024.

Grants for studies outside the company are a part of the human resources policy of Isavia. The aim is to empower employees to be more successful at work by adding to their skills and education. Grants were provided for various types of studies this year: university studies on the basic level as well as the advanced level, vocational training, executive coaching courses and project management courses.

Management Skill Model and Priorities in Management Training

We require that everyone in management and leadership roles treat their colleagues with respect, in a way that promotes empowerment, that they are inspiring to others and form a strong and robust team. Managers and leaders set a good example by having a clear vision for the future and providing regular and constructive feedback to staff on policies, roles, achievements and goals in their work.

In order to ensure that Isavia's management is strong and that our employment satisfaction goals are achieved, the company has decided to establish a training plan for all management levels that also serves as a guideline in our evaluation of manager performance and the organisation of strategic management training.

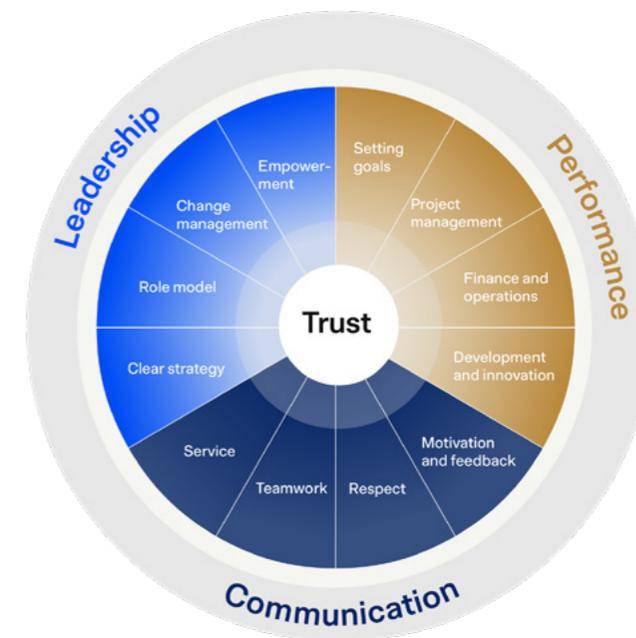
The first step was to create a skill model for managers based on company policy, our human resource policy, and the focus areas of Isavia ohf.'s ideal work culture. We developed two diagrams: one for managers in levels 1–3 (CEO, Executive Board, directors and department managers) and another for managers in level 4 (group leaders, shift supervisors, and specialists with management responsibilities). The role of those who lead divisions and departments requires a different kind of skill than those who lead smaller groups and are therefore in managerial positions rather than leadership roles. However, both roles have a lot in common even though the emphases and priorities are different.

The model defines the qualification requirements for managers and can be used in various ways, including defining skills for employment, organising training and for instructing new managers. It also may be used in the preparation and implementation of needs analyses, performance assessments and assessing managers' skills.

The implementation of the skill models was worked on with presentations to all management levels. A self-assessment survey was also sent out to managers, which is based on the qualification requirements, and individual results were sent to each of them with an incentive to make an educational plan for themselves. Overall results and themes that are useful for us in creating an educational plan for the Group as a whole were also compiled.

Alongside the analysis of the qualification requirements for managers, we explained our priorities in organising management training and our choice of approaches in implementing different ways of conducting training. The policy is for management training to be as individualised as possible. We also focus on follow-up, peer education and support for managers. Coaching, peer groups and study and career counselling are available to all managers.

Extensive management training took place during the year in connection with the cultural journey. Courses in peer management, coaching and buddy groups were also offered. In total, there were almost 1,000 educational hours in connection with management training.



The Isavia ANS Training Department

Isavia ANS operates a specialised training department that has decades of experience in theoretical training, practical training in simulation, retraining, on-the-job training as well as continuous training. Training offers basic and continuing training for air traffic control, aeronautical telecommunications, aeronautical data science and flight information services, but also conducts basic and continuing training for inspectors, job trainers, examiners and tower assistants, to name a few.

The air traffic control programme begins in the fall of each year and usually lasts two years. Entrance exams for the programme takes place at the beginning of the year, where approx. 250 applicants start the application process. In 2023, 14 air traffic controllers began their studies, and 8 air traffic controllers graduated. A total of 97 people graduated from the various programmes offered by the training department.

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Safety and Security

Isavia's Occupational Safety and Health Policy covers all activities of the company based on the overall policies of Isavia. With the policy, Isavia undertakes to be a role model in safety, health and occupational issues, with the aim to prevent accidents, promoting good working conditions and ensuring a safe and healthy work environment for those who work in and visit the establishment of the company. Internet and information systems are essential in the operation of Isavia, and protection is a priority there. We operate within a strict framework, follow the criteria of the safety standard ÍST EN ISO/IEC 27001 and use formal procedures that supports continuous operations and minimise operational risks.

Occupational Health and Safety and Aviation Safety

Over the years, Isavia has placed great emphasis on ensuring the safety of its employees, and with the introduction of the ISO 45001 certification in 2021, safety awareness within the company has greatly increased. There is continuous improvement work taking place and great effort is put into making the working environment as safe as possible.

Today, Safety Management belongs to the core division of Services and Operations, while Safety Management is responsible for occupational health and safety. This year, the decision was made to change the organisational structure to Safety Management and thus hone the distinction between aviation safety and employee safety by dividing Safety Management into two departments. Occupational Safety and Health currently has two experts plus a department head, and Aviation Safety has three experts plus a department head. This change allows both departments to further focus on improved safety and prevention. Construction supervision is in the hands of the Suðurnes Engineering Agency (VSS), which works closely with both departments. Psychosocial aspects of occupational health and safety fall under the Division of Human Resources.

There has been an increased focus on identifying risks and taking countermeasures with the aim of making the environment and operations safer. This work is carried out in close co-operation with the staff who know the work and the environment best.

One of the main goals of occupational health and safety is to reduce the number of accidents and enable people to return home safely at the end of the working day, and prevention has one of the most important roles in this. Staff are encouraged to report all incidents, whether they are near misses or accidents. With the increased scope of notifications, it is easier to work on prevention in a systematic way.

This year, work has been done to simplify and co-ordinate the notification process. A new registration system is in the process of being put into use, which aims at a more user-friendly interface and better analysis of incidents.

Safety Committee

A mandatory Occupational Health and Safety Committee is operated with parties across the Group. The Committee consists of both Safety Officers, who are appointed to the Committee by Isavia, and Safety Stewards, who represent the employees. The Chairman of the Committee is an expert in occupational health and safety. The Safety Committee is responsible for reviewing reports from the Administration of Occupational Health and Safety, the status of non-conformities and improvements and examining accidents and notifications. The Safety Committee is intended to promote the safety awareness of employees through training and education and ensure compliance with laws and regulations applicable to the operation. Emphasis has been put on the Committee members being more involved in the formal occupational health and safety issues of the company, e.g. in relation to job risk assessments

Employees Work Related Injuries

	2021	2022	2023
Total injuries	37	58	60
First-aid injuries	18	31	27
Care injuries	13	10	10
Time loss injuries	6	17	23
Rate of recordable work related injuries per 200.000 hours	4.04	5.36	5.54

Cause of injury

	2023
Fall from a height	12
Slippery ice	6
Escalator/Ladder	5
Collision	3
Equipment	4
Jam	4
Impact	3
Design and setup	3
Lift	3
Bump	3
Mechanical equipment	3
Fall	2
Accident to or from work	3
Wet surface	1
Aircraft in the air	1
Screwing a object	1
Sharp object/Stab	2
Weather	1
Samtals	60

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Occupational Health and Safety Courses

As in previous years, there was a lot of training related to occupational health and safety during the year, as safety and protection must be part of the DNA of all employees. An occupational health and safety course is mandatory for everyone who receives an access permit to Keflavík Airport, and all contractors and tradespeople must complete a special safety course.

A first aid course is compulsory training for frontline groups and is also available to all other staff. The courses are a combination of digital courses from the Red Cross and practical training and classroom teaching. Terminal surveillance and passenger services staff received additional training on emergency equipment and response.

Peer support is the support of colleagues within organisations who work in similar jobs. The purpose of peer support is to provide emotional, social and practical support after a trauma. This spring, the frontline employees, who have taken on the role of providing support to colleagues, attended the course. A digital course on trauma first response was also produced, which is available to all staff.

We continued with stress prevention and offered the course The Quality of Life Law. The goal was for the participants to find ways to experience more balance in life and work and to overcome stress before it takes over.

Information Security and Personal Data Protection

Information systems and networks are essential in the operation of Isavia, and their protection is a priority. We operate within a strict framework, follow the criteria of the information security standard ÍST EN ISO/IEC 27001 and use formal procedures that supports continuous operations and minimise operational risks. The company's Information Security Policy was published in 2018 and is regularly reviewed and updated. Responsible handling of information also extends to third parties. This applies to all information from third parties that Isavia has in its possession and/or which the company has asked a third party to manage on its behalf.

The company emphasises continuous improvements and optimisation of processes and procedures related to data protection. In 2023, there were no reports of breaches or complaints regarding the privacy of Isavia's customers. This applies equally to both customers and regulatory bodies.

Cyber Security

Cyber security is a social issue that we want to take part in ensuring. Isavia focuses on a positive security culture with the goal that security and protection of information will become routine in the daily work of employees. Everyone who starts work at the company goes through a recruit course where emphasis is placed on security awareness, personal data protection and compliance with procedures. Ongoing training in the form of educational videos is available throughout the year to increase staff cyber security awareness. We place great emphasis on a secure IT environment, and the knowledge, skills and professionalism of our staff play a key role there. We employ experts in information security who have received specific training, both in terms of the operation of network and information systems and the processes of information security and personal data protection.

We carry out tests related to the company's security, online and information infrastructure, using approved methods to minimise potential threats and risks to our information systems and network. Defenses must constantly be developed in accordance with the changing behaviour of attackers and global technological advances. There is no way to really know how often a cyberattack is attempted on a company, as there are many technical defenses that catch most attack attempts without being noticed.

This year, the company's defenses were put to the test, especially around the European Council Summit in May. At that time, the Icelandic infrastructure was subjected to heavy attacks and stress caused by foreign parties. The company started a collaboration on real-time monitoring of the company's systems and this has greatly strengthened its resilience. Access to external experts has increased accordingly. Security monitoring of information systems and networks is manned monitoring, around the clock, where incident files from equipment are compiled, incidents are analysed and prioritised to minimise the damage that could otherwise occur.

Information Security Collaboration

Our experts work closely with external partners in the field of cyber and information security. The goal is to develop the company's security issues further and according to best practices.

Iceland will soon be a part of Eurocontrol, and that entails considerable opportunities regarding information security. For example, access to systems, databases, analytical work, technical solutions, training and support for various aspects of cyber and information security. Isavia has also become a member of the Cyber Security Committee of Airports Council International, an association of airports in Europe.



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Keflavík International Airport plays an important role in attracting a diverse group of airlines with diverse destinations to the country. Emphasis has been put on business development on new routes and increased flight traffic to and from Keflavík International Airport with current and new customers. In recent years, we have invested in the development of the airport, and this has already begun to result in improved facilities for passengers and airport staff.

Customers of Keflavík Airport

The number of flight movements and the number of passengers are the factors that have the greatest impact on Isavia's operations. Isavia's income from Keflavík Airport can be attributed first and foremost to the airlines that land at the airport, rent income from catering and retail outlets as well as other income from renting facilities.

After a few difficult years due to the pandemic, the airport's scope of operations has returned to normal. In the period 2021–2022, great emphasis was placed on the return of the airlines that flew to Keflavík Airport before the pandemic. It can be said that this was a complete success and 2023 was the first full year in which there was normal operation throughout the year, as the effects of the pandemic were no longer present. However, it should not be forgotten that the airspace over Russia is still closed, which means fewer passengers from Asia, but their number before the epidemic had become considerable. It should be noted that tourists from China were the fifth largest tourist group that came to Iceland.

Other external factors influenced the demand of tourists for travel to Iceland. The volcanic eruptions on the Reykjanes Peninsula aroused the interest of tourists and were probably an important factor in the increase in passengers between years in spring and summer. Similarly, the eruption of the volcano in Reykjanes in December had a negative effect, as the number of passengers was lower than forecast. It remains to be seen how this trend will continue into 2024.

Last summer, 28 airlines flew to and from Keflavík International Airport, which is the same number as in the summer of 2022. For all months in 2023, the number of passengers exceeded the number of the same months in 2022. In June–August, the increase in passengers was almost 17% compared to the same months in 2022 and for the entire summer season, April–October. The increase in passengers was 20% compared to the same months of the previous year.

This winter, 23 airlines will fly to Iceland, which is an increase from last year (2022–2023), when there were 20 airlines. The number of passengers this winter (2023–2024) is the highest ever, which shows that the work to balance out seasonal fluctuations at the airport is paying off.

2023 was broadly on par with what forecasts assumed. The total number of passengers who passed through Keflavík Airport was just over 7.7 million, which is 0.8% below forecast. Foreign tourists were 2.2 million and Icelanders 591 thousand. Of the 95 destinations this year, London, Copenhagen, Boston, Paris and Amsterdam were the most popular.

In 2023, the percentage of transfer passengers at Keflavík International Airport was 27%, compared to 25% the previous year. The percentage of transfer passengers is still somewhat lower than what it was before, but in 2018 the percentage went up to 40%. The minimum flight transfer time for passengers at Keflavík Airport is 25 minutes. The number of transfer passengers increased by over 39% compared to 2022, and Icelandair and Play have the most transfer passengers between Europe and North America.

According to the current flight schedule, it is assumed that 25 airlines will fly to Keflavík Airport during the summer and 21 airlines in the winter. There will be 83 destinations in summer and 75 in winter. However, it should be kept in mind that several charter flights are usually added, which increases the number of airlines and the number of destinations.

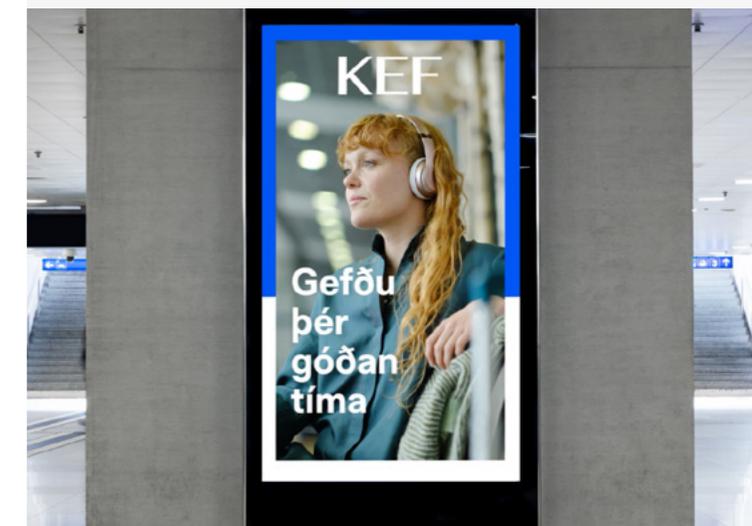
At Keflavík Airport, there are three airlines with scheduled cargo flights, to five destinations. Bluebird, DHL and Icelandair Cargo have scheduled cargo flights to Billund, East Midlands, Liege, New York and Chicago. The number of cargo flights is growing at Keflavík Airport and increased by 3.7% compared to 2022, and the total number of tonnes increased by 32.5%. We are aiming for further development and expansion of cargo flights at Keflavík International Airport in the coming years.

Keflavík Airport becomes KEF

2023 marked a turning point in the history of Keflavík Airport, as 80 years had passed since its establishment. On the occasion of this significant milestone, it was decided to redefine and renew the brand and image of the airport, with the new branding presented on November 1st. This change is the result of extensive preparation and collaboration, and the implementation is intended to strengthen and deepen the airport's connection with the core of Icelandic culture and nature. The new brand and image, now under the KEF banner, aims to reflect KEF's rich history of service and international connections over the decades, while also strengthening the foundation for the vision of connecting the world through Iceland.

The focus of this rebranding effort lies in the co-operation of the airport community to create a memorable and positive experience that highlights the best that Iceland has to offer. Keflavík Airport is not only the starting and ending point of travel, but also a place that celebrates diversity and welcomes visitors from all over the world. The implementation therefore not only reflects foresight and emphasis on experience, quality, and service, but also a profound respect for Iceland's heritage and future.

For more about this transformative journey, visit dna.kefairport.is



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The main customers of Isavia ANS are the airlines they serve. Of these, Icelandair is the largest airline, regardless of the number of flights or kilometres flown in the Icelandic air traffic control area in 2023. United Airlines and Play Air are in second and third place for the number of flights, and United Airlines and Turkish Airlines are in second and third place for the number of kilometres flown.

In addition to the airlines, Isavia ANS is in close co-operation with international organisations such as ICAO – the International Civil Aviation Organisation and Eurocontrol along with other international companies in air navigation services. Other groups with which the company has a successful partnership are Icelandic stakeholders, such as the Icelandic Transport Agency, the Coast Guard, the Icelandic Meteorological Office, as well as the aviation community as a whole.

2023 marked the 75th anniversary of the partnership between Isavia ANS and ICAO, commemorating that 75 years have passed since the International Civil Aviation Organisation entered into an agreement with Iceland to handle air traffic services in the North Atlantic.

Customers of the Duty Free Store

Passengers going through Keflavík International Airport are potential customers of the Duty Free Store. Emphasis is placed on passengers feeling welcome there and greet them with a diverse range of high-quality products and excellent, professional and agile service. There is also a lot of effort made to ensure that the stores are efficient to ensure that everyone can complete their purchases without having to worry about missing their flight. In 2023, major steps were taken towards even better service to the Duty Free Store's customers. The biggest is the expansion and changes to the arrival store. The expectations and needs of customers were kept in the foreground during the design of the store, which is reflected in increased space, better flow and access to the most popular product categories, as well as greater speed and efficiency.

During the year, a new website was also launched, where the focus is on improving the user experience. The website allows customers to view product selection and prices in the arrival and departure store and departing passengers can save valuable time by ordering products in advance and collecting them when they arrive at Keflavík Airport.

Retail and Services at Keflavík Airport

2023 was a year of major changes in the selection of shops and restaurants, following long preparations that included conversations with retail and restaurant partners, both domestic and foreign, as well as a review of market research on passenger satisfaction with the current supply and expectations for changes.

Pop-up business units continued to be opened during the year, and six Icelandic companies opened temporary branches on the field. Preparations were made for the opening of around 1500 square metres of new restaurants that will be opened in 2024. At the same time, preparations were made for the tender for the Duty Free Store, three convenience stores, for all vending machines in the terminal and two lounge areas.

The tender for new parking equipment ended at the end of 2022, and subsequently work began on the implementation of a new parking system. The system allows us to send invoices to the vehicle owner electronically. Work has begun to connect the system to car rentals. With the implementation of a new system, work began to make departure ramps chargeable with license plate camera technology.

Preliminary work begun on a new parking garage to examine its feasibility, whether the parking garage would be tenable. That work will continue in the second half of 2024. Various market surveys were carried out in preparation for the tender, e.g. for the construction of a new hotel at the airport.

An update to the booking system at the start of the year allowed customers to book parking by flight number, with the airport becoming one of the first airports in the world to offer such a service. This will allow us to improve our product selection for customers, offering increased convenience when booking a parking space.

An agreement was reached with HS Orka on the operating lease of up to 100 charging stations for electric cars. 18 charging stations were installed and work will be done to increase their number in 2024.

An operational and information meeting was held for the first time for transport operators and operators. The meeting went well and was a positive step to improve communication and relationships with the airport's stakeholders when it comes to transportation.



CUSTOMER EXPERIENCE AWARD
WINNER

Marketing and Service Surveys

This year, Keflavík International Airport received recognition from the Airports Council International (ACI) for the sixth year in a row for being among the best airports of its size category (5–15 million passengers annually) in Europe as regards service quality. A recognition in the ACI service survey is one of the greatest accolades available to global airport operators and is given for exceptional service provision and customer experience.

Market and service surveys are carried out regularly at Keflavík International Airport and we have carried out the ASQ Service Survey, which is a co-ordinated service survey, at the airport since 2004. This survey is an international survey created by the ACI which measures passenger satisfaction at more than 300 airports worldwide. The survey therefore provides a good comparison with other airports.

The survey focuses on satisfaction with services and the passengers' experience of the terminal. Passenger satisfaction is measured for 31 service aspects at the airport, in addition to asking about passengers' well-being and overall satisfaction and their overall experience of the airport. The results of the survey are published quarterly and used to make improvements in line with the needs of passengers and airlines.

Keflavík International Airport has always scored high among the more than 113 airports in Europe who take part in the ACI survey. There have been, however, isolated periods when overall satisfaction has fallen. This can usually be traced back to renovations of the terminal or a heavy load due to the increased number of passengers.

In addition, at the end of 2023, a new service measurement system was put into use for the retail and restaurant area. This service measurement system is called Excite and is run by the Norwegian company Retail X. This measurement system assesses satisfaction with service in each business unit in the retail and restaurant area, and a plan is currently underway to add measurements of car rental services, transportation and parking services at Keflavík Airport.

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The operation of Isavia affects many facets of the Icelandic economy, and our supply chain includes almost 2,200 suppliers. Increased demand for social responsibility encourages continuous improvements to the chain, and its responsible management is an important part of the operation of the company. Managing and maintaining a sustainable supply chain increases the likelihood of economical transactions, as well as reducing operational risks.

Responsible Management of the Supply Chain

Almost 2,200 suppliers were active in the company's supplier register at the end of 2023. Of these, 86% were domestic suppliers and 14% were foreign suppliers. In the same sense, the share of the Group's total business with domestic suppliers was 88% and was 12% with foreign suppliers. The 10 suppliers with the highest turnover at Isavia accounted for 58% of total turnover in 2023. Among our subsidiaries, the ratio of the 10 suppliers with the highest turnover was as follows: 50% at Isavia ANS ehf., 74% at Isavia Regional Airports ehf. and 44% at The Duty Free Store ehf.

The company's suppliers, both Icelandic and foreign, need to register electronically and fill out the supplier registration form on the Isavia website before transactions take place. Among other things, basic information is entered for the company's financial system to ensure an efficient accounting process, which increases the likelihood of cost-efficient transactions.

Supplier Code of Conduct

Isavia has issued a Code of Conduct for Suppliers, which all of the suppliers who do business with the Group are expected to adhere to. This Code requires suppliers used by the company to adhere to the rules it contains and to ensure that their own suppliers do likewise. By asking suppliers to adopt the Code, they are demonstrating social responsibility in line with the United Nations Global Goals on human rights, labour issues, the environment and anti-corruption.

The supplier's Code of Conduct is always included in the tender documentation, among other things to limit the likelihood of the use of forced, compulsory or child labour for resources and equipment purchased in domestic and international markets. The Code of Conduct for Suppliers is also attached to all of our contracts.

The contracts of the company contain personal data protection clauses in accordance with the current personal data protection regulation of the EU as implemented into the Icelandic legal system.

By the end of 2023, 45% of the company's suppliers had agreed to the Code, of which 92% are domestic suppliers and 8% are foreign suppliers.

Procurement Requirements

Isavia's procurement is carried out in accordance with the Public Procurement Act No. 120/2016, and Regulation no. 340/2017 on the procurement of entities operating in the water supply, energy supply, transport and postal services, as well as Regulation no. 950/2017 on concession agreements for works or services, as applicable.

All tender procedures and major price inquiries require basic eligibility of tendering companies, among other things that they are not in default of withholding tax, public levies and statutory pension fund dues. Tenderers who are in arrears are dismissed.

Our contracts contain provisions for a ban on disguised employment and furthermore stipulate that a hiring relationship shall be the main rule in interactions between the staff and contracting vendor. This is done to ensure that all wage-related payments, whatever their name, be paid and that collective wage agreements are adhered to.

To ensure the cost traceability and co-ordinated payment terms, the company's business terms are always used for procurements. By the end of 2023, 41% of the company's suppliers had agreed to Isavia's business terms, of which 92% are domestic suppliers and 8% are foreign suppliers.

If suppliers agree to the business terms, it ensures a 30-day payment period for Icelandic suppliers and 45 days for foreign suppliers, thereby reducing the company's financing costs and increasing the health of cash flow.

In 2023, 16 formal market surveys were conducted where 100 suppliers were spoken to. The purpose was to obtain the best marketing information in preparation for procurement.

In 2023, a supplier assessment was carried out on Isavia's 10 largest suppliers. The aim of the supplier assessment was to call for, i.e. information on environmental policy and company objectives in environmental matters, diversity in the workplace, carbon footprint, code of conduct, work procedures, policy on bribery and sustainable procurement. Results were presented at the beginning of 2024. Among other things, the supplier assessment is useful for the company to better understand its supply chain and provides information that helps to identify improvement opportunities in relation to stricter requirements for information disclosure by companies on its value chains.

Procurement Traceability and New Procurement Rules

In 2023, work began on finding and purchasing a new procurement system, but the aim is for the new system to be fully implemented and put into use in the first quarter of 2024. At the same time, preparations and needs analysis were underway for the purchase of a new contract management system that will keep track of all the company's contracts. With the introduction of such systems, the traceability of purchases will increase significantly, a better overview of the company's purchases will be obtained, which will result in more efficient working methods and increased savings.

The company's older procurement rules were updated, and new procurement rules for the Group will come into effect this year. With the new procurement rules, it is emphasised that the rules are easy to follow, procurement for lower amounts is simplified, the division of responsibilities and roles is better understood, and the traceability of procurement is increased by introducing a new procurement system and contract management system.

Dynamic Purchasing System

This year, a dynamic purchasing system for LED screens and new vehicles was taken into use. The systems help us to fulfil Isavia's goal of making the operation net-zero by 2030 and supports the effort to exchange fossil fuel burning vehicles for ones that burn fuel which is more environmentally friendly. When purchasing Led screens, there are requirements made for energy consumption and radiation. The dynamic purchasing system neither covers purchases of used vehicles nor alterations to vehicles already owned by Isavia.



2,200 Active suppliers

86% Domestic 14% Foreign

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Development and Expansion

Isavia works strategically to minimise environmental impact, create value for and with society, while ensuring increased efficiency in operations with sustainability as a guiding principle. The development and construction of Keflavík Airport is a large-scale project that affects the environment, society and the economy, and Isavia takes that responsibility seriously. Technological innovation with the aim of implementing digital solutions that maximise Isavia's profitability and improve the experience is something we work systematically towards.

Development at Keflavík International Airport

The Leifur Eiríksson terminal at Keflavík International Airport was inaugurated and put into use in April 1987. It was, at the time, around 20,000m². At present, it is approximately 78,000m², or nearly 4 times larger than when opened.

During the terminal's first year of operation, 750 thousand passengers passed through it. In 2023, around 7.8 million passengers passed through the airport, which is in line with forecasts at the beginning of the year. The passenger forecast for 2024 assumes around 8.5 million passengers.

It is clear that significant investment will be needed in the infrastructure at Keflavík Airport if this increased number of passengers is to be met in a manner that complies with international service standards and Isavia's ambition for a positive passenger experience.

The Development Plan for Keflavík Airport is made to assess the need for investment and is based on an extensive passenger analysis, time and cost estimates for individual projects, and the internal phasing of projects.

The year 2023 was the most extensive year in investments at Keflavík International Airport to date. A total of ISK 15.6 billion was invested. The investment plan for 2024 assumes that investments in the year will be similar to 2023.

The British construction and consultancy firm Mace has, as of the beginning of 2020, worked as Isavia's partner in the development

of Keflavík Airport. The company will be responsible for project management and supervision as regards upcoming construction. In addition, the company will also provide consultancy services for other Isavia projects at Keflavík Airport, including a connecting building for the widening of the pier between the north and south building of the airport.

The work of Mace during the year has included the organisation of project management, project governance, risk assessment, communications with stakeholders, sustainability and more.

All projects relating to the expansion of the terminal are designed with the aim of being certified according to the environmental certification system BREEAM.

Air Terminal Systems

Construction began in early summer 2021 in preparation for the expansion of the terminal's north buildings to the east. This is a new 20,000 square metre extension to the terminal, that includes almost 30% expansion. In 2023, work was completed on the structure, along with the interior of the first floor and basement. At the end of August, the first phase of the extension opened when new baggage belts for arriving passengers were put into use. The new building will have three floors and a basement and will be taken fully into service in 2024.

The east building is an important milestone in the Development Plan of the airport. The first phase involved the installation of a new, high-performance luggage reception system on the ground floor, which was opened to passengers in 2023. The passenger

arrivals hall is much more spacious and work on the expansion of the Duty Free Store will be completed by spring 2024. On the second floor, new retail and service space will be created and the waiting area for passengers will be significantly expanded. Part of the project is also construction on a total of four new aircraft stands that will be connected to the terminal by passenger boarding bridges. The second floor and the aircraft stands are expected to be put into use in stages in 2024.

At the terminal's south building (Stand 10), construction on a two-story extension began in January 2024. This will improve facilities for passengers passing through the departure gates at the east end of the building. Part of the project is the construction of a new passenger boarding bridge and aircraft travel routes need to be changed through operations on the ground.

Due to the implementation of European Regulations on borders in 2023, changes must be made to the arrival and departure systems at the terminal. A single-storey extension was erected at the southern end of the terminal to meet these border requirements (Stand 6). This is a temporary location, but the building will be taken down and rebuilt in a new location.

The next major phases in the development of the terminal will be the expansion of the connection between the north and south buildings, on the one hand, and the continued increase in the number of aircraft stands to the east with Austurflugur, on the other.

The current pier will be widened and with a new and bright central space, a better connection will be created between the wings of the airport. Facilities for arriving passengers will be improved with better passport control, a new duty-free shop, and increased service areas. Design work is ongoing and will continue in 2024.

The development plan foresees an increase in the number of aircraft stands to the east in continuation of the east building. The eastern building can be said to be the first phase of the expansion, where the connections with the existing older structures are solved. This allows the number of aircraft stands at the airport to be increased in sensible phases, in accordance with the fleet plans of the largest customers.

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Runway Systems

The runway systems projects are intended to increase the capacity and safety of runways and eliminate bottlenecks that could form there. Mike is a new taxiway for aircraft and is about 1200m long and 35m wide. Construction was completed in 2023 and traffic was allowed on the first new taxiway at the airport since opening.

Design work has begun on the next taxiway project, which will be the Bravo taxiway, which will run parallel to the existing taxiway, November. The taxiway is primarily intended to facilitate the increased traffic of aircraft to and from the apron, which is due to the increase in the number of aircraft stands to the east.

Design has also begun on improved aircraft de-icing facilities. The facility will be in a special area, and with its inception, it will be possible to collect excess liquid that is generated during the de-icing of aircraft. In addition, there is an advantage in moving de-icing away from the terminal, as it reduces the waiting time of aircraft at the gate.

Access, Car Parks and Traffic System

A special Development Plan for the terminal forecourt was approved by Isavia's board in autumn 2022. The Development Plan takes into account the needs and improved passenger experience and income possibilities regarding a possible hotel, transportation and shopping and services outside the restricted area.

In order to meet the increased traffic of tourists through the airport, the number of long-term and short-term parking spaces for passengers will be increased, along with parking spaces for employees. It is planned to build two parking garages on four floors with a basement. The first one will be built on the west side of the terminal (on the current P1) and will be able to store around 1,800 cars. A parking garage north of the terminal is planned in accordance with the long-term development of the airport.

Digital Development

We work systematically on creating a digital platform for staff, customers and the airport community as a whole. The Digital Development Department initiates technological innovation with the aim of implementing digital solutions that maximise Isavia's profitability and improve the passenger experience.

Robotic Process Automation in Accounting

A digital workforce, or Robotic Process Automation (RPA) was implemented in accounting to automate the reconciliation of creditors and customers. With RPA automation, time-consuming manual handling is saved, which increases the efficiency of the workplace. Ahead is further analysis of time-consuming manual processes within Isavia that can be refined with RPA.

Self-Service Visitor Permits

The process for issuing visitor permits has been updated in order to simplify and automate the work that takes place when a visitor permit has to be issued into the aviation security restricted area at Keflavik Airport. In this new process, we are leveraging the interaction of RPA, automation in the Jira request system, and the staff of the permit issuance office, thereby simplifying the issuance of visitor permits. With the implementation of a new process, the issuance of visitor permits will be much more efficient and at the same time ensure greater security.

Data Processing and Integration

Two teams were established within system operations. On the one hand, a database team tasked with optimising our warehouse and database environment, advising stakeholders and consolidating data processing in a central location within Isavia. Around the same time, an integration team was established, which is intended to integrate different systems in a co-ordinated way. An integration solution, Sammi, was implemented and this solution has already proven its worth with the integration of the Autopay parking system with Navision and the HR system with learning management system, to name a few. These two new teams will in the coming months create great opportunities for better presentation of data and increased efficiency in operations.



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Construction at Domestic Airports

Every year we work on maintenance projects at Isavia’s domestic airports. These include runways, aprons and terminals, along with other buildings and service roads that the company operates and funds are provided for pursuant to the current Transport Plan. At all airports, regular maintenance and painting of runways was performed, renewal of meteorological equipment as well as mandatory checks and updates of approach procedures.

The largest project of the year was the construction of a new terminal and apron at Akureyri Airport. It is expected that the new apron will be put into use in January 2024, and that the new terminal will be ready in the summer of 2024, along with the renovation of the older terminal. A new terminal is going to greatly improve the service and experience of passengers and airlines at the airport.

Several necessary maintenance projects were also carried out at Reykjavík Airport, e.g. in the airport services facility. Airport fencing was renewed in sections along with local tarmac repairs on the aprons.

At Egilsstaðir Airport, preparations were being made for the design of an expansion of the apron as well as a new taxiway along the airport’s runway.

Other projects worth noting were the renewal of cladding at Vopnafjörður and Hornafjörður airports, and the renewal of approach equipment on runway 01/19 at Reykjavík Airport.

Work was done to renew the runway lights on Bildudalur and Norðfjörður airports. There is a large-scale project ahead, which revolves around renewing all runway lighting systems at domestic airports to LED.

At Reykjavík Airport, the approach lights on runway 13 are in the land-use plan, but the final design is being worked on.

Isavia ANS Improvement Project

Projects relating to the renewal of flight data systems of the Air Traffic Control Centre were continued. The first part of the Polaris system, which is designed by Tern Systems, a subsidiary of Isavia ANS and in collaboration with ANS, was put into use at Keflavik Tower and at Faxi approach services in the second half of 2022, and work continues on the next phase in the development of that system. In 2023, a new project manager was hired at Isavia ANS to lead a team whose main task is to renew the flight data system.

Reduced Target-to-Target Separation

In recent years, Isavia ANS has systematically worked to improve the equipment of air traffic controllers with the aim of increasing the quality and safety of the service. On 25 April 2023, Isavia ANS implemented a separation based on a new technology that allows air traffic controllers to apply a 15 nautical miles (NM) separation between aircraft in the Icelandic air traffic control area, subject to certain conditions regarding data communication, accuracy of navigation equipment and tracking equipment (ADS-B).

This is an experimental project that Isavia ANS implemented before other providers of air navigation services, and therefore parties on the international scene have followed the implementation closely. The project is intended to further improve service, as aircraft can fly at the most efficient altitudes at the most efficient speeds. This results in fuel savings, and subsequently, costs for airlines are reduced.

The IFPS Project

On 30 November, Isavia ANS implemented the Integrated Initial Flight Plan Processing System (IFPS) which is Eurocontrol’s flight plan processing system. With this, responsibility for the handling and distribution of IAF plans in the Icelandic air traffic control area was transferred to the Eurocontrol Network Manager (NM). The IFPS uses the centralised services of the Network Manager Operations Centre (NMOC) for the receipt, verification, processing and distribution of IFPs within the IFPS Zone (IFPZ). With IFPS implementation, we now meet ICAO requirements in the same way as other countries within Europe, and have a compatible user interface with European procedures, thus improving service. The project is the basis for continued co-operation with Eurocontrol and NMOC regarding statistics and flow management.

Cronos

An agreement was signed with LfV (Luftfarsverket) in Sweden in December 2018 for access to new software for Aeronautical Information Services (AIS). The implementation of system components has been ongoing since, i.e. for flight path design, charting, NOTAM, database and Aeronautical Information Publication (AIP) and on 23 March 2023, the implementation of the flight planning part of a system named Cronos began. With the implementation of Cronos, visual flight plans are now submitted electronically, and phone calls to the air traffic control towers with flight plans have therefore been abolished.



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Statement of use	Isavia has reported in accordance with the GRI Standards for the period 1. January - 31. December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI- G4 Airport Operators Sector Disclosure

GRI Standard	Disclosure	Location	Requirements fulfilled and if not, reason for omission	Explanation	UNGC	SDG
Almenn upplýsingagjöf						
GRI 2: General Disclosures 2021	2- 1 Organizational details	The Board of Directors and Corporate Governance Operations		The headquarters of Isavia ohf. are located at the Leifur Eiríksson Air Terminal, 235 Keflavík Airport. Isavia's main operations are in Iceland, but the group has companies operating in Greenland and Hungary.		
	2- 2 Entities included in the organization's sustainability reporting			Sustainability information in the report covers Isavia ohf. and its subsidiaries, unless otherwise stated. The company's consolidated accounts cover Isavia ohf. and its subsidiaries. In addition to Isavia ohf. the group consists of Isavia ANS ehf., Isavia Innanlandsflugvöllir ehf., Duty Free Store ehf. Subsidiaries of Isavia ANS ehf. are Tern Systems ehf. and Suluk ApS in Greenland. A subsidiary of Tern Systems ehf. is Tern Hungary.		
	2- 3 Reporting period, frequency and contact point			Isavia's annual report and consolidated financial statement cover the calendar year 2023. The date of publication of the Annual Report (Icelandic version) is 20 March 2023 and the report is published annually. For further information about the contents of the report sustainability@isavia.is .		
	2- 4 Restatements of information			- The company's carbon footprint recalculated as new coefficients have been issued, e.g. separation of electricity and hot water. Also adjusted for the carbon footprint of passengers' travel to and from. - Recycling rate adjusted and updated. Redefined to represent the correct classification as well as new data taken into account.		
	2- 5 External assurance	Material Aspects		The company's annual financial statements are audited by the National Audit Office. Independent consultant for Ábyrgar lausnir ehf. takes out the GRI content index of the annual report.		
	2- 6 Activities, value chain and other business relationships. Additionally, for airports: Catchment area for passengers and cargo originating in the vicinity of the airport, estimated number of employees in the reporting organization, size of airport, number and length of runways, stating whether they are primary or crosswind runways, minimum connection time between flights at the airport, number of operations, number of airlines served, and number of destinations served.	Operations Value Creation Procurement Customers Key Figures Consolidated Financial Statement				
	2- 7 Employees	Human Resources		We define Iceland as one area in our numbers. When presenting data that require breakdown of gender, the information is grouped by women or men. No employee is registered as genderqueer or otherwise in our information systems, although this possibility exists.	6	8

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GRI Standard	Disclosure	Location	Requirements fulfilled and if not, reason for omission	Explanation	UNGC	SDG	
GRI 2: General Disclosures 2021	2- 8 Workers who are not employees	Human Resources	Partially fulfilled. The figures include Mace employees who work as specialists at Isavia workplaces, but do not include those consultants who work regularly for Isavia and do not have workplaces at Isavia. Mace employed 19 men and 4 women part - time or full - time at the end of the year.		6		
	2- 9 Governance structure and composition	The Board of Directors and Corporate Governance Corporate Governance Statement			10	5	
	2- 10 Nomination and selection of the highest governance body	The Board of Directors and Corporate Governance				5	
	2- 11 Chair of the highest governance body	Corporate Governance Statement					
	2- 12 Role of the highest governance body in overseeing the management of impacts	The Board of Directors and Corporate Governance Strategy and Future Development Corporate Governance Statement					
	2- 13 Delegation of responsibility for managing impacts	Strategy and Future Development					
	2- 14 Role of the highest governance body in sustainability reporting	Strategy and Future Development		The CEO is the controller of the annual report.			
	2- 15 Conflicts of interest	The Board of Directors and Corporate Governance Corporate Governance Statement					
	2- 16 Communication of critical concerns	Rules of Procedure for the Board of Directors		The Rules of Procedure of the Board of Directors explain how major issues are communicated to the Board. Isavia makes public some of the matters submitted to the Board of Directors, such as interim and annual financial statements, but is otherwise bound by confidentiality regarding the matters under consideration.			
	2- 17 Collective knowledge of the highest governance body	Strategy and Future Development		Partially met – the Board of Directors discusses sustainability issues			
	2- 18 Evaluation of the performance of the highest governance body	The Board of Directors and Corporate Governance Corporate Governance Statement					
	2- 19 Remuneration policies	Remuneration Policy					
	2- 20 Process to determine remuneration	Rules of Procedure of the Isavia ohf. Remuneration Committee					
	2- 21 Annual total compensation ratio				The ratio of the total remuneration of the company's highest paid person to the median total remuneration of full - time employees is 4.50. The percentage decrease between 2021 and 2022 of the total remuneration of the highest paid person and the median total remuneration of full - time employees is - 0.45.		
	2- 22 Statement on sustainable development strategy	Introduction by CEO					
2- 23 Policy commitments	Strategy and Future Development						
2- 24 Embedding policy commitments	Strategy and Future Development						

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GRI 2: General Disclosures 2021	2- 25 Processes to remediate negative impacts	Strategy and Future Development Operations Material Aspects Quality of Life				
	2- 26 Mechanisms for seeking advice and raising concerns			The company ensures certain protection for employees who report criminal offences or other reprehensible conduct in their operations, in accordance with Act No. 40/2020, on the Protection of Whistleblowers. An employee who possesses information or data regarding violations of law or other reprehensible conduct in the group's operations must report such fact. A process has been put in place to make it easier for employees to communicate such information anonymously through the company's website.		
	2- 27 Compliance with laws and regulations			No judgments or penalties have been imposed on Isavia in 2023 due to environmental or socioeconomic issues.		
	2- 28 Membership associations			Airport Council International (ACI), American - Icelandic Chamber of Commerce, Borealis, co-operative forum for flight navigation service providers in North - West Europe, Civil Air Navigation Services Organisation (CANSO), Danish - Icelandic Chamber of Commerce, Festa, Icelandic Centre for Corporate Social Responsibility, French - Icelandic Chamber of Commerce, Eurocontrol, Mannauður, Association of Human Resources Managers, NAT- SPG, co-operative forum of States within the ICAO NAT Region, Nordic Initiative for Sustainable Aviation (NISA), Confederation of Icelandic Employers, Association of Reykjanes Employers, Icelandic Travel Industry Association, Ský, Association of IT people, Excellence Iceland (Stjórnvís), United Nations Global Compact.		
	2- 29 Approach to stakeholder engagement	Material Aspects				
	2- 30 Collective bargaining agreements	Human Resources				3

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Material topics						
GRI 3: Material Topics 2021	3- 1 Process to determine material topics	Material Aspects				
	3- 2 List of material topics	Material Aspects				
Economic performance						
GRI 3: Material Topics 2021	3- 3 Management of material topics	The Board of Directors and Corporate Governance Risk Management Strategy and Future Development Operations Value Creation Material Aspects				
GRI 201: Economic Performance 2016	201- 1 Direct economic value generated and distributed	Value Creation Consolidated Financial Statement				8
Indirect economic impacts						
GRI 3: Material Topics 2021	3- 3 Management of material topics	The Board of Directors and Corporate Governance Risk Management Strategy and Future Development Operations Value Creation Material Aspects				
GRI 203: Indirect Economic Impacts 2016	203- 1 Infrastructure investments and services supported. Additionally, for airports: Relevance to the airport sector because of high impact on local economies	Strategy and Future Development Value Creation				
	203- 2 Significant indirect economic impacts	Strategy and Future Development Value Creation				8
Procurement practices						
GRI 3: Material Topics 2021	3- 3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Procurement				
GRI 204: Procurement Practices 2016	204- 1 Proportion of spending on local suppliers	Procurement		We define Iceland as one area in our numbers.		8,12

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Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Climate Issues				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Climate Issues			7,8	8,12
	302-2 Energy consumption outside of the organization	Climate Issues			8	8,12
	302-4 Reduction of energy consumption Additionally, for airports: Important for airports to share sectoral best practice	Climate Issues			8,9	13
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Material Aspects Resource Efficiency				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Resource Efficiency				
	303-2 Management of water discharge - related impacts	Resource Efficiency				
	303-3 Water withdrawal	Resource Efficiency				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Quality of Life				
GRI 304: Biodiversity 2016	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			On Isavia's home page you can find information on the species of animals that have been seen at Isavia airports.		
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Climate Issues Quality of Life				

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GRI Standard	Disclosure	Location	Requirements fulfilled and if not, reason for omission	Explanation	UNGC	SDG
GRI 305: Emissions 2016	305- 1 Direct (Scope 1) GHG emissions	Climate Issues			7,8	13
	305- 2 Energy indirect (Scope 2) GHG emissions	Climate Issues			7,8	13
	305- 3 Other indirect (Scope 3) GHG emissions	Climate Issues			7,8	13
	305- 4 GHG emissions intensity	Climate Issues			8	13
	305- 5 Reduction of GHG emissions Additionally, for airports: Reference to ACI- ACA Airport Carbon Accreditation Program	Climate Issues				8,9
	305- 7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Quality of Life			7,8	13
Waste						
GRI 3: Material Topics 2021	3- 3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Resource Efficiency				
GRI 306: Effluents and waste 2016	306- 3 Significant spills	Resource Efficiency			8	12
GRI 306: Waste 2020	306- 1 Waste generation and significant waste- related impacts	Resource Efficiency			8	12
	306- 2 Management of significant waste- related impacts	Resource Efficiency			8	12
	306- 3 Waste generated Additionally, for airports: Report on the weight of waste from international flights	Resource Efficiency			8	12
Employment						
GRI 3: Material Topics 2021	3- 3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Human Resources				
GRI 401: Employment 2016	401- 1 New employee hires and employee turnover	Human Resources		Staff turnover in 2023 was 15% (17% in 2022).	6	5,8
	401- 3 Parental leave	Human Resources	The total number of staff taking parental leave during the year was 77 (35 women and 42 men). The total number of staff returning from maternity leave was 77 (35 women and 42 men). Data on the total number of staff who returned from maternity leave and were still employed 12 months later are not available.		6	5,8

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Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Quality of Life Human Resources Training and Education Safety and Security				
GRI 403: Occupational Health and Safety 2018	403- 1 Occupational health and safety management system	Human Resources Safety and Security			3,8	
	403- 2 Hazard identification, risk assessment, and incident investigation	Safety and Security			8	
	403- 3 Occupational health services	Human Resources Safety and Security			8	
	403- 4 Worker participation, consultation, and communication on occupational health and safety	Safety and Security			8	
	403- 5 Worker training on occupational health and safety	Training and Education Safety and Security			8	
	403- 6 Promotion of worker health	Human Resources Safety and Security			3	
	403- 7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety and Security				
	403- 8 Workers covered by an occupational health and safety management system	Human Resources Safety and Security	Partially met - missing data		8	
	403- 9 Work-related injuries	Safety and Security	Partially met - missing data			
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Human Resources Training and Education				
GRI 404: Training and Education 2016	404- 1 Average hours of training per year per employee	Training and Education			6	8
	404- 2 Programs for upgrading employee skills and transition assistance programs	Training and Education			6	8
	404- 3 Percentage of employees receiving regular performance and career development reviews	Human Resources			6	8

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Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Mikilvægir þættir Human Resources				
GRI 405: Diversity and Equal Opportunity 2016	405- 1 Diversity of governance bodies and employees	Human Resources	Partially met. Item b is not classified by job title only age		6	5,8
	405- 2 Ratio of basic salary and remuneration of women to men	Human Resources			6	5,8 10
Non- discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Human Resources				
GRI 406: Non-discrimination 2016	406- 1 Incidents of discrimination and corrective actions taken	Human Resources		In 2023, 11 issues were reported concerning the company's policies and regulations on social environment and psychosocial aspects. After further investigation, there were two cases involving bullying, three cases involving sexual harassment and six involving unwanted communication. All the cases ended in a settlement between the parties. No reports were received where Isavia was deemed to have been discriminatory.	6	5,8
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Human Resources Procurement				
GRI 409: Forced or Compulsory Labor 2016	409- 1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Procurement Supplier Code of Conduct			4	8,12
Human Rights						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Human Resources Procurement				
GRI 412: Human Rights Assessment	412- 3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Procurement Supplier Code of Conduct			2	12

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GRI Standard	Disclosure	Location	Requirements fulfilled and if not, reason for omission	Explanation	UNGC	SDG
Local communities						
GRI 3: Material Topics 2021	3- 3 Management of material topics	Strategy and Future Development Value Creation Material Aspects Quality of Life Development and Expansion				
GRI 413: Local Communities 2016	413- 1 Operations with local community engagement, impact assessments, and development programs	Strategy and Future Development Value Creation Development and Expansion			1	17
	413- 2 Operations with significant actual and potential negative impacts on local communities	Strategy and Future Development Value Creation Development and Expansion			1	
Customer privacy						
GRI 3: Material Topics 2021	3- 3 Management of material topics	Strategy and Future Development Material Aspects Safety and Security				
GRI 418: Customer Privacy 2016	418- 1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Safety and Security				
GRI- G4 Airport Operators Sector Disclosure						
GRI A01	Total number of passengers annually, broken down by passengers on international and domestic flights and broken down by origin and destination and transfer, including transit passengers	Key Figures Operations				
GRI A02	Annual total number of aircraft movements by day and by night, broken down by commercial cargo, general aviation and state aviation flights	Key Figures Operations		Total number of movements not broken down by time of day.		
GRI A03	Total amount of cargo tonnage	Key Figures Operations				
GRI A04	Quality of storm water by applicable regulatory standards	Resource Efficiency		Partially met - missing data		
GRI A05	Ambient air quality levels according to pollutant concentrations in microgram per m3 or parts per million (ppm) by regulatory regime	Quality of Life				13
GRI A06	Aircraft and pavement de- icing /anti- icing fluid used and treated by m3 and/or tonnes	Resource Efficiency				12,13
GRI A07	Number and percentage change of people residing in areas affected by noise			Quality of Life		
GRI A08	Number of persons physically or economically displaced, either voluntarily or involuntarily, by the airport operator or on its behalf by governmental or other entity, and compensation provided				No such cases reported	
GRI A09	Total annual number of wildlife strikes per 10.000 aircraft movements	Quality of Life				

Consolidated Financial Statements 2023



Isavia ohf.

Consolidated Financial Statements

2023

These consolidated financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Isavia ohf.
Flugstöð Leifs Eiríkssonar
235 Keflavíkurflugvöllur
id.no. 550210-0370

Isavia ohf.

Consolidated Financial Statements

2023

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Statement by the Board of Directors and Managing Director

Isavia ohf. (“the consolidated company”) is a state-owned limited company and operates on the basis of Act No. 2/1995 on limited companies. Its domicile is at Flugstöð Leifs Eiríkssonar at Keflavíkflugvöllur but its venue is in Hafnarfjörður.

The purpose of the Isavia Group is aviation-related service activities and the operation and development of the country's airports. The Consolidated Financial Statements of Isavia ohf. includes, in addition to the parent company, the subsidiaries Isavia ANS ehf., Isavia Innanlandsflugvellir ehf. and Fríhöfnin ehf. Isavia ANS ehf. owns the subsidiaries Tern Systems ehf. and Suluk ApS and Tern Systems ehf. owns the subsidiary Tern Branch Hungary.

The consolidated accounts for 2023 are drawn up in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union as well as with supplementary requirements in the Annual Accounts Act. The Condensed Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the functional currency of the Consolidation. All amounts are in ISK thousands, unless stated otherwise.

Operations in 2023

According to the statement of income and expenditure of Isavia ohf., total operating income in 2023 amounted to ISK 45.058 million (2022: ISK 36.505 million). The gain for the year amounted to ISK 2.102 million (2022: ISK 617 million loss). The positive exchange rate difference amounted to ISK 180 million (2022: negative ISK 868 million). Wages and other staff costs amounted to ISK 21.975 million (2022: ISK 19.395 million), and the average number of staff in 2023 was 1.348 (2022: 1.247). The gender ratio among the staff and managers is 65% men and 35% women.

On December 31st 2023, the total assets of the consolidated group amounted to ISK 112.101 million (2022: ISK 94.278 million). Equity at the end of 2023 amounted to ISK 44.064 million (2022: ISK 41.962 million) and the equity ratio for the consolidated group was 39,3% at the end of the year (2022: 44,5%).

Attention is called to the write-down of claims, including the write-down due to the collapse of WOW air in 2019. Reference is made to note 15 to the annual accounts regarding this issue.

The Board of Directors proposes that ISK 145 million of the profit the year will be allocated into the statutory reserve. The remaining profit of the year will be transferred to retain earnings and reference is made to the financial statements concerning the allocation of profit and other changes in the consolidated equity.

We draw the attention to the auditors opinion which has been changed, as now only the Auditor General signs the auditors opinion but before the financial statements were also approved by a Certified Public Accountant which is an employee at the Icelandic National Audit Office. This changes does not impact amounts or notes in this financial statement.

Share capital

At the end of the year, the share capital amounted to ISK 24.559 million (2022: ISK 24.559 million). There was no share capital increase in 2023 (2022: ISK 6.000 million). The government is the sole owner of Isavia ohf. at the end of year 2023 as at the end of the year 2022.

The Group's Board of Directors proposes that no dividend be paid to the company's owner for the 2023 operating year.

Governance

The Board of Isavia has set operating rules for itself that, inter alia, define the main tasks and areas of competence of the Board and the CEO. The rules are accessible on the website of the company. The rules state, inter alia, that the Board of the company shall adhere to the guidelines on corporate governance issued by the Icelandic Chamber of Commerce, SA Association of Icelandic Enterprise and Nasdaq OMX Iceland.

In accordance with the above guidelines on good governance and the Annual Accounts Act, the Board of Isavia has prepared a statement of governance that can be accessed on the company's website as well as in Appendix I to the annual accounts.

The Board of Isavia consist of five board members, two women and three men. Therefore the gender ratio is in accordance with article 63 in laws number 2/1995 which require entities with more than 50 employees to ensure that gender ratio in the Board of Directors shall not be lower than 40% for either gender.

There are two committees operating, the audit committee and the emoluments committee. These committees are entrusted with the task of improving working practices in areas under the auspices of the Board, thus improving the efficacy of the work of Board members. For further information, see the website of the company and Appendix I.

Statement by the Board of Directors and Managing Director

Ownership policy

An owner's policy has been established for the subsidiaries of Isavia ohf., where an effort is made to clarify the responsibilities and roles of the owner, the company, the board and management in order to promote good governance and a clear strategy. In this way, the owner's policy is to ensure transparent, professional and efficient management of subsidiaries. Appendixes have also been made that state policies, rules and guidelines that are followed on a consolidated basis. These include human resources policy, sustainability policy, comprehensive risk management policy, code of conduct and handling of personal information, to name a few. The owner's policy together with an appendix is available on the company's website www.isavia.is.

Future prospects

Plans for the year 2024 assume continued growth in the income and performance of the Consolidation, along with increased activity in air traffic.

Recently, the board of the parent company decided to start work on outsourcing the operation of the duty free with the aim of finding ways to further increase Keflavík Airport's income from duty free operations. It is expected that the results of that work will be available in the last quarter of this year. There are interesting but challenging times ahead. The airline industry has always been sensitive to fluctuations in its external environment, and this is especially true now that climate change has become tangible with the associated uncertainty that comes with new rules and laws that can significantly increase costs or reduce the number of passengers.

The group's operations are extensive and complex in many respects. External changes, both foreseen and unforeseen, can increase the complexity of the operation and call for solutions that require imagination and energy from the companies' staff.

The board of directors and the CEO believes that the outlook for operations is strong that the company is well equipped to deal with the future increase in air traffic and passengers at the group's airports, together with the planned infrastructure development at Keflavík Airport in the coming years.

Social responsibility and non-financial information

Isavia's operations fall under requirements within Act on Annual Accounts regarding non-financial information. In addition, Isavia is required to comply with requirements in Act no. 25/2023 on information on sustainability in the field of financial services and classification system for sustainable investments. The law requires certain companies, including Isavia, to disclose the income, investment costs and operating costs that the company has and bears from environmentally sustainable assets.

Isavia's activities fall under the provisions of the Annual Accounts Act on non-financial disclosure. The Isavia group has a sustainability policy that states that the company has sustainability as its guiding principle in everything it does. The strategy is supported by five-year action plans valid until the end of 2026.

Isavia has supported the UN Global Compact since 2016. With this, the company commits itself to ensure that policy and practices are in line with the ten main principles of the United Nations on human rights, labour issues, environmental issues and anti-corruption measures. The company supports the United Nations' Global Goals for Sustainable Development and works systematically towards them.

The annual and community relations report of Isavia is issued according to an international standard of the Global Reporting Initiative (GRI) along with special provisions applying to airports. The report explains the points of emphasis, objectives, key criteria and the progress of Isavia towards reaching increased sustainability. Further information from the report on non-financial information is to be found in Appendix II.

Isavia turns in an annual and community report to the UN Global Compact and Global Reporting Initiative. The report is turned in for the eighth time in this manner. Further information on the non-financial issues of the company can be accessed in the annual and community report at isavia.is/fyrirtaekid/um-isavia/utgefif-efni/arsskyrslur.

Statement by the Board of Directors and Managing Director

The statement of the Board and Managing Director

According to the best of knowledge of the Board of Directors and CEO of Isavia ohf., the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, as applicable, additional requirements of the Act on Annual Accounts.

In the opinion of the Board and the Managing Director of Isavia ohf., the accounting rules of the company are appropriate and the consolidated accounts give a clear overview of the development and achievements of the company, its risk management and the main areas of uncertainty in its environment.

The Board and the Managing Director confirm, to the best of their knowledge, that the consolidated accounts give a true and fair view of the operating results of the consolidated group, its assets, liabilities and changes in liquidity in 2023.

The Board and Managing Director have reviewed and approved the consolidated annual accounts of the company for 2023 with their signatures and propose that the Annual General Meeting of the company approve the consolidated accounts.

Hafnarfjörður, March 13th 2024

Board of Directors

Kristján Þór Júlíusson
chairman of the Board

Hólmfríður Árnadóttir
board member

Hrólfur Ölvisson
board member

Jón Steindór Valdimarsson
board member

Nanna Margrét Gunnlaugsdóttir
board member

Managing Director

Sveinbjörn Indriðason

REPORT OF THE ICELANDIC NATIONAL AUDIT OFFICE

To the Board of Directors and Shareholders of Isavia ohf.

Opinion

The consolidated financial statements of Isavia ohf. for year ended December 31, 2023, are audited in accordance with Act no. 46/2016 on the Auditor General and the auditing of government accounts. The consolidated financial statements comprise the income statement, the balance sheet, the statement of changes in equity, statement of cash flows, notes to the financial statements including a summary of significant accounting policies.

It is the opinion of the Icelandic National Audit Office that the consolidated financial statements give a true and fair view of the financial position of Isavia ohf. as at December 31, 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Basis for opinion

The audit was conducted in accordance with International Standards on Auditing. The responsibilities under those standards are further described in the Auditor General's Responsibilities for the Audit of the Consolidated Financial Statements section of the Icelandic National Audit Office's report. The Auditor General is independent of Isavia ohf. and operates in accordance with Act no. 46/2016 on the Auditor General and the auditing of government accounts and with the code of conduct of the International Organization of Supreme Audit Institutions (INTOSAI). The Auditor General's office is "The Icelandic National Audit Office" and the Auditor General is in charge of the office. The Auditor General believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinion of the Icelandic National Audit Office on the consolidated financial statements.

Other information

It is the opinion of the Icelandic National Audit Office that the information given in the Statement by the Board of Directors and Managing Director complies with the provisions of paragraph 2 of article 104 of Act no. 3/2006 on the Icelandic Financial Statement.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for monitoring the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of the Auditor General are that reasonable assurance is obtained about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes the Icelandic National Audit Office's opinion on the Consolidated Financial Statements. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, professional judgement was exercised, and professional scepticism maintained throughout the audit. The Icelandic National Audit Office also:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT OF THE ICELANDIC NATIONAL AUDIT OFFICE

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtains an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If the audit concludes that a material uncertainty exists, the Icelandic National Audit Office is required to draw attention in the Icelandic National Audit Office's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. The conclusions of the Icelandic National Audit Office are based on the audit evidence obtained up to the date of its report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluates the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. The Icelandic National Audit Office is responsible for the direction, supervision, and performance of the group audit. The Icelandic National Audit Office remains solely responsible for the audit opinion it gives.

The Icelandic National Audit Office communicates with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

The Icelandic National Audit Office,
March 13th, 2024

Guðmundur Björgvin Helgason
Auditor General

Consolidated Income statement and other comprehensive income for the year 2023

	Notes	Consolidation	
		2023	2022
Operating revenues	4	45.057.963	36.505.496
Operating expenses			
Cost of goods sold		(7.569.152)	(5.949.952)
Salaries and related expenses	5	(21.975.018)	(19.394.692)
Administrative expenses		(742.560)	(586.764)
Other operating expenses		(6.625.806)	(5.409.159)
		<u>(36.912.536)</u>	<u>(31.340.568)</u>
Operating gain before depreciation		8.145.427	5.164.929
Depreciation and amortization	9,10,11	(4.138.991)	(3.931.571)
Operating gain		<u>4.006.436</u>	<u>1.233.358</u>
Financial income	7	1.184.228	386.894
Financial expenses	7	(2.665.589)	(1.561.140)
Net exchange rate differences	7	179.716	(867.962)
Gain (loss) before taxes		<u>2.704.792</u>	<u>(808.850)</u>
Income tax	8	(602.863)	191.477
Gain (loss) and other comprehensive income for the year		<u><u>2.101.928</u></u>	<u><u>(617.373)</u></u>

Consolidated Statements of Financial Position December 31st 2023

Assets	Notes	Consolidation	
		31.12.2023	31.12.2022
Non-current assets			
Property, plant and equipment	9	84.111.674	71.304.316
Intangible assets	10	3.787.878	4.034.412
Right of use asset	11	277.088	289.041
Shares in other companies		5.000	5.000
Bonds and other long term receivables	13	1.002.225	1.499.630
Deferred tax asset	18	771.731	1.370.781
		<u>89.955.597</u>	<u>78.503.180</u>
Current assets			
Inventories	14	722.765	581.817
Accounts receivables	15	3.417.784	3.413.079
Current maturities of long-term receivables	13	500.269	498.865
Other receivables	15	1.990.323	1.785.732
Cash and cash equivalents	15	15.513.769	9.494.864
		<u>22.144.910</u>	<u>15.774.357</u>
Total assets		<u>112.100.506</u>	<u>94.277.537</u>
Equity and liabilities			
Equity			
Share capital	16	24.559.063	24.559.063
Statutory reserves		2.629.177	2.483.798
Revaluation reserves		37.065	38.389
Retained earnings		16.838.913	14.880.906
Total equity		<u>44.064.218</u>	<u>41.962.156</u>
Non-current liabilities			
Loans from credit institutions	17	55.928.043	42.372.010
Lease agreements	11	162.014	194.284
		<u>56.090.056</u>	<u>42.566.294</u>
Current liabilities			
Accounts payable	19	6.391.894	4.705.041
Current maturities of loans from credit institutions	17	1.232.193	1.758.655
Current maturities of lease agreements	11	128.608	108.594
Current tax liabilities	8	2.821	749
Other current liabilities	19	4.190.716	3.176.049
		<u>11.946.232</u>	<u>9.749.087</u>
Liabilities		<u>68.036.288</u>	<u>52.315.381</u>
Total equity and liabilities		<u>112.100.506</u>	<u>94.277.537</u>

Consolidated Statement of Changes in Equity 2023

	Share Capital	Statutory reserves	Revaluation reserves	Retained earnings	Total Equity
Opening balance at January 1st 2022	18.559.063	2.483.798	39.712	15.496.253	36.578.827
New share capital	6.000.000	0	0	0	6.000.000
Depreciation of revaluation	0	0	(1.324)	1.324	0
Translation differences	0	0	0	702	702
Comprehensive income	0	0	0	(617.373)	(617.373)
Balance at December 31st 2022	<u>24.559.063</u>	<u>2.483.798</u>	<u>38.389</u>	<u>14.880.906</u>	<u>41.962.156</u>
Opening balance at January 1st 2023	24.559.063	2.483.798	38.389	14.880.906	41.962.156
Allocation to the statutory reserve	0	145.379	0	(145.379)	0
Depreciation of revaluation	0	0	(1.324)	1.324	0
Translation difference	0	0	0	133	133
Comprehensive income	0	0	0	2.101.928	2.101.928
Balance at December 31st 2023	<u>24.559.063</u>	<u>2.629.177</u>	<u>37.065</u>	<u>16.838.913</u>	<u>44.064.218</u>

No dividends were paid to shareholders for the year. Share capital has been fully paid. See note 16 for further information.

Consolidated Statement of Cash Flows 2023

		Consolidation	
	Notes	2023	2022
Cash flows from operating activities			
Operating gain (loss)		4.006.436	1.233.358
Depreciation and amortization	9,10,11	4.138.991	3.931.571
Accounting provision of current assets	14,15	36.010	19.007
Gain on disposal of assets		(2.571)	(3.973)
Operating cash flow before changes in operating assets and liabilities		8.178.866	5.179.963
Changes in inventories		(144.274)	(173.200)
Changes in operating assets		105.263	(631.154)
Changes in operating liabilities		3.307.846	1.946.719
Cash generated from operations		11.447.701	6.322.328
Interest income received		1.188.567	382.591
Interest expenses paid		(2.134.206)	(1.608.479)
Income taxes paid		0	(346)
Net cash generated from operating activities		10.502.062	5.096.094
Investing activities			
Acquisition of property, plant and equipment	9	(16.502.344)	(15.087.512)
Sale of property, plant and equipment		8.336	14.809
Acquisition of intangible assets	10	(82.702)	(98.351)
Acquisition of shares in other companies		0	(5.000)
Instalments on bonds	13	13.475	42.270
Long term claim Joint Finance contract, change	13	487.950	487.950
Investing activities		(16.075.285)	(14.645.832)
Financing activities			
New long-term borrowing	17	34.182.500	0
Repayment of borrowings	17	(21.246.270)	(1.365.184)
Instalments of leases	11	(118.920)	(94.506)
Current liabilities, finance of construction plan, change	19	(1.408.280)	(269.195)
New share capital	16	0	6.000.000
Financing activities		11.409.030	4.271.116
Net change in cash and cash equivalents		5.835.807	(5.278.623)
Cash and cash equivalents at the beginning of the year		9.494.864	14.682.766
Effect of foreign exchange rates		183.098	90.721
Cash and cash equivalents at the end of the year	15	15.513.769	9.494.864
Financing activities not affecting cash flows			
New long-term borrowing	17	0	14.136.409
Payment of long-term loans with new long-term loans	17	0	(14.136.409)
		0	0

Notes

1. General information

Isavia ohf. (the Consolidation) was established in the beginning of 2010 with a merger between Flugstodir ohf. and Keflavíkflugvöllur ohf. Isavia ohf. is a government owned private limited Company and complies with the Icelandic limited companies law No. 2/1995. The Company's domicile is at Flugstöð Leifs Eiríkssonar at Keflavíkflugvöllur but its venue is in Hafnarfjörður.

Isavia, along with its subsidiaries, operates and maintains all airports in Iceland, and it also operates air traffic control in the Icelandic aviation area.

The Consolidated Financial Statements of Isavia ohf. consist of the Parent Company and its subsidiaries. Companies within the consolidation are in addition to Isavia ohf., Isavia ANS ehf., Isavia Innanlandsflugvellir ehf., Fríhöfnin ehf., Tern Systems ehf., Tern Branch Hungary and Suluk ApS in Greenland.

2. Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the European Union by the end of the year 2023, new and revised and additional requirements in the Annual Accounts Act. The Consolidated Financial Statements are prepared on the basis of cost, except certain fixed assets are valued according to the revaluation method. The Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the functional currency of the Company. All amounts are in ISK thousands, unless stated otherwise.

No new accounting standards took place in year 2023. The Consolidation implemented few changes in older accounting standards, but those changes does not have significant impact on the Consolidations financial statements.

3. Use of estimated and judgements

The preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The assessment and conclusions are based on experience and various other factors that are considered relevant and form the basis of the decisions made on the book value of assets and liabilities that are not otherwise available. Actual value may differ from management's estimates. Accounting estimate consists of an assessment of the life of assets and allowance for doubtful accounts of the trade receivables and inventories, see note no. 9, 10, 14 and 15.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

4. Operating revenues

The consolidated composition of revenues, is specified as follows

	2023	2022
Revenue from sales	14.590.032	12.246.723
Revenue from services	22.368.023	17.950.760
Revenue from contracts	2.436.000	2.015.200
Revenue from long-term assets	5.663.908	4.292.813
	<u>45.057.963</u>	<u>36.505.496</u>

Revenue from long term assets consist of revenues of real estates, land and equipment. Within revenues from long term assets are rental revenues that fall partly under IFRS 16 Leases. Other revenues above are within IFRS 15 Revenues from contracts with customers. Further description of nature of revenues and timing of the consolidation's revenues can be found in Note 27.

Revenue from the contracts is due to an agreement with the Ministry of Infrastructure for the operation of airports and air navigation services at domestic airports. Revenue in 2023 amounted to ISK 2.436 million. In 2022 the revenue amounted ISK 2.015 million.

Notes

5. Salaries and related expenses

	2023	2022
Salaries	17.558.212	15.219.117
Contribution to defined contribution plans	2.653.172	2.345.826
Social security contribution	1.267.712	1.102.900
Other salary-related expenses	325.221	280.457
Additional contribution to pension fund and changes in vacation obligation	373.960	379.303
Capitalized employment expenses	(1.094.303)	(770.617)
Other employee expenses	891.044	837.708
	<u>21.975.018</u>	<u>19.394.692</u>
Average number of employees	1.348	1.247

Total salaries and pension fund contribution for the CEO of Isavia ohf. for the year 2023 amounted to ISK 55 million, compared to ISK 55 million in 2022. In 2023, total payments and the pension fund contribution to the four Directors of the consolidated group, the Directors of subsidiaries and Directors of the parent company amounted to ISK 349 million, compared to ISK 339 million the year before.

6. Fees to auditors

	2023		2022	
	Audit	Other service	Audit	Other service
The Icelandic National Audit office	35.867	0	43.013	0
	<u>35.867</u>	<u>0</u>	<u>43.013</u>	<u>0</u>

Other services include the cost of accounting, tax service and assistance on tax return. In year 2022 and 2023, this service was purchased by a third party that is independent of the company's auditor.

7. Financial income and expenses

Financial income

	2023	2022
Interest income on cash and cash equivalents	863.911	310.725
Interest income on Bonds and other long term receivables	4.619	7.381
Interest income on Joint Finance contract	292.357	68.301
Other interest income	23.342	487
	<u>1.184.228</u>	<u>386.894</u>

Financial expenses

	2023	2022
Interest expense and indexation	(2.494.552)	(1.396.017)
Other interest expense	(171.036)	(165.123)
	<u>(2.665.589)</u>	<u>(1.561.140)</u>

Net exchange rate differences

	2023	2022
Net exchange rate differences	179.716	(867.962)
	<u>179.716</u>	<u>(867.962)</u>

Notes

8. Income tax

Income tax has been calculated and recorded in the consolidated Financial Statements, the amount charged in the Income Statement is ISK 603 million. Income tax payable in the year 2024 is about ISK 2.8 million due to foreign subsidiaries. In year 2022 income tax charged in the Income Statement was ISK 191 million and income tax payable in year 2023 was ISK 749 thousand.

The effective tax rate is specified as follows:

	2023		2022	
	Amount	%	Amount	%
Profit before taxes	2.704.792		(808.850)	
Tax rate	(540.958)	(20,0%)	161.770	20,0%
Other changes	(61.905)	(2,3%)	29.707	3,7%
Income tax according to Income statement	(602.863)	(22,3%)	191.477	23,7%

9. Property, plant and equipment

	Buildings and artwork	Aprons and car parks	Control systems	Other assets	Total
Cost					
Balance at January 1st 2022	40.209.619	22.862.265	2.744.931	16.058.597	81.875.413
Reclassification	0	(1.082.652)	656.046	955.986	529.380
Additions	7.434.845	4.554.959	68.481	3.029.227	15.087.512
Disposals	(19.794)	0	(156.148)	(1.210.148)	(1.386.089)
Sold	0	0	0	(35.711)	(35.711)
Balance at January 1st 2023	47.624.670	26.334.572	3.313.311	18.797.952	96.070.505
Reclassification	0	0	0	15.858	15.858
Additions	10.119.969	2.830.876	56.027	3.495.473	16.502.344
Disposals	(29.763)	(194.584)	(244.443)	(522.749)	(991.539)
Sold	0	0	0	(29.377)	(29.377)
Balance at December 31st 2023	57.714.876	28.970.864	3.124.895	21.757.156	111.567.791
Accumulated depreciation					
Balance at January 1st 2022	9.581.911	5.131.971	1.264.559	6.260.093	22.238.535
Reclassification	0	(1.082.652)	656.046	955.986	529.380
Depreciation for the year	1.093.674	805.256	284.310	1.225.949	3.409.189
Disposals	(19.794)	0	(156.148)	(1.210.148)	(1.386.089)
Sold	0	0	0	(24.828)	(24.828)
Balance at January 1st 2023	10.655.791	4.854.576	2.048.768	7.207.054	24.766.188
Reclassification	0	0	0	15.858	15.858
Depreciation for the year	1.132.274	1.035.430	267.241	1.254.277	3.689.223
Disposals	(29.763)	(194.584)	(244.443)	(522.749)	(991.539)
Sold	0	0	0	(23.614)	(23.614)
Balance at December 31st 2023	11.758.302	5.695.422	2.071.567	7.930.825	27.456.117
Book value					
Book value beginning of year 2023	36.968.879	21.479.996	1.264.543	11.590.898	71.304.316
Book value at year-end 2023	45.956.573	23.275.442	1.053.328	13.826.331	84.111.674

Estimated useful lives of fixed assets are as follows:

Buildings and artwork	0-100 years		
Aprons and car parks		5-50 years	
Fixtures and machinery			3-20 years
Other assets			3-70 years

Notes

9. Property, plant and equipment (continued)

Construction is underway at Leif Eiriksson Airport due to expansion of the terminal and changes in spaces as well as construction in the airport area. In the year 2023, construction and other investments for around ISK 15.643 million were capitalized by the parent company (2022: ISK 14.637 million). Other investments in subsidiaries of Isavia ohf. amounted to ISK 859,4 million during the year (2022: ISK 450,5 million). In the future, there is ongoing construction due to the expansion of the terminal and changes in spaces, as well as ongoing construction in the airport area. On December 31st 2023, there were non-financial obligations due to contracts that belong to the projects ahead, and the obligation amounts to ISK 12.873 million (2022: ISK 10.011 million) at the parent company.

	2023	2022
Depreciation:		
Depreciation of property, plant and equipment see here above	3.689.223	3.409.189
Depreciation of intangible assets according to note 10	329.233	419.538
Depreciation of right-of-use assets according to note 11	120.534	102.844
	<u>4.138.991</u>	<u>3.931.571</u>

Information about the revalued properties in year-end:

	31.12.2023	31.12.2022
Revalued book value	94.727	97.723
Impact of the special revaluation	(45.197)	(46.812)
Book value without impact of revaluation	<u>49.530</u>	<u>50.912</u>

The assessment- and insurance value for the Consolidation's assets is itemized as the following:

	2023		2022	
	Official real estate value	Insurance value	Official real estate value	Insurance value
Buildings and sites	40.156.351	85.649.485	35.168.677	65.210.880
Machinery and equipment, asset insurances		31.681.515		28.595.986
Other insurances		6.050.104		3.698.592
Halt insurance		13.017.555		8.005.102

Isavia ohf. and subsidiaries have common insurances.

10. Intangible assets and amortization

Consolidation	Usage agreement on facilities	Usage agreement on runways	Software and development cost	Total
Cost				
Balance at January 1st 2022	477.035	5.706.000	1.452.253	7.635.288
Additions	0	0	98.351	98.351
Disposals	0	0	(285.015)	(285.015)
Balance at January 1st 2023	477.035	5.706.000	1.265.589	7.448.624
Reclassification	0	0	(2)	(2)
Additions	0	0	82.702	82.702
Disposals	0	0	(36.452)	(36.452)
Balance at December 31st 2023	477.035	5.706.000	1.311.836	7.494.871
Depreciation				
Balance at January 1st 2022	206.752	2.473.036	599.901	3.279.689
Depreciation during the year	15.899	190.174	213.464	419.538
Disposals	0	0	(285.015)	(285.015)
Balance at January 1st 2023	222.651	2.663.211	528.350	3.414.212
Depreciation during the year	15.899	190.174	123.160	329.233
Disposals	0	0	(36.452)	(36.452)
Balance at December 31st 2023	238.550	2.853.385	615.058	3.706.993
Book value				
Book value at beginning of year 2023	254.384	3.042.789	737.238	4.034.412
Book value at year-end 2023	<u>238.485</u>	<u>2.852.615</u>	<u>696.778</u>	<u>3.787.878</u>
Depreciation rate	3,3%	3,3%	5-33%	

Notes

10. Intangible assets and amortization (continued)

According to an agreement between Keflavik International Airport ohf., now Isavia ohf. and The Icelandic Defence Agency, now the Icelandic Coast Guard, signed on April 22nd, 2009, the Consolidation would take over certain NATO inventory airport facilities and equipment at Keflavik from the beginning of 2009 for the next 30 years. No fees will be charged for the usage, but the Consolidation must cover all costs of daily operations and maintenance expenses, to ensure the conditions are in accordance with the regulated standards by The International Civil Aviation Organization. On behalf of NATO inventory, the Icelandic Coast Guard has the right to use these facilities of which the usage rights are recognized proportionately over the lease term.

11. Leases agreements

The group leases real estate and plots of land for its operations that fall under the accounting standard IFRS 16 Leases. The contractual rental period for real estate is 5 to 6 years plus one indefinite contract. The group's largest lease agreement, with the exception of an open-ended agreement, is for office space that expires after 2 years from the reporting date. The company has a pre-lease right for 5 years after the end of the contract period. The open-ended real estate contract has a 6-month notice period on both sides. The contractual lease period for land is between 44 and 48 years.

The following tables show, among other things, an analysis of the underlying asset classes of contractual lease payments where the company is the lessee.

Right-of-use assets	Property and land
Carrying amount at January 1st 2022	361.213
Adjustments for indexed leases	30.672
Depreciation	(102.844)
Balance at January 1st 2023	289.041
Adjustments for indexed leases	20.281
New or renewed leases	88.301
Depreciation	(120.534)
Carrying amount at December 31st 2023	277.088

Amounts recognised in income statement

	2023	2022
Depreciation expense from right-of-use assets	120.534	102.844
Interest expense on lease liabilities	13.693	15.644
Total amount recognised in income statement	134.227	118.488

Payment of leases for the year	131.701	114.767
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Lease liabilities

Lease liabilities, long-term	162.014	194.284
Lease liabilities, current maturities next 12 months among current liabilities	128.608	108.594
	290.621	302.878

Lease liabilities

Maturity analysis, undiscounted lease payments	31.12.2023	31.12.2022
Less than 1 year	139.291	120.004
Later than 1 year and not later than 5 years	126.659	164.203
Later than 5 year	87.982	85.270
	353.932	369.476

Notes

12. The Consolidation

The Consolidated Financial Statements of Isavia ohf. consists of the following subsidiaries:

	Ownership	Nominal amount	Principal activity
Shares in subsidiaries are as follows:			
Subsidiaries of Isavia ohf.			
Frihöfnin ehf., Keflavik Airport	100,00%	50.000	Retail and commerce
Isavia ANS ehf., Reykjavik Airport	100,00%	310.500	Air traffic control services
Isavia Innanlandsflugvöllir ehf., Reykjavik Airport	100,00%	52.350	Domestic airport operations
Subsidiaries of Isavia ANS ehf.			
Suluk ApS, Greenland	100,00%	1.999	Services of air traffic controllers
Tern Systems ehf., Kopavogur	100,00%	80.000	Software and consulting
Subsidiary of Tern Systems ehf.			
Tern Branch Hungary, Hungary	100,00%	16.877	Software and consulting

13. Bonds and other long term receivable

Bonds	31.12.2023	31.12.2022
Bond loan	38.643	46.693
Current maturities	(12.318)	(10.914)
	<u>26.324</u>	<u>35.779</u>
 Long term receivable	 31.12.2023	 31.12.2022
Long-term assets - Joint Finance contract	1.463.851	1.951.802
Current maturities	(487.950)	(487.950)
	<u>975.901</u>	<u>1.463.851</u>
 Total amount of bonds and other long term assets	 1.002.225	 1.499.630
Bonds and long-term assets instalments are specified as follows:		
	31.12.2023	31.12.2022
Year 2023	0	498.865
Year 2024	500.269	499.356
Year 2025	500.823	499.869
Year 2026	501.402	500.405
	<u>1.502.494</u>	<u>1.998.494</u>

There is an insignificant difference between the fair value and the book value of financial assets in the management's opinion.

14. Inventories

	31.12.2023	31.12.2022
Goods for resale	663.216	555.181
Goods in transit	66.738	30.499
Allowance for old and obsolete inventory	(7.189)	(3.863)
	<u>722.765</u>	<u>581.817</u>
Changes in allowance for old and obsolete inventory:		
At the beginning of the year	(3.863)	(6.126)
Change in the write-off for old and obsolete inventory	(37.122)	(18.945)
Inventories written off	33.797	21.208
At year-end	<u>(7.189)</u>	<u>(3.863)</u>
 Insurance value of inventories	 857.641	 783.883

No inventories have been pledged at year-end.

The Consolidation's plan is to sell all of its inventories in next 12 months.

Notes

15. Other financial assets

Accounts receivables

	31.12.2023	31.12.2022
Domestic account receivables	5.147.913	4.278.486
Foreign account receivables	578.570	607.138
Allowances for doubtful accounts	(2.308.698)	(2.276.014)
Receivables Joint Finance contract	0	803.469
	3.417.784	3.413.079

Allowance for doubtful accounts

Changes in the allowance for doubtful accounts:

	31.12.2023	31.12.2022
At the beginning of the year	(2.276.014)	(2.254.744)
Change in the write off of receivables	(65.638)	(23.821)
Amounts written off as uncollectable	32.954	2.551
At year-end	(2.308.698)	(2.276.014)

Allowance has been made for doubtful accounts. This allowance is based on management's estimates, previous year's experience and economic outlook at the reporting date.

Valuation of allowance for doubtful accounts in the year end 2023 in accordance with IFRS 9 is following:

The Consolidation assesses the allowance for doubtful accounts based on the likelihood of default occurring any time during the life of the receivables. Accounts receivables are divided into age groups and impairment loss estimated for each age group that is based on experience of previous years, management estimates and future prospects in the client's economic environment. It is the opinion of the Consolidation's management that the carrying amount of accounts receivables and other receivables reflects their fair value.

The Consolidation is of the opinion that objective evidence of impairment is present if the information from the Consolidation or outside parties indicate that the debtor is in financial difficulties or if receivables are more than 90 days past due.

On March 28, 2019, Isavia exercised its authority to ground an aircraft operated by WOW air due to unpaid user fees for the operation of the airline at Keflavík Airport. The owner of the aircraft filed a lawsuit before the Reykjanes District Court, which overturned the grounding of the aircraft, despite clear provisions of law authorizing the suspension in the company's opinion. Due to this ruling of the Reykjanes District Court, it was considered appropriate to write down a fee claim in the amount of ISK 2.129 million in the group's books, despite the group's opinion that this was a wrong ruling.

Isavia sued the aircraft owner and the Treasury for damages caused by the installation. The District Court's judgment of December 22nd 2021 (Case E-1085/2020) agreed to all of Isavia's claims in addition to the payment of legal costs. With the rule of the National Court on May 12 2023, ALC and the Treasury were acquitted of Isavia's claims. The supreme court of Iceland formal hearing will be on April 8th 2024.

Age analysis and allowance for doubtful accounts for domestic and foreign account receivables were as follows.

Days past due date	31.12.2023			
	Expected loss	Gross amount	Allowance	Book value
Receivables not yet due	0,1%	2.519.416	2.425	2.516.991
1-90 days	3,1%	746.998	23.467	723.531
91-180 days	10,0%	67.337	6.734	60.604
181-270 days	44,3%	47.904	21.207	26.697
> 271 days	96,2%	2.344.827	2.254.865	89.962
Total		5.726.482	2.308.698	3.417.784

Days past due date	31.12.2022			
	Expected loss	Gross amount	Allowance	Book value
Receivables not yet due	0,2%	2.154.555	5.045	2.149.510
1-90 days	9,5%	327.208	31.062	296.145
91-180 days	10,0%	88.954	8.901	80.053
181-270 days	30,0%	28.455	8.537	19.919
> 271 days	97,2%	2.286.452	2.222.469	63.983
Total		4.885.624	2.276.014	2.609.610

Notes

15. Other financial assets (continued)

Other receivables

	31.12.2023	31.12.2022
Value added tax	838.283	879.485
Prepaid expenses	241.857	143.183
Capital income tax	191.994	69.717
Prepaid salaries	26.799	34.442
Other receivables	691.390	658.904
	<u>1.990.323</u>	<u>1.785.732</u>

Cash and cash equivalents

The Consolidation's cash and cash equivalent consist of cash and bank balances.

	31.12.2023	31.12.2022
Bank deposits in ISK	9.547.496	8.172.569
Bank deposits in foreign currencies	5.963.903	1.318.940
Cash at hand in ISK	2.370	3.355
	<u>15.513.769</u>	<u>9.494.864</u>

16. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	<u>24.559.063</u>	<u>100,0%</u>	<u>24.559.063</u>
	24.559.063	100,0%	24.559.063

Each share of one ISK carries one vote. The Minister of Finance carries the voting rights on behalf of the Icelandic Treasury. All shares have been paid in full.

Statutory reserves

Funds are allocated to a lawfully required reserve fund in accordance with Icelandic laws on limited companies. The payment of a lawfully required reserve fund to shareholders in the form of dividends is not permitted. According to laws on limited companies, funds must be allocated to the reserve fund until it has reached 25% of the share capital.

Revaluation reserves

Upon the merger of Flugfjarskipti ehf. and Isavia ohf. the properties of the former company were revalued as the market price of that company's real estate was considered to be significantly higher than the book value. The revalued price is based on the estimated sales price confirmed by the appraisers. The valuation change is recognized in a special revaluation account among equity and on income tax liability.

17. Loans from credit institutions

	Loans from credit institutions	
	31.12.2023	31.12.2022
Liabilities in EUR	52.039.016	38.743.295
Liabilities in ISK	5.121.220	5.387.370
	<u>57.160.236</u>	<u>44.130.665</u>
Current portion of long-term liabilities	(1.232.193)	(1.758.655)
Non-current liabilities at year-end	<u>55.928.043</u>	<u>42.372.010</u>

Change in liabilities for the year is following:

	31.12.2023	31.12.2022
Liabilities at beginning of the year	44.130.665	44.447.034
New long-term borrowings in the year	34.182.500	14.136.409
Full repayment of loans with new loans	0	(14.136.409)
Instalments for the year	(21.246.270)	(1.365.184)
Exchange rate difference and indexation	93.342	1.048.814
Liabilities at the end of the year	<u>57.160.236</u>	<u>44.130.665</u>

Notes

17. Loans from credit institutions (continued)

Instalments of loans from credit institutions are specified as follows:

	Loans from credit institutions	
	31.12.2023	31.12.2022
Instalments in 2024 / 2023	1.232.193	1.758.655
Instalments in 2025 / 2024	1.623.555	2.054.502
Instalments in 2026 / 2025	1.626.680	2.448.224
Instalments in 2027 / 2026	1.629.964	7.464.648
Instalments in 2028 / 2027	5.522.288	2.203.482
Instalments later	45.525.556	28.201.154
	<u>57.160.236</u>	<u>44.130.665</u>

The Parent company borrowed from the Nordic Investment Bank during 2023 that amounted to EUR 50 million to support the development at Keflavík Airport. The Company finalized its first bond issuance at mid-year 2023 and issued nonlisted bonds that amounted to EUR 175 million. The unlisted bond issue was used to refinance the company's older loans and to support the development of Keflavík Airport. Loans in the amount of ISK 56.273 million are subject to financial conditions regarding the equity and debt ratio.

18. Deferred tax assets

	31.12.2023	31.12.2022
Balance at beginning of the year	(1.370.781)	(1.178.092)
Calculated income tax for the year	602.863	(191.477)
Income tax payable for the next year	(2.821)	(749)
Translation exchange difference	(992)	(463)
Balance at the end of the year	<u>(771.732)</u>	<u>(1.370.781)</u>

Deferred tax assets consist of the following account balances

	31.12.2023	31.12.2022
Property, plant and equipment	1.952.801	2.112.270
Current assets	(458.206)	(444.607)
Other items	14.151	13.126
Exchange differences	(33.608)	14.895
Effect of carry forward income tax loss	(2.246.870)	(3.066.466)
	<u>(771.731)</u>	<u>(1.370.781)</u>

The carry-over of the tax loss of the consolidated group will, along with other items, form an income tax claim (deferred tax assets) at the end of the year and has been entered into the accounts of the company.

Tax loss carried forward can be used against taxable profit, as specified:

	31.12.2023	31.12.2022
Available to the year 2030	6.159.439	10.596.095
Available to the year 2031	4.339.935	4.338.709
Available to the year 2032	385.532	397.524
Available to the year 2033	349.443	0
	<u>11.234.349</u>	<u>15.332.328</u>

Notes

19. Other financial liabilities

Accounts payable

	31.12.2023	31.12.2022
Domestic accounts payable	2.757.926	2.313.296
Domestic accounts payable - due to construction plan	253.105	1.662.307
Foreign accounts payable	756.814	729.437
Accounts payable due to Joint Finance contract	2.624.048	0
	<u>6.391.894</u>	<u>4.705.041</u>

Domestic accounts payable due to the construction plan belong to Isavia Innanlandsflugvellir ehf. and are because of the service agreement with the Ministry of Infrastructure, a part on construction. Payments for the year, the construction part, have already been received and therefore form this debt as these payments have not been fully disposed of. Cash and cash equivalents include credit due to these payments.

Account payable due to Joint Finance contract is due to reimbursement of cost of air navigation services in the North Atlantic. During 2023 the air traffic in Iceland's air traffic control area was more frequent than originally planned, which resulted in more being collected from user fees than the cost of the service. The contract specifies that if the collected user fees for the service are higher, a debt is created for the period.

Current maturities of long-term liabilities

	31.12.2023	31.12.2022
Loans from credit institutions	1.232.193	1.758.655

Other current liabilities

	31.12.2023	31.12.2022
Value added tax, payable	34.151	30.081
Accrued additional contribution to pension fund	150.576	16.858
Salaries and related expenses payable	827.252	808.496
Accrued holiday commitment	2.021.004	1.905.800
Accrued interest, payable	621.939	169.444
Other liabilities	309.422	72.116
Deferred revenue	155.960	173.254
Incomplete construction contract	70.413	0
	<u>4.190.716</u>	<u>3.176.049</u>

20. Financial risk

Financial instruments

The consolidated financial assets and liabilities are specified into following types of financial instruments and are all recorded at amortized cost:

Financial assets	31.12.2023	31.12.2022
Cash and cash equivalents	15.513.769	9.494.864
Bonds and other long term receivable	1.502.494	1.998.494
Other current receivables	4.947.457	4.951.468
	<u>21.963.720</u>	<u>16.444.826</u>
Financial liabilities	31.12.2023	31.12.2022
Other financial liabilities	67.112.195	51.402.147

Loans and advances and other financial liabilities are measured at amortized cost with effective interest method less impairment.

Risk management

The Consolidation has adopted a comprehensive risk policy and there is active risk management which has the role of assessing and managing the risk factors that the Consolidation has. The risks that are under active control are market risk, counterparty risk and liquidity risk. In addition, other risks related to operations, reputation, management and other factors have been mapped and assessed on the basis of severity on the one hand and probably on the other. The Risk Committee of the Consolidation regularly meets with issues related to risk management.

Notes

20. Financial risk (continued)

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate changes affect the expected cash flow of assets and liabilities which bear floating interest rates.

Sensitivity analysis

The analysis below shows the effect of a 50 and 100 percentage point increase on net interest-bearing assets and liabilities on earnings and equity at the balance sheet date. The sensitivity analysis covers the interest-bearing assets and liabilities that carry variable interest rates and assumes that all other variables other than those considered here are fixed. The sensitivity analysis takes into account tax effects and therefore reflects the effects that come into the income statement and equity.

Effects on profit or loss and other equity are the same as change in valuation of the underlying financial instruments is not charged directly to equity. Positive amount indicates increased profits and equity. Lower interest rates would have the same effect but in the opposite direction:

	31.12.2023		31.12.2022	
	50 bps.	100 bps.	50 bps.	100 bps.
Effects on profit or loss and other equity	17.463	34.925	(63.202)	(126.405)

Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Foreign currency risk exposure does arise when there is a difference between assets and liabilities denominated in foreign currency.

The majority of assets of the Consolidation are in the local currency, but some of the financial assets are denominated in foreign currency. The majority of the liabilities of the Consolidation are denominated in foreign currencies. The following table details the currencies that affect the operations of the Consolidation. Rates and volatility in exchange rates are based on mid rates.

Currency	Year-end rate	
	2023	2022
EUR	150,50	151,50
GBP	173,18	170,81
JPY	0,963	1,077
CHF	162,53	153,85
DKK	20,19	20,37
NOK	13,39	14,41
SEK	13,56	13,62
USD	136,20	142,04
CAD	102,79	104,92
HUF	0,39	0,38

Foreign currency risk 31.12.2023

	Assets	Liabilities	Net balance
EUR	6.014.659	52.612.406	(46.597.747)
GBP	329.672	34.750	294.922
JPY	25	0	25
CHF	5.269	16.238	(10.970)
DKK	97.446	51.187	46.259
NOK	884	893	(9)
SEK	2.974	40.116	(37.142)
USD	87.848	69.803	18.046
CAD	162	0	162
HUF	7.801	4.311	3.490

Notes

20. Financial risk (continued)

Foreign currency risk 31.12.2022

	Assets	Liabilities	Net balance
EUR	1.635.984	39.355.680	(37.719.696)
GBP	72.537	15.270	57.267
JPY	592	0	592
CHF	5.579	14.203	(8.624)
DKK	78.571	24.216	54.356
NOK	459	634	(175)
SEK	2.863	948	1.915
USD	118.662	74.645	44.017
CAD	260	0	260
HUF	13.701	3.952	9.749

Sensitivity analysis

The table below shows what effects 5% and 10% increase of the relevant foreign currency rate against the ISK would have on profit or loss and other equity based on the balance of assets and liabilities in the relevant currency at the reporting date. The table above details monetary assets and liabilities that are denominated in foreign currency and the sensitivity analysis apply to. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency borrowings and foreign currency bank balances and trade receivables. The analysis assumes that all other variables than the relevant foreign currency rate are held constant. The sensitivity analysis covers the currencies that include the most exchange rate risk. The sensitivity analysis does take into account tax effects and therefore reflects the impact on the income statement and equity. The effect on profit or loss and equity are the same as the change in valuation of underlying financial instruments in foreign currency is not in any case recognized directly in equity. Change of the ISK by 5% and 10% against the currencies below would have had the same effect but in the opposite direction.

Effects on profit or loss and equity

	31.12.2023		31.12.2022	
	5%	10%	5%	10%
EUR	(1.863.910)	(3.727.820)	(1.508.788)	(3.017.576)
GBP	11.797	23.594	2.291	4.581
JPY	1	2	24	47
CHF	(439)	(878)	(345)	(690)
DKK	1.850	3.701	2.174	4.348
NOK	(0)	(1)	(7)	(14)
SEK	(1.486)	(2.971)	77	153
USD	722	1.444	1.761	3.521
CAD	6	13	10	21
HUF	140	279	390	780

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Consolidation. The Consolidation actively monitors the changes to its credit risk. A more detailed description of the Consolidation's assessment of expected loan losses due to financial assets can be found in Notes 27 (accounting policies for impairment of financial assets) and 15 (allowance for doubtful accounts). The Consolidation has no write-down on bond assets that are low amounts and the estimate of the management is that the write-down would be insignificant.

	31.12.2023	31.12.2022
Bonds and other long-term receivables	1.502.494	1.998.494
Accounts receivables	3.417.784	3.412.977
Other receivables	1.529.673	1.538.491
Cash and cash equivalents	15.513.769	9.494.864
	<u>21.963.720</u>	<u>16.444.827</u>

The maximum credit risk of the Consolidation is the carrying amount itemized above.

Notes

20. Financial risk (continued)

Capital management

The Group's treasury management monitors the capital risk management in consultation with the owners, the board and management. The Group manages its financing in accordance with its ownership policy. Great emphasis is placed on long-term perspectives on the structure and operation of the group. It is also emphasized that the group's companies, especially when they are in competitive operations, return acceptable results and ensure the maintenance of income-generating assets. This means, among other things, that the Treasury receives a normal return on equity in accordance with the risk of operations.

Liquidity risk management

Liquidity risk is the risk that the Consolidation has difficulties to meet its financial obligations or planned investments, or that it will only be able to do so on much less favourable terms than has been the case. Liquidity status, developments and the impact of market conditions and future prospects are regularly monitored.

	Payable within 1 year	Payable between 1 - 4 years	Payable after 4 years	Total
Liabilities 31.12.2023				
Non-interest bearing	9.951.959	0	0	9.951.959
Floating interest rates	1.998.795	5.320.160	5.294.257	12.613.211
Fixed interest rates	874.372	5.082.327	38.590.326	44.547.024
	12.825.126	10.402.487	43.884.583	67.112.195
Assets 31.12.2023				
Non-interest bearing	4.984.864	0	0	4.984.864
Floating interest rates	15.976.630	1.002.225	0	16.978.856
	20.961.495	1.002.225	0	21.963.720
Net balance 31.12.2023	8.136.369	(9.400.262)	(43.884.583)	(45.148.475)
	Payable within 1 year	Payable between 1 - 4 years	Payable after 4 years	Total
Liabilities 31.12.2022				
Non-interest bearing	7.271.482	0	0	7.271.482
Floating interest rates	3.793.315	9.479.118	12.019.798	25.292.230
Fixed interest rates	579.589	4.691.738	13.567.107	18.838.434
	11.644.386	14.170.856	25.586.905	51.402.147
Assets 31.12.2022				
Non-interest bearing	5.001.367	0	0	5.001.367
Floating interest rates	9.943.830	1.499.630	0	11.443.460
	14.945.197	1.499.630	0	16.444.827
Net balance 31.12.2022	3.300.811	(12.671.226)	(25.586.905)	(34.957.320)

21. Other issues

Revenues of International Air Navigation Services

On the basis of a service agreement with the Ministry of Infrastructure, the Consolidation offers air navigation services within the Icelandic, Greenland, and Faroese airspaces in accordance with the Icelandic Government's commitments in international agreements. For this obligation, there is a Joint Financing Agreement which was signed in 1956 between 13 member countries of ICAO, The International Civil Aviation Organization. These member countries are now 25.

Notes

21. Other issues (continued)

Court Proceedings

In 2015, Drífa ehf. started a lawsuit against Isavia ohf. where compensation was claimed for alleged damage in connection with the implementation of pre-selection for the rental of retail space in the duty-free area of Leif Eiríksson Air Terminal. The compensation claimed was ISK 1,5 billion. By rule of the district court on 13 October 2021, Isavia was acquitted of Drífa claims. Drífa has appealed the case to the National Court. The main hearing was before the National Court on February 24th, 2023. With the judgment of the National Court on March 24th, the company was acquitted and compensated to 2.5 million ISK in legal costs. Drífa sought leave to appeal to the Supreme Court, which rejected the appeal on June 16, 2023. The case is therefore closed.

The bankruptcy estate of Air Berlin has sued the company due to the grounding of its aircraft in 2017. The amount of the claim is EUR 795 thousand (ISK 120 million ISK). The bankruptcy estate's claim was accepted in a lower court in Berlin in December 2021. The case was appealed to the higher court in Berlin, which confirmed the decision of the lower court on February 22, 2023, further appeals are under consideration. The bankruptcy estate suspended the payments of two German airlines to Isavia for this amount. Subsequently, Isavia grounded the aircraft to guarantee the payment of these fees in this country, and a case is now pending before the Reykjavík District Court to confirm the guarantee payment.

Note no. 15 contains information on a lawsuit where Isavia ohf. sued the owner of a Wow air aircraft and the Treasury.

Disputes regarding the seniority of air traffic controllers are being prosecuted in the district court, and in addition, there are several court cases in progress that the company believes are unlikely to succeed or are due to insignificant interests.

22. Other obligations

Operating license

Isavia ohf. and its subsidiaries have an indefinite operating licenses for the operation of air navigation, airports and landing places and are subject to conditions resulting from them as they are at any given time.

The Consolidation is obliged to respect international commitments made by the Government in Iceland on the basis of international agreements relating to the Consolidation's operations.

Isavia ANS ehf. has an operating license without a time limit for the operational management of air traffic and air navigation services in accordance with Regulation no. 720/2019, and which remains valid as long as its conditions are met. The company is also the holder of a certificate as an air traffic controller training company and is a declared operator for non-profit activities (NCC) and special operations (SPO) in accordance with Regulation no. 237/2014 with subsequent amendments.

Service agreements

Isavia ohf. has service contracts with the Ministry of Infrastructure for five years, starting in 2019, for the operation of air navigation and airport services, and the contracts will expire on April 15, 2024. There are four contracts, i.e. on the operation of air navigation, on the operation of domestic airports and the development of domestic airports and on the operation of Keflavík Airport. The aim is to sign a new five-year contracts regarding Isavia ANS ehf. and Isavia ohf. but for two years regarding the operation of Isavia Innanlandsflugvalla ehf. and the development of domestic airports with an effective date from April 15, 2024. Furthermore, the company must respect the international obligations that the Icelandic government has undertaken on the basis of international agreements, as well as carrying out the maintenance and development of domestic airports in accordance with the decisions of the Icelandic government at any given time.

With the division of Isavia ohf. in 2020, the implementation of the contract for air navigation services was delegated by contract to Isavia ANS ehf. The implementation of contracts for the operation and development of domestic airports was delegated by contract to Isavia Innanlandsflugvællir ehf. The operation of Keflavík Airport was unchanged by the parent company. Upon the transfer of the above agreements, the parent company, in the agreement with them, guaranteed the financing of the activities of Isavia ANS ehf. and Isavia Innanlandsflugvællir ehf., including access to liquid assets, in order not to disrupt the companies' operating licenses during the change. The companies currently have indefinite work permits from the Icelandic Transport Agency for this operation, but are subject to their conditions as they are at any given time. New contracts with the Ministry of Infrastructure will be made by each company individually.

Payments for services and construction at domestic airports are determined according to the aforementioned service contracts for one year at a time. They stipulate that payments must take into account price changes, but in recent years that provision has not been respected and payments are determined in each year's budget.

Notes

22. Other obligations (continued)

The service contract for domestic airports is divided into two parts. On the one hand, payments to the company for the daily operation of domestic airports cf. Note 4. On the other hand, there are payments to the company for projects related to maintenance and new construction at domestic airports cf. Note 19. There are no property transactions with the company due to projects related to maintenance or new constructions, as such constructions are not the property of the company but of the state, but the company is only entrusted with managing these projects.

Projects for maintenance and new construction at domestic airports are according to the applicable transport plan at any given time. The biggest project is at Akureyri Airport, but it is expected to be carried out for around 1 billion ISK. Other construction projects at scheduled airports amount to around 500 million ISK. A review of the 15 year transport plan for the years 2024 to 2038 is currently underway, and both maintenance projects and new constructions will be included. At the three international airports there are deviations due to approach lights and they will be financed in the next transport plan.

Insurance

The insurance cover of Isavia ohf. applies to the consolidated group as a whole.

In addition to statutory insurance and special liability insurance for real estate and vehicles, the company insures air navigation and airport operations (in accordance with the terms of the insurance) for up to USD 1.5 billion, in addition to the subsidiary's aircraft is insured for USD 4.5 million and spare parts for USD 2 .5 million.

The directors and officers liability is ISK 300 million.

The Company purchases insurance for employees in accordance with the terms of the collective bargaining agreement, except for the air traffic controller's license which the Company runs at its own risk.

23. Events after the reporting period

There are no subsequent events to be disclosed.

24. Related parties

Related parties are those parties which have direct or indirect influence of the Company or have the power to control its financial and operating policies. Related parties of the group include key executives, close family members of key executives, and companies in which key executives or close family members control or have significant influence. Parent companies and companies where the group controls or has a significant influence are also considered related parties. Isavia ohf. is a government owned and a partial exemption is provided from the disclosure requirements for government-related entities in the revised version of IAS 24. But the group's main transactions with public entities is an agreement with the state on the operation of domestic airports, which belongs to the subsidiary Isavia Innanlandsflugvöllir ehf. The segment report provides information on the operations of Isavia Innanlandsflugvöllir ehf.

Disclosures regarding salaries for the Board of Directors and Managing Director is explained in Note no. 5. Sales of goods and service to key management personnel and related parties are immaterial.

25. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on March 13th, 2024.

Notes

26. Consolidated ratios

From Statement of Comprehensive Income:	2023	2022
Profitability		
Earnings (loss) before interests, taxes, depreciation and amortisation (EBITDA)	8.145.427	5.164.929
a) Contribution margin on operation	18,08%	14,15%
b) Profit (loss) margin on operating revenue	4,66%	(1,69%)
c) Earning per share (EPS)	0,09	(0,03)
d) Return on equity	4,89%	(1,57%)
a) EBITDA/total revenue		b) Net income/total revenue
c) Earnings per share (EPS)		d) Net income/average equity
From Balance sheet:		
	31.12.2023	31.12.2022
Activity ratios		
e) Investment in inventories	0,02	0,02
f) Rate of return on assets	0,44	0,40
g) Inventory turnover	11,60	11,92
h) Receivables turnover	13,19	11,09
e) Inventory/revenues		g) Cost of goods sold/average inventory
f) Net income/average total assets		h) Revenues/average accounts receivables
Liquidity ratios		
i) Quick or acid-test ratio	1,79	1,56
j) Current ratio	1,85	1,62
k) Net Interest-bearing Debts/EBITDA	5,15	6,76
i) (Current assets - inventories)/current liabilities		j) Current assets/current liabilities
Coverage ratios		
l) Equity ratio	39,31%	44,51%
m) Internal value of shares	1,79	1,71
l) Shareholders equity/total assets		m) Shareholders equity/capital stock

27. Summary of Significant Accounting Policies

Consolidation

The Consolidated Financial Statements include the Parent Company Financial Statements and the Financial Statements of the companies under its control (subsidiaries) at the reporting date. Control exists when the parent Company has legal right of decision over the investment, is at risk or has the right to receive variable advantage from the investment and with power of decision, can influence its proceeds from the investment.

The Consolidation is prepared in accordance with the acquisition price rule. When acquiring subsidiaries, assets and liabilities are measured at fair value at the acquisition date. If the purchase price is higher than the net asset after such an assessment, the difference is recognized as goodwill. The operating results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or until the date of disposal, as applicable.

Among the objectives of the consolidated financial statements is to disclose only the Consolidation's external income, expenses, assets and liabilities, therefore transactions within it are eliminated in the preparation of the financial statements. If appropriate, adjustments are made to the subsidiaries financial statements to align them with the Consolidations accounting policies.

Risk management

The Consolidation works according to a comprehensive risk policy and where the main risk factors have been defined. Emphasis is placed on knowing the risks that can affect the company's goals. The Consolidation manages, among other things, financial risk, but the defined key risks are liquidity risk, market risk, credit risk and economic risk. Within the Consolidation is a separate risk committee whose goal is to ensure that the organization and implementation of risk management is in accordance with the board's policy. The committee's tasks include an overview and control of the entire risk management for the Consolidation.

Notes

27. Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue recognition

The revenue recognition of the Consolidation reflects the consideration that the Consolidation expects to receive due to the sale of goods and services to the customer. The Consolidation records revenues when the control of the sold goods or services is transferred to the customer. In general, the Consolidation's invoices are made monthly as provided service for the relevant month, with the exception of the sale of the Duty Free Store that is recorded when the sale takes place.

Air navigation - Isavia ANS ehf.

The air navigation division handles air navigation services for domestic and international flights across large areas of the North Atlantic. The revenue of the division comes, e.g., from air navigation services to flight operators in North Atlantic on the basis of a Joint Finance agreement (international agreement), air navigation services on airspace and air navigation services at airports in Iceland.

Domestic airports - Isavia Innanlandsflugvöllir ehf.

The domestic airports system handles the operation and maintenance of all airports in Iceland apart from Keflavik airport. The largest part of revenue from domestic airports comes from a service agreement with the Ministry of Infrastructure, but other revenues consist of user charge and leasing of buildings. All buildings at airports in Iceland besides Keflavik airport are under control of the Icelandic state.

Keflavik airport - Isavia ohf.

The organisation of Keflavik Airport is divided into commerce and development on one hand and services and operations on the other. Commerce and development deals with airlines and routes, business and marketing, the operation and investment in infrastructure along with airport development and improvements in the airport. The services and operations part deals with security, aviation protection, passenger services and the operation of the airport tower.

Frihöfnin ehf. (Duty free store)

Revenue from Frihöfnin ehf. are mainly revenues from sales of goods, but other revenue of the Consolidation is for example advertising revenue.

Other subsidiaries

Revenue from other subsidiaries of Isavia ohf. are mainly revenues from sales of service and goods and from contracts and other various revenues.

Lease income

The group is a lessor and rents out the group's various properties. All leases are classified as operating leases. Part of the rental income from the group's real estate space falls within the scope of IFRS 16 Leases, while the other property income specified above is within the scope of IFRS 15 Income from contracts with customers. Leasing can be between companies within a group or outside the group to a third party.

Lease income from operating leases is recognized on a straight-line basis over the term of the lease. Costs directly related to leases and management of operating leases are added to the book value of the leased asset and are then expensed on a straight-line basis over the lease term.

Property lease is primarily the parent company's lease of spaces in Leif Eiríksson Airport and land and real estate directly connected to the terminal. Since Leif Eiríksson Airport is a single property number, it is not possible to differentiate between an investment property for rent and a property for own use.

Payment terms

The Group's general payment terms are a 30-day payment deadline. The Group does not have any unusual payment terms.

Recognition of expenses

Expenses incurred to generate income during the period are recognized as operating expenses. Fees incurred during the financial year but for subsequent financial years are recognized in the balance sheet as prepaid expenses. Expenses that relate to the financial year but are payable later are recognized as a liability as accrued expenses in the balance sheet.

Notes

27. Summary of Significant Accounting Policies (continued)

Construction contracts

When the status of a contract can be reliably assessed, income and expenses are recognized based on the percentage of accrued costs in accordance with the provisions of the contract on the reporting date. Changes to the components of the contract, the claim for compensation and bonus payments are recognized to the extent that the amount can be estimated reliably and is likely to arrive.

When the status of a contract cannot be reliably estimated, revenue is recognized in proportion to the accrued costs that are likely to be recovered. The cost of the construction contract is recognized as an expense in the period incurred.

When the loss of a construction contract is likely, the expected loss is recognized immediately.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

Borrowing costs

Interest income is recognized for the relevant period in accordance with the relevant principal and interest rate.

Borrowing costs arising directly from the acquisition, construction or production of assets that qualify for capitalization are capitalized as part of the asset up to the time when the asset is ready for use or sale. A qualifying asset is an asset that takes a considerable amount of time to get into a usable or viable condition.

Investment income from short-term investments related to the financing of capitalized assets is recognized as a deduction of capitalized capital costs.

All other financial expenses are recognized in the income statement during the period in which they are incurred.

Income tax

Income tax is calculated and recognized in the consolidated financial statements. Its calculation is based on pre-tax results, taking into account permanent discrepancies between taxable income and profit according to the annual accounts. The income tax rate is 20%. Expensed income tax consists of income tax payable and deferred income tax.

Income tax payable is an income tax that is scheduled to be paid next year due to taxable profits for the year as well as adjustments to income tax payable for previous years. Taxable profits may be other than accounting profits. Calculated income tax is based on the applicable tax rate at the reporting date.

Deferred income tax is due to the temporary difference between the balance sheet items in the tax settlement on the one hand and the annual accounts on the other, where the income tax base is based on other assumptions than its financial statements. Deferred income tax is not recognized for goodwill that is not tax deductible. Furthermore, deferred income tax is not recognized for investments in subsidiaries if it is considered that the Parent Company can control when the temporary difference is reversed, and it is not expected that the turnaround will occur in the foreseeable future. Deferred income tax is based on the applicable tax rate at the reporting date.

Deferred tax assets are assessed on the balance sheet date and are recognized to the extent that it is probable to use offset taxable profits in the future.

Deferred tax is recognized in the income statement, unless it relates to items of equity, then it is recognized among equity.

Notes

27. Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Assets are listed among property, plant and equipment when the economic benefits associated with the asset are likely to benefit the Consolidation and the cost of the asset can be reliably estimated. Fixed assets are recognized using the cost method. Under the cost method, property, plant and equipment are recognized at original cost less accumulated amortization and impairment. The cost of property, plant and equipment consists of the purchase price and all direct costs of bringing the property into a viable state.

Upon the merger of Flugfjarskipti ehf. and Isavia ohf. the properties of the aforementioned company were revalued as the market price of that company's real estate was considered to be significantly higher than the book value. The revalued price is based on the estimated sales price confirmed by the appraisers. The valuation change is recognized in a special revaluation account among equity and on income tax liability.

Depreciation is recognized systematically over the estimated useful life of the asset, taking into account the expected residual value. Estimated utilization time and depreciation methods are reassessed at the end of each accounting period.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

Gains or losses arising from the sale of property, plant and equipment are the difference between the sale price and the book value of assets at the date of sale and are recognized in the income statement, profit from sales and other sales and other expenses. On the sale of revalued property, plant and equipment, the revaluation is recognized in retained earnings.

The general and special cost of borrowing directly attributable to the procurement, construction and production of an asset is booked as an asset at the time necessary to bring the asset into a remunerative state. Qualifying assets are assets that need time to become remunerative. Other borrowing costs are expensed in the period incurred.

Intangible assets

Intangible assets are capitalized when it is probable that future economic benefits associated with the asset are likely to benefit the Consolidation and the cost of the asset can be reliably estimated. Among the intangible assets is software. These assets are recognized at cost less accumulated amortization and impairment losses. Depreciation is recognized systematically over the estimated useful life of the asset. Estimated useful lives and depreciation methods are reassessed at the end of each accounting period.

Intangible assets resulting from the merger of the companies are only accounted for if they are distinctive from goodwill. At the initial registration they are recognized at cost, but with later assessments they are stated at cost less accumulated depreciations and impairment losses.

Shares in other companies

Shares in other companies are at cost price, but it is the management's judgement that the cost is approximately its fair value.

Leases

The Consolidation assesses whether a contract is or contains a lease, at inception of the contract. The Consolidation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Consolidation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Consolidation uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the exercise price of purchase options if the Consolidation expects to exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Consolidation remeasures the lease liability if the lease term has changed, when lease payments change in an index or rate or when a lease contract is modified and the modification is not accounted for as a separate lease.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Consolidation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Consolidation has used this practical expedient.

Notes

27. Summary of Significant Accounting Policies (continued)

Impairment

At the end of each reporting period, the Consolidation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If an indication of impairment occurs, the recoverable amount of the asset is assessed in order to determine how extensive such impairment is.

The recoverable value is either the net realizable value or the value in use of an asset, whichever is higher. For the purpose of estimating the value in use, expected cash flow has been recognized at present value using the interest rate relevant to the financing of such an asset, taking into account tax. When the recoverable value of individual assets cannot be assessed, the Consolidation assesses the recoverable value of the cash-generating unit to which the asset belongs.

If the recoverable value of an asset or cash-generating unit is lower than the carrying amount, the carrying amount of the asset is reduced to its recoverable value. Impairment of cash-generating units is recognized initially as a decrease in related goodwill, and then at a proportional decrease in the carrying amount of other assets of the entity. Impairment losses are recognized in the income statement.

If previously recognized impairment no longer applies, the carrying amount of the asset may rise again, but not in excess of the original cost. Impairment of goodwill is not reversible.

Inventories

Inventories are stated at the lower of cost or net realizable value, after taking obsolete and defective goods into consideration. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents cover cash on hand, bank deposits and other short-term investments easily converted to cash and with a maturity of up to three months. Bank overdrafts are shown amongst short-term liabilities in the balance sheet.

Provisions

Provisions are recognized when the Consolidation has a present obligation as a result of a past event, and it is probable that the Consolidation will be required to settle that obligation.

Financial assets

Financial assets are recognized at fair value on initial recognition in accounting. When financial assets are not measured at fair value through profit or loss, all direct transaction costs are expensed to increase their value at initial recognition in accounting. IFRS 9 divides financial assets into two categories, on the one hand, financial assets are recorded at amortized cost and, on the other hand, financial assets at fair value. The Consolidation records all its financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that are due for maturity and contractual payments on set dates consists only of instalments of principal and interest, shall be recorded at amortized cost unless the instrument is defined at fair value through profit or loss in accordance with fair value allowance. Such assets are initially recognized at fair value plus any related cost. After initial recognition, such financial assets are measured at amortized cost based on effective interest, net of impairment. The Consolidation financial assets valued at amortized cost are bonds, accounts receivable, other short-term receivables and cash.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized based on the effective interest rate for all financial instruments other than those defined as financial assets at fair value through profit or loss.

Notes

27. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Investments held to maturity

Financial assets are classified as financial assets intended to be held to maturity when the Consolidation has investments, i.e., bills or bonds with the intent and the ability to hold to maturity. When applicable, investments held to maturity are recognised at amortized cost, using effective interest method less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Impairment model IFRS 9 is based on the expected loan loss, which is a change from the previous standard IAS 39, which only required that loan losses be recognized as a result of past events. The Consolidation's financial assets that fall within the scope of the impairment model are debt securities, trade receivables, other short-term receivables (apart from capital gains tax, VAT receivable and pre-payments) and cash.

When assessing expected loan losses for accounts receivable, the Consolidation uses a simplified approach. This approach requires that the Consolidation assess allowance for doubtful accounts that is equal to the expected loan losses during the life of the receivables. The Consolidation's accounts receivable is divided into categories according to the number of days that they are due. In assessing a fixed allowance for doubtful accounts ratio for each category, the historical loss history of the Consolidation is taken into account, adjusted for future economic development expectations if needed. The Consolidation conducts the evaluation down to individual customers or group of customers if the experience shows a significant difference in the loss pattern for certain customers or groups of customers. In some cases, this may result in a deviation from the estimated percentage to individual customer groups. See the detailed discussion of expected loan losses for accounts receivable in note 15.

At each reporting date it is examined whether there is objective evidence of impairment of financial assets. A financial asset is impaired if there is objective evidence that one or more events that have occurred will affect the expected future cash flow of the asset and that impairment can be reliably estimated. The Consolidation recognizes specific allowance for doubtful accounts for financial assets where there is objective evidence of impairment.

Changes in the impairment contribution of a financial asset to a provision are recognized in the income statement during the period in which the measurement is carried out. Impairment is reversed if the reversal can be objectively linked to an event that occurred after the impairment was recognized.

Derecognition of financial assets

The Consolidation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Financial liabilities

Other financial liabilities, including liabilities to financial institutions, are initially measured at fair value less transaction costs. For subsequent assessments, they are recognized at amortized cost based on effective interest.

Derecognition of financial liabilities

The Consolidation derecognizes financial liabilities when, and only when, the Consolidation's obligations are discharged, cancelled or they expire.

Notes

28. Segment reporting

Segment information are disclosed on basis of organizational structure and internal management information. The majority of business for Isavia ANS ehf. consists of service to air carriers on the basis of a Joint Finance Agreement. Isavia Innanlandsflugvöllir ehf. are the operation of airports and airport control towers for domestic flights. Keflavík Airport is the operation of Keflavík International Airport and control tower in Keflavík in addition to Leifur Eiríksson Air Terminal. In Note 27 there are information regarding each segment.

Within the income of segments are lease income that amounts ISK 8.861 million (2022: about ISK 7.037 million) which fall within the scope of IFRS 16 Leases. Other revenue specified above are within the scope of IFRS 15 Revenue from contracts with customers. A more detailed description of the nature of the income and the timing of the Consolidation's revenue can be found in note 27.

Segment information year 2023

	Isavia ANS ehf.	Isavia Innanlands- flugvöllir ehf.	Isavia ohf.	Fríhöfnin ehf.	Other subsidiaries	Eliminations	Consolidated
	Air- navigation	Domestic Airports	Keflavík Airport	Duty Free Store	Other		
Revenue							
External revenue	7.646.980	3.217.347	19.022.231	14.767.737	403.668		45.057.963
Inter-segment revenue	1.651.583	42.337	5.298.058	0	1.105.386	(8.097.364)	0
Total revenue	9.298.563	3.259.684	24.320.289	14.767.737	1.509.054	(8.097.364)	45.057.963
Income statement							
Operating profit	1.065.976	(171.109)	2.527.112	636.599	10.538	(62.679)	4.006.436
Net financial income / (expenses)	(142.168)	(22.560)	(707.538)	(10.649)	2.744	(421.474)	(1.301.645)
Profit before taxes	923.808	(193.669)	1.819.574	625.949	13.282	(484.153)	2.704.792
Profit for the year	739.082	(154.939)	1.453.785	500.756	47.894	(484.649)	2.101.928
Balance sheet							
Non-current assets	5.933.593	1.323.773	86.963.404	453.653	189.777	(4.908.604)	89.955.597
Other assets unallocated to segments	2.149.669	615.195	17.186.243	2.688.972	655.181	(1.150.350)	22.144.910
Total assets	8.083.263	1.938.969	104.149.647	3.142.624	844.958	(6.058.954)	112.100.506
Total liabilities	6.539.011	2.242.659	62.315.298	1.593.941	400.827	(5.055.448)	68.036.288
Equity	1.544.252	(303.690)	41.829.255	1.548.684	444.130	(998.412)	44.064.218
Other information							
Capital additions	638.196	94.198	15.687.959	155.995	8.698	0	16.585.046
Depreciation and amortization	321.212	127.685	3.607.257	217.880	50.545	(185.587)	4.138.991

Notes

28. Segment reporting (continued)

Segment information year 2022

	Isavia ANS ehf.	Isavia Innanlands- flugvellir ehf.	Isavia ohf.	Frhöfnin ehf.	Other subsidiaries	Eliminations	Consolidated
	Air- navigation	Domestic Airports	Keflavik Airport	Duty Free Store	Other		
Revenue							
External revenue	7.268.260	2.745.088	13.521.042	12.418.890	552.217		36.505.496
Inter-segment revenue	842.577	40.251	4.616.913	0	831.167	(6.330.908)	0
Total revenue	8.110.836	2.785.340	18.137.955	12.418.890	1.383.383	(6.330.908)	36.505.496
Income statement							
Operating profit	466.545	(290.364)	127.460	911.514	33.635	(15.432)	1.233.358
Net financial income / (expenses)	(366.954)	17.397	(1.645.670)	(55.399)	4.266	4.153	(2.042.208)
Profit before taxes	99.591	(272.967)	(1.518.210)	856.114	37.900	(11.279)	(808.850)
Profit for the year	79.669	(218.378)	(1.221.464)	684.888	66.935	(9.023)	(617.373)
Balance sheet							
Non-current assets	6.116.029	1.351.035	77.668.255	268.868	108.086	(7.009.092)	78.503.180
Other assets unallocated to segments	2.586.485	1.736.788	12.275.502	2.537.094	547.033	(3.908.544)	15.774.357
Total assets	8.702.514	3.087.822	89.943.757	2.805.962	655.118	(10.917.637)	94.277.537
Total liabilities	7.892.862	3.236.574	49.572.546	1.328.034	259.015	(9.973.650)	52.315.381
Equity	805.169	(148.751)	40.375.469	1.477.928	396.103	(943.763)	41.962.156
Other information							
Capital additions	310.724	149.927	14.701.960	20.456	2.795	0	15.185.862
Depreciation and amortization	345.572	131.472	3.297.195	226.644	102.814	(172.126)	3.931.571

Appendix I Statement of Governance

The Statement of Governance is the report of the Board of Directors for the Board's past operating year 2023 - 2024 and is published together with the financial statements for the calendar year 2023. The Statement of Governance is made in accordance with Article 66. c of the Act on Annual Accounts no. 2006 with subsequent amendments.

With this statement of governance, Isavia is complying with the corporate governance guidelines issued by the Iceland Chamber of Commerce, SA - Confederation of Icelandic Enterprise and Nasdaq Iceland, issued July 1, 2021 and is the 6th edition. The company also follows the General Ownership Policy of the state for all state-owned companies, issued in September 2021.

Laws and regulations

Isavia ohf. is a public limited company owned by the Icelandic government. The company's activities are governed by law no. 65/2023 on the development and operation of airports and air traffic services and Aviation Act No. 80/2022.

Isavia's Corporate governance is based on Act No. 2/1995 on Private Limited Companies, the company's articles of association and the rules of procedure of the board of directors.

The Board of the company take into account the guidelines on corporate governance and complies with them in all material senses. The main deviation is that there is no active nomination committee at the company, as nominations to the company's board are made by the Minister of Finance and Economic Affairs, who manages the shares own by the Icelandic government in the company. There have been no court rulings where the company's activities are considered to have been in violation of laws or regulations.

The laws on the company can be accessed on the Althing's website, www.althingi.is, and articles of association and rules of procedure on the company's website www.isavia.is. Guidelines on corporate governance can be found on the Iceland Chamber of Commerce's website. The guidelines are published at <https://leidbeiningar.is>. More information about the legal and regulatory framework that Isavia must follow, as applicable to Isavia operations, can be found here: [Laws & regulations | Samgöngustofa \(samgongustofa.is\)](#).

Internal control and risk management

The board has approved a comprehensive risk policy for the company where the main operational risk factors have been defined and identified the main risk components in its operations.

Isavia risk management is based on the concept of comprehensive risk management (e. enterprise risk management).

The risk strategy is based on Isavia overall strategy and is intended to support strategy and set goals. The purpose of Isavia risk policy is to ensure effective risk management and a good risk culture. Approved methods for risk analysis and risk assessment are used and a harmonized process is used for parent and subsidiary companies.

Isavia operates a risk committee whose goal is to ensure that the organization and implementation of risk management is in accordance with the board's policy. The committee's tasks include an overview and control of the group's entire risk management. The risk committee consists of the CEO, the Chief Finance and Human Resources officer and the Risk Manager and risk management expert.

PricewaterhouseCoopers ehf. manages the company's internal audit, according to the contract, which, among other things, assesses risk management, control methods and governance at all companies within the group using systematic methods and thus supports the company in achieving its goals.

Chief Officers are responsible for highlighting, defining and assessing risk within their areas as well as establishing appropriate controls to

The Board

The Board consists of five members and five alternates elected at a shareholders meeting for a term of one year at a time. Board members are nominated to the Board by the Minister of Finance and Economic Affairs. In the Board the gender ratio is 40% women and 60% men. All Board members are viewed as independent, within the meaning of the as Guidelines on Company Governance.

Appendix I Statement of Governance

The activities and rules of procedure of the board of directors

The board of directors has set operating rules that define the main tasks and areas of authority of the board and CEO. The current rules of procedure were approved at a board meeting on December 13, 2023. These include provisions regarding the division of tasks within the board, rules on eligibility for participation in handling matters, on meeting rules and minutes, rules on confidentiality, disclosure to the board and decision-making power. The rules of procedure of the board are published on the company's website.

The main role of the board is to manage the company's affairs between shareholders' meetings, to ensure that there is sufficient control over the company's accounting and handling of funds, to confirm the operating and investment plans and ensure that they are followed. The board makes major decisions in the company's operations and ensures that the company is run in accordance with laws and regulations.

The board must also promote the company's operation and ensure its long-term success, by setting the company a strategy in cooperation with its management.

During the working year 2023 - 2024, 14 board meetings were held. All board meetings were quorate as all meetings of the board were full. The Board's work plan for the next operating year is available after the Annual General Meeting. The Chairman of the Board leads the meetings. In addition to the Board, the CEO, the Director of Finance and Human Resources and the Chief Legal Officer, who also writes the minutes are signed by the board, the CEO and CFO.

The evaluation of the work of the board of directors

The Board of Directors evaluates its work on a regular basis, work methods and procedures, the company's progress, the CEO's performance, as well as the effectiveness of subcommittees if they are active. Such an evaluation of performance includes, among other things, that the board assesses the strengths and weaknesses in its work and procedures and considers the things that it believes can be improved.

The appointment of Isavia board of directors 2023–2024

Kristján Þór Júlíusson, born in 1957, is the chairman of the board from 2022, with a teaching qualification from the University of Iceland and a Captain's qualification from the Marine School in Reykjavík. Kristján Þór was a Member of Parliament for the Northeast Constituency 2007-2021. He was Minister of Health 2013-2017, Minister of Education and Culture and Minister of Nordic Cooperation 2017 and Minister of Fisheries and Agriculture 2017-2021. He was a member of Alþingi Budget Committee 2007-2013, Industry Committee 2007-2009 and Environment Committee 2009-2011.

Kristján Þór was mayor of Dalvík 1986-1994 and mayor of Ísafjörður 1994-1997. Served on the Akureyri town council 1998-2009 and was mayor of Akureyri 1998-2006. Chairman of the board of the Iðnþróunarfélag Eyjafjarður hf. 1987–1992. On the board of the company's Útgerðarfélag Dalvíkinga hf. 1987–1990, Söltunarfélag Dalvíkur hf. 1987–1993, and Sæplast hf. 1988–1994. Kristján Þór was chairman of the board of Hafnarsamband sveitarfélaga 1994-1997 and chairman of the board of Eyþing 1998-2002. On the board of Togaraútgerð Ísafjarðar hf. 1996–1997 and chairman of the board of Samherja hf. 1996–1998.

On the board of the Samband íslenskra sveitarfélaga 1998–2007. Chairman of the board of the Akureyri City Employees' Pension Fund 1998–2007. On the board of the Fjárfestingarbanki atvinnulífsins 1999–2000. On the board of the Eignarhaldsfélag Burnabótafélags Íslands 1999–2008. In the Icelandic Tourism Board 1999–2003. In the years 1999-2007, Kristján Þór sat on the board of Landsvirkjun. He was the chairman of the board of Lífeyrissjóður Norðurlands 2000-2007 and on the board of Fasteignamat ríkisins in the same period. Kristján was on the board of Íslensk verðbréf 2002–2009. Kristján Þór was elected to Isavia board at the 2022 general meeting and sits on Isavia remuneration committee.

Hólmfríður Árnadóttir, born in 1973, is a board member from 2022, with a B. Ed. and M.Ed. degrees from the University of Akureyri and Dipl. Ed. degree from the University of Iceland. Hólmfríður works as the department head of Kennslumiðstöð of the University of Iceland and project manager of distance learning at the same school. She has over 20 years of management, consulting and teaching experience. She worked as a school principal from 2016-2022 and as an expert at the University of Akureyri from 2012-2016. She has served on numerous boards, councils and committees. Hólmfríður was elected to Isavia board at the 2022 general meeting and sits on Isavia remuneration committee.

Hrólfur Ölvisson studied politics and media studies at the University of Iceland. Since 2016, Hrólfur has worked as the manager of Jarðefnaíðnaðar ehf. as well as sitting on the company's board of directors. He also sits on the board of Sementsverksmiðinn ehf. and Eignarhaldsfélagið Hornsteinn ehf. together with holding the chairmanship of the board at Bær hf. Hrólfur has held numerous management positions before, but among other things he worked as the managing director of the newspaper Tímans 1988-1993 and as the managing director of the Progressive Party 2010-2016. He has also served on numerous boards over the years, but among other things he was on the board of the Búnaðarbankinn Bankaráð 1998-2001, was the chairman of the board of the Fire Protection Agency 1997-2001, of the Purchasing Council of the City of Reykjavík 2003-2005 and chairman of the Labor Agency 1998-2007. Hrólfur was elected to the Isavia board at the 2023 general meeting.

Appendix I Statement of Governance

The appointment of Isavia board of directors 2023–2024 (continued)

Nanna Margrét Gunnlaugsdóttir, born 1978, board member since 2018, business administrator with an MBA from Reykjavík University. Since 2008, Nanna has run her own company, i.e., in retail and later in various investment projects as well as being on the boards of several companies, worked at Eimskipafélag Íslands from 1998-2008, i.e. in the treasury department and as a sales manager in the sea and air freight department. Nanna Margrét was elected to the board at the 2018 general meeting and is on Isavia audit committee.

Other board positions:

Nanna is on the board of Fríhöfnin ehf.

Jón Steindór Valdimarsson, born in 1958, board member since 2022, MPM (Master of Project Management) from the University of Reykjavík and with a Law degree (Cand. Juris) from the University of Iceland. Jón Steindór was a Member of Parliament in 2016-2021. He was the manager of the companies TravAble ehf. and Nordberg Innovation ehf. in 2015-2016. Then he was assistant manager and later manager of the Samtaka iðnaðarins 1988-2010. Jón Steindór was on the board of Regin hf. 2014-2015; Board of the Alþjóðamálastofnunar Háskóla Íslands 2002-2013; chairman of the board of Landsbréf hf. 2011-2013; vice chairman of the board of the Framtaksjóður Íslands 2011-2012 and on the board of the Nýsköpunarsjóður atvinnulífsins 2000-2010, of which chairman of the board in 2004-2010. Jón Steindór was elected to Isavia board at the 2022 general meeting and is on Isavia audit committee.

Board alternates

Dóra Sif Tynes, born 1972, lawyer, owner at Advel lawyers.

Ingveldur Sæmundsdóttir, born 1970, MBA, assistant to the Minister of Infrastructure.

Sigrún Traustadóttir, born 1962, MBA, consultant. Was the main member of the board 2014-2017, deputy from 2017.

Tómas Ellert Tómasson, born 1970, civil engineer, currently works for SG-hús ehf. on Selfoss.

Valdimar Halldórsson, born 1973, BA in economics and MSc in business administration from the University of Iceland. Was a main member of the board 2018 – 2022.

CEO

The CEO handles the day-to-day operations of the company according to policy and instructions of the board of directors. Day-to-day operations do not include measures that are unusual or significant. He has decision-making power over all operational and financial matters of the company and is in charge of its assets. The CEO reports to the board of directors on the company's activities and results at board meetings, is responsible to the board and complies with the company's articles of association, laws and regulations. The director does not have any related interest with business partners and/or competitors.

The CEO is Sveinbjörn Indriðason, born in 1972, an economist from the University of Iceland in 1998. He worked for Fjárfestingarbanki atvinnulífsins and worked in risk management for Icelandair from 1999 to 2005. Sveinbjörn was CFO of FL Group from 2005 to 2008 and Chief operating and Financial Officer of CLARA from 2011. Sveinbjörn was Isavia Chief Financial Officer from 2013 until June 2019, when he was appointed Isavia CEO.

The CEO also oversees and supervises Isavia ohf's subsidiaries. The ownership policy of Isavia ohf's subsidiaries has been established, which seeks to clarify the responsibilities and roles of the owner, the company, the board and management to promote good governance and a clear strategy. Thus, the ownership policy should ensure transparent, professional and efficient management of subsidiaries. Appendices have also been made which set out policies, rules and guidelines that are followed on a consolidated basis. These include human resources policy, sustainability policy, comprehensive risk management policy, ethics and the handling of personal information to name a few. The ownership policy and appendix are available on the company's website www.isavia.is.

The company's financial statements

Isavia fiscal year is the calendar year. The company's financial statements can be accessed at the Register of Annual Accounts as well as on the company's website www.isavia.is.

Subcommittees

There are two subcommittees of the board of directors, committee members are appointed by the board of Isavia ohf.

Remuneration committee

The board of Isavia appoints two individuals to the remuneration committee who also sit on the company's board. The main task of the remuneration committee is to prepare an annual draft remuneration policy that is submitted to the company's annual general meeting, to prepare a proposal for the annual general meeting on the remuneration of the board, to prepare a proposal to the board on criteria for salaries and other remuneration of CEOs and managing directors of subsidiaries. The remuneration committee monitors that the remuneration policy is implemented and that salaries and terms of employment are in accordance with laws, rules and good practice. The rules of procedure of the remuneration committee together with the company's remuneration policy can be found on the company's website.

Appendix I Statement of Governance

Audit committee

Chapter IX of Act no. 3/2006 on annual accounts, cf. Act no. 80/2008 applies to the audit committee. The company's board sets the committee's rules of procedure, to further complement the law. At its first meeting after the Annual General Meeting each year, Isavia board of directors appoints three individuals to Isavia audit committee. It consists of three members, one independent of the company and two members of the board. The main role of the audit committee is to assess the company's supervisory environment, analyse the effectiveness of internal auditing, monitor the implementation of auditing, make a proposal for the selection of an external auditor in consultation with the National Audit Office, cf. Article 7 Act no. 46/2016 on the Auditor General and the audit of the central government accounts, together with an assessment of the auditor's independence, an assessment of the effectiveness of risk policy, risk appetite and risk management, and ensure compliance with applicable laws and regulations. The committee's other tasks include reviewing financial information and the arrangements for providing information from management, internal auditing and external auditors, and verifying that the information the board receives about the company's operations, position and future prospects is reliable and gives the clearest picture of the company's position at any given time. Roles and rules of procedure can be found on the company's website.

Arrangements for shareholder and board of directors relations

One shareholder, the Icelandic state, owns all the shares in the company and the Minister of Finance and Economic Affairs controls the share. Notice of a shareholders' meeting is sent to a contact person at the Ministry of Finance and Economic Affairs. Shareholder meetings are the main forum for providing information to the shareholder. Other communication with shareholders on the company's affairs is in most cases initiated by the company. The Chairman of the board of directors and the CEO have had meetings with the Minister or employees of the Ministry of Finance.

The board of directors and the CEO of the company follow the General Ownership Policy of the state for all state-owned companies in their work. The company sends out press releases that inform about the company's results and other aspects of its operations, as applicable.

Statement of governance was approved at the board meeting of Isavia ohf. on the March 13th 2024.

Appendix II Non-financial disclosure

The business model

Isavia ohf. is a public limited company that handles the operation, maintenance and development of Keflavík Airport. Its subsidiaries are three: Isavia Innanlandsflugvöllir ehf. which handles the operation of airports for domestic scheduled flights and landing sites in Iceland, Frihöfnin ehf. which handles the operation of four duty free shops in Leif Eiríksson Air Terminal and Isavia ANS ehf. providing domestic and international air navigation services across the North Atlantic. The subsidiary Isavia ANS ehf. owns two subsidiaries, Tern Systems ehf. which is a software company and Suluk ApS which is a service for air traffic controllers in Greenland. Tern Systems ehf. owns one subsidiary, also a software company, which is Tern Branch Hungary.

Isavia is a service company which operates and maintains the infrastructure on which Icelandic aviation is based, its connection with the rest of the world and aviation between continents. The company's activity is therefore vital for the nation and the economy. Wide emphasis is placed on those economic actors that rely on the services of the company and are impacted by it.

Isavia operates in an international competitive market where competition between airports is keen. The market environment has undergone profound change in recent years, with no end in sight. Greater emphasis has been placed on sustainability in airport operations, and Isavia has made a determined effort in recent years to ensure future sustainability. The company sees great opportunities in Iceland's future competitive advantage, based on the environment and sustainability. The company's policy reflects these views.

Strategy

The purpose of Isavia, the parent company, is to lead an airport community that increases the quality of life and prosperity in Iceland, and the vision is to connect the world through Iceland. The purpose emphasizes the role of Keflavík Airport as an important infrastructure for Icelandic society and the responsibility that comes with it in a sustainable future. The overall purpose and strategy reflects the company's focus on sustainability and the balance between the economy, environment and society.

Isavia vision is to connect the world through Iceland. It focuses on the development of the transfer hub and reflects the expected development in the coming years in air transport. In order to support the development, the airport's infrastructure needs to be built. The company's strategy aims to deliver a leading airport that will grow sustainably and support the nation's prosperity. After all, they deliver significant economic benefits for the economy.

Key metrics

The key metrics of Isavia ohf., the parent company, were updated during the year to work systematically towards the success of the strategy. The company's management worked on proposals for strategic measures that were approved by the executive board. It was decided to work on five key metrics in 2023. They are:

Goal 1: The return on equity will be over 10% in 2027. It will increase from 1.9% to 3.2% in 2023. Return on equity in 2023 was 3.54%.

Goal 2: The percentage of satisfied customers will be 85% in 2027. It will go from 84% to 85% in 2023 for passengers. The percentage of satisfied customers for the year 2023 was 83%.

Goal 3: Employee satisfaction will exceed 8 out of 10 in 2027. It will go from an average of 7.5 to 8.0 in 2023 and remain there. Average employee satisfaction in 2023 was 7.7.

Goal 4: Keflavík Airport's carbon footprint will be below 1,000 tons of CO₂ in 2027. It will decrease from 2,185 tons to 1,760 tons by the end of 2023. The measurement for 2023 was 1,928 tons.

Goal 5: There will be no serious safety, security or occupational health incidents at Keflavík Airport in 2027. No serious incidents in the safety, security and occupational health and safety categories attributable to Isavia operations and infrastructure at Keflavík Airport in 2023. The number of serious incidents in 2023 in safety and aviation security was 38.

Sustainability

The Isavia group has a policy of social responsibility and has supported the UN Global Compact since 2016. With that, Isavia commits itself to ensure that its policies and practices are in line with the ten criteria of the United Nations on human rights, labour issues, environmental issues and anti-corruption measures. Isavia supports the United Nations' Global Goals for Sustainable Development and works systematically towards them. The Isavia group has a sustainability policy that states that the company has sustainability as its guiding principle in everything it does. The policy is supported by five-year action plans tailored to each company in the group, valid until the end of 2026.

Isavia goals, metrics and actions to achieve sustainability are set out in a five-year sustainability action plan that was submitted to the Environment Agency at the end of 2021, as required by law. When choosing the goals and remedial projects related to them, we looked at the nature of the company and its metrics, the suggestions of external stakeholders, the Global Goals and the government's emphasis on them and on climate issues. Account was also taken of improvement opportunities linked to the GRI factors, the company's commitments to the principles of the UN Global Compact and incentive projects that the company is a member of. In addition, ACI (Airport Council International) has issued guidelines on sustainability paths for airports that were taken into account. The action plan was submitted to the CEO and executive board for approval and presented to the board of directors.

Appendix II Non-financial disclosure

Sustainability (continued)

Work was carried out systematically according to the action plan in 2023, and actions were followed up in the company's strategic accounting. Work was done on 25 measures in sustainability. About 45% success was achieved in their progress. A total of 6 measures out of 25 were completed in 2023 in the four categories covered by the sustainability policy. Some measures were moved to 2024, as they were set for more than one year. Isavia strategy and action plan in sustainability are currently being revised in accordance with the changes that have been and are to come in the company's external environment. You can access more detailed information about Isavia Sustainability Policy along with an action plan here: <https://www.isavia.is/fyrtirtaekid/um-isavia/samfelag-og-umhverfi/samfelag/sjalfbaerni>.

Environmental issues

In accordance with the company's sustainability policy, Isavia guiding principle is to keep the negative environmental impact of its activities to a minimum in harmony and cooperation with stakeholders with a focus on climate issues. Keflavik Airport is a participant in a carbon certification system organized by the Airports Council International (ACI) called Airport Carbon Accreditation (ACA) and has a certified environmental management system according to the international standard ISO14001. Isavia carbon footprint has been reviewed and verified by an external party, the international accounting firm Bureau Veritas. Certification was supported according to ISO 14064-3 and awarded limited assurance.

Fuel consumption is the most important environmental factor in Isavia operations. Fuel consumption in the operation is closely monitored and efforts are made to reduce it where possible. Most of the use is for service and maintenance of runways and tarmacs areas of the airports. In 2021, a detailed analysis was made of the replacement of vehicles at Keflavik Airport. As a result, a decision was made that the airport would be carbon-free by 2030, which means that all vehicles owned by Isavia ohf. will be based on environmentally friendly energy sources. Isavia carbon offsets its activities.

Code of conduct

Isavia has a code of conduct, which was updated in 2022. It covers all the company's activities, staff events and work-related travel. They apply to the staff, managers and boards of the companies within the group and are part of their employment contracts. The code of conduct for Isavia suppliers and subsidiaries is established in accordance with the ten criteria of the UN Global Compact. The company's suppliers are required to comply with the code of conduct as a minimum standard and that they make the same requirement to their suppliers. Isavia should be notified if a violation of the code is suspected. If requested, suppliers must be able to confirm that these codes of conduct are followed. The company's contracts contain provisions on the prohibition of artificial contracting, and stipulate that relationship must be the main rule in interaction between the staff and contracting vendor. This is done to ensure that all wage related payments, by whatever name they are called, are paid and that the provisions of wage contracts are followed.

Human resources

Isavia human resources policy is to create a workplace where employees show respect to each other and are honest with themselves and others. The company intends to be at the forefront as a workplace where equality and trust prevail. Efforts are being made to ensure equal opportunities for employees and the possibility to use their talents at work.

In 2022, the company's human resources and equality policies were combined into one to show that equality issues are part of all human resources-related issues at the company. Along with the policy, a new equality action plan was sent for approval by the Equal opportunities agency, which certified the plan for the next two years.

Isavia is committed to implementing, documenting and maintaining an equal pay system in accordance with the requirements of the equal pay standard ÍST 85 and obtaining equal pay certification in accordance with Act no. 150/2000 on equal status and equal rights of irrespective of gender. The company implemented an equal pay management system in 2018. In 2022, the company received re-certification after an audit carried out by BSI in Iceland. The equal pay management system is intended to ensure that all employees are paid equal wages and enjoy the same pay for the same or equally valuable work, regardless of gender. Along with the certification, a wage analysis was carried out, which revealed that there is no unexplained gender wage gap at Isavia.

Isavia has a response plan for bullying, gender-based and sexual harassment and violence (EKKO) in accordance with the relevant law. The plan covers all of Isavia establishments and subsidiaries and applies equally to staff, managers and contractors who work on behalf of the company or on behalf of other service providers at Isavia establishments. The response plan is based on Isavia policy that bullying, sexual harassment, gender-based harassment or other forms of violence are not tolerated under any circumstances. It is the company's goal to eradicate such behaviour through preventive actions in the form of education and through professional work processes.

Employees or others who have information about breaches of law or other reprehensible conduct in the group's operations must report this. Isavia ensures a certain level of protection for those who report offenses or other reprehensible conduct in the operation in accordance with Act no. 40/2020 on the protection of whistle-blowers. Notices to that effect can be submitted through the Isavia website.

Appendix II Non-financial disclosure

Risk management

Isavia adheres to a formal process of risk management to reduce and manage financial and non-financial risk of the company. The process seeks to map the main risk elements of the company and apply appropriate measures to mitigate such undesirable events. Work is carried out in accordance with comprehensive risk management based on Isavia overall strategy. The managers manage the company's risk in accordance with Isavia risk tolerance set by the board. Risk tolerance, i.e., the limits of acceptable deviations from goals are defined, among other things, in the laws and regulations that apply to the activity, national and international obligations, policy documents, processes, procedures and manuals. Isavia risk management is discussed in more detail in the company's corporate governance statement and annual report.

Annual report

The annual report of the Isavia group is issued according to the international standard of the Global Reporting Initiative, including its special provisions regarding airports. The report deals with the points of emphasis, goals, key criteria and achievements of Isavia in its quest for increased sustainability. The report deals with issues of the environment, the community and the economy in detail. Furthermore, Isavia presents an annual report of the company each year as a progress report to the UN Global Compact and Global Reporting Initiative. The report is now published for the eighth time in this way. The reports are saved in the company's file system and published on an external website under the URL: <https://www.isavia.is/fyrirtaekid/um-isavia/utgefird-efni/arsskyrslur/arsskyrslur>.

EU Taxonomy reporting

EU Taxonomy regulation entered into force in Iceland on 1 June 2023 with Act. no. 25/2023 on Sustainable Finance Disclosure Regulation (SFDR) and taxonomy for sustainable investments.

As a result, the following delegated regulations of the EU Commission were implemented into Icelandic law. On the one hand, the delegated regulation of the EU Commission no. 2021/2139 on amendments to Regulation (EU) 2020/852 of the European Parliament and of the Council establishing technical assessment criteria to determine under which conditions economic activities are considered to significantly contribute to mitigation of climate change or adaptation to climate change and to determine whether these economic activities cause significant damage on any of the other general environmental objectives of the taxonomy regulation. However, the delegated regulation of the EU Commission 2021/2178 amending Regulation of the European Parliament and of the Council (EU) 2020/852 specifying the content and presentation of information to be disclosed by companies.

Companies are required to disclose the percentage of turnover, capital expenditure and operating expenses for the most recent operating period on eligible activities, that is, activities covered by the EU Taxonomy regulation. Similarly, the same key performance indicators must be disclosed for activities that meet all the criteria of the regulation and are considered to be aligned activities or environmentally sustainable.

It is considered that all business activities, which are not described in the delegated acts, are classified as not eligible. It should therefore be borne in mind that the EU taxonomy regulation is not in itself an exhaustive list of sustainable economic activities and related criteria, as many activities are currently not defined according to it, so far.

Definitions

The environmental objectives are six:

- climate change mitigation
- climate change adaptation
- sustainable use and protection of water and marine resources
- transition to a circular economy
- pollution prevention and control
- protection and restoration of biodiversity and ecosystems

Eligible economic activities are, according to the classification regulation, the economic activities described in the current delegated acts on the climate objectives, mitigation of climate change and adaptation to climate change, regardless of whether that economic activity meets any or all of the technical assessment criteria prescribed in these delegated acts.

For an activity to be considered aligned and thereby meet the requirements of the EU Taxonomy regulation to be environmentally sustainable, it must:

- The business activity must make a substantial contribution to one or more environmental goals.
- Does not cause significant harm to other environmental targets.
- Complies with minimum protective measures.

Appendix II Non-financial disclosure

Eligible business operations in accordance with the EU taxonomy regulation

Isavia carried out an analysis of the group's activities (investments and assets) in relation to the definition of the EU taxonomy regulation, of eligible and coordinated business operations according to both climate goals. Within the group are companies that operate airports, air traffic services, duty-free shops and software companies.

It can be said that for a given activity, three scenarios are possible: all related investments are coordinated; only part of the related investment is coordinated or no corresponding investment is coordinated. A similar argument can be used for properties.

When only a part of related activities is eligible or coordinated, the entity is then relied upon the data and that information from IT systems are sufficiently disaggregated and accessible so that the validity of the assessment can be proven. Isavia will look into this when improving the company's information systems and also to be prepared for the requirement that information published under the EU Taxonomy regulation will be taken out by a third party as announced within a few years.

After the analysis, the following categories of business operations were assessed as eligible:

- 5.3 Construction, extension and operation of waste water collection and treatment
- 6.3 Urban and suburban transport, road passenger transport
- 6.5 Transportation by motorbikes, passenger cars and light commercial vehicles
- 6.15 Infrastructure enabling low-carbon road transport and public transport
- 6.17 Low carbon airport infrastructure
- 7.1 Construction of new buildings
- 7.3 Installation, maintenance and repair of energy efficient equipment
- 7.7 Acquisition and ownership of buildings

Eligible activities covered by EU Taxonomy

Isavia assesses that it does not formally meet all of the minimum safeguards specified. Therefore, the company does not provide information on aligned business activities according to the taxonomy regulation.

Failure to fully implement the minimum safeguards does not have legal consequences as the taxonomy regulation is a reporting regulation and Isavia will work on improvements during the year to meet these measures.

During the analysis of the technical evaluation criteria of the activities that are classified as eligible, certain challenges were revealed for the company to be able to fulfil them correctly. For example, Iceland is exempt from regulation 2010/31/EU on the energy efficiency of buildings (EPBD), and therefore there is no energy classification of buildings or criteria for the primary energy demand of buildings in Iceland. As it is, it is therefore not possible to fulfil the technical evaluation criteria that apply to business activities under section 7.1 Construction of new buildings and 7.7 Acquisition and ownership of buildings, for example.

Minimum safeguards

As part of the minimum safeguards measures, there are various requirements for the implementation of procedures based, among other things, on the guidelines of the Organization for Economic Co-operation and Development (OECD) for multinational companies and the guiding principles of the United Nations on business and human rights, as well as eight fundamental conventions in the declaration of the International Labor Organization.

The fact that the required minimum safeguard is met is a prerequisite for business activities to be classified as environmentally sustainable and thus aligned with the taxonomy regulation. In order to implement and ensure minimum safeguards, Isavia has aligned itself with the final report on minimum safeguards from the Platform on Sustainable Finance from October 2022. The main focus of the report is on human rights, corruption and bribery, taxation and fair competition. When assessing compliance with minimum safeguards, it is assessed whether adequate processes are implemented for each of the above subjects to avoid negative impacts.

Isavia considers itself to meet the minimum safeguards requirements mentioned regarding corruption and bribery, taxation and fair competition in all respects. The procedure that the company has not fully implemented is a human rights due diligence process that is specifically specified in the OECD guidelines. It is worth noting that although Isavia has not implemented the due diligence steps as mentioned in the OECD guidelines, this does not mean that human rights are being violated, as the guidelines only address the procedural aspects of human rights due diligence. Isavia will continue as before to work on human rights and further improvements when it comes to minimum safeguards measures.

Appendix II Non-financial disclosure

Key performance indicators

The annual accounts of the Isavia Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as they are approved at the end of 2023, changes to them and new interpretations and additional requirements in the Act on Annual Accounts, as stated in note 2 in the annual accounts. Calculations of key metrics are presented on a consolidated basis where internal transactions have been eliminated to avoid double counting. The following methodology was used to calculate the key metrics, turnover, capital expenditure and operating expenses.

Turnover

The group's classifiable income ratio was calculated as the portion of net income from goods and services related to classifiable business activities (numerator) divided by net income (denominator; the denominator corresponds to the group's income; see also the notes to the group, number 4 income).

Isavia earns income from products and services related to classifiable business activities. By far the largest item is rental income from housing, which falls under category 7.7 Acquisition and ownership of buildings. In addition, the company earns income from the operation of the sewage system, which falls under category 5.3 Construction, extension and operation of waste water collection and treatment. Finally, revenue is generated from charging stations that fall under category 6.15 Infrastructure enabling low-carbon road transport and public transport.

Capital expenditure

The EU taxonomy regulation defines key performance indicator where the capital expenditure entails additions to tangible and intangible assets during the financial year considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes.

The largest part of the investment fees that are considered to be eligible can be attributed to the large-scale projects that take place at Keflavik Airport and fall under category 7.1 Construction of new buildings. Next, the company's purchases of vehicles that fall under category 6.5 Transportation with motorbikes, passenger cars and light commercial vehicles are listed. Installation of LED approach lights at Keflavik Airport falls under category 7.3 Installation, maintenance and repair of energy-efficient equipment. Finally, there are constructions for increasing the voltage, renewing and increasing the number of aircraft ground connections (Ground Power Unit) and the installation of electric charging stations for cars, all of which fall under category 6.17 Low carbon airport infrastructure.

Operational expenditure

The taxonomy regulation's definition of operational expenditure is narrower than the general definition in accordance with IFRS which are used in the financial statements. Operational expenditure are direct non-capitalised costs that relate to research and development, building renovation measures, short-term leasing, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced, that are necessary to ensure the continued and effective functioning of such an asset.

To determine the key metrics for operating expenses, the classifiable operating expenses (numerator) according to the classification regulation are determined in proportion to the operating expenses (denominator).

The largest part of the eligible operation expenditures in accordance other EU taxonomy regulations s due to maintenance and repairs so that it is possible to ensure the efficient operation of assets. Do those operating expenses fall under category 7.7 Acquisition and ownership of buildings. The most extensive part of them is due to the cleaning of the terminal at Keflavik Airport, but there is also the maintenance of footbridges and ventilation systems. Isavia runs a workshop and pays a percentage of the operating fees there, on the one hand, for spare parts, tire changes and repairs to vehicles under category 6.5 Transport by motorbikes, passenger cars and light commercial vehicles, and on the other hand, for spare parts, tire changes and repairs to buses, which are used in passenger transport at the airport, under category 6.3 Urban and suburban transport, road passenger transport.

Tables showing key metrics follow.

EU Taxonomy

TURNOVER

Economic Activities (1)	Code (2)	2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum Safeguards (17)	Taxonomy aligned proportion of total turnover, 2023 (18)	Taxonomy aligned proportion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Circular Economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Circular Economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		in thousands of ISK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	N	0%	-	0%	0%
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A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)

Acquisition and ownership of buildings	7.7	3.965.204	8,8%																	
Construction, extension and operation of waste water collection and treatment	5.3	43.303	0,1%																	
Infrastructure enabling low-carbon road transport and public transport	6.15	2.179	0,0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4.010.687	8,9%																	
Total (A.1+A.2)		4.010.687	8,9%																	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)	41.047.277	91,1%
Total (A+B)	45.057.963	100,0%

EU Taxonomy

OPERATING EXPENDITURE

Economic Activities (1)	Code (2)	2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum Safeguards (17)	Taxonomy aligned proportion of total OpEx, 2023 (18)	Taxonomy aligned proportion of OpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		Absolute CapEx (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Circular Economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Circular Economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		in thousands of ISK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0	0%	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	-	0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition and ownership of buildings	7.7	526.739	1,4%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	28.271	0,1%																	
Urban and suburban transport, road passenger transport	6.3	19.707	0,1%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	574.717	1,6%																		
Total (A.1+A.2)	574.717	1,6%																		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OpEx of Taxonomy-non-eligible activities (B)	36.337.819	98,4%
Total (A+B)	36.912.536	100%

