

# Icelandair

## Annual and Sustainability Report 2024



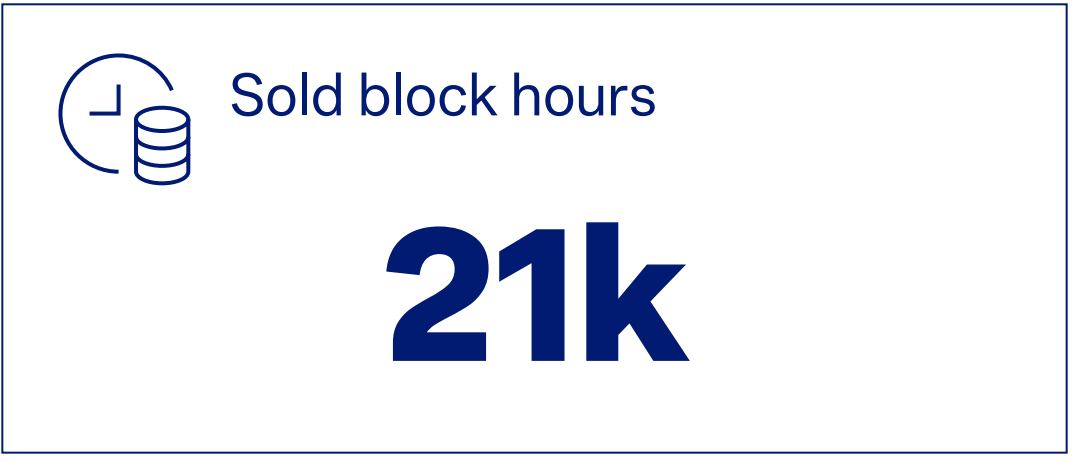
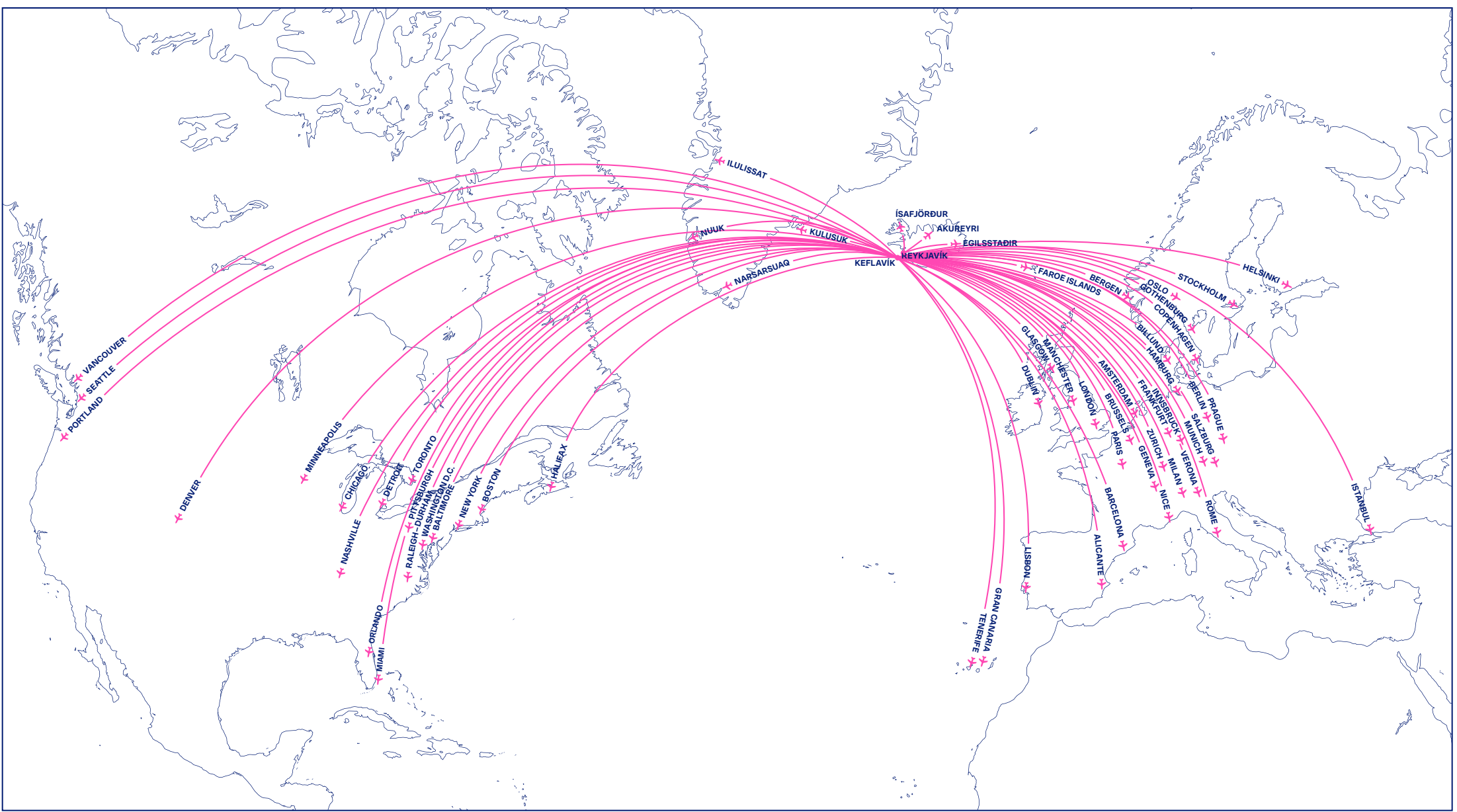
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# Financial highlights



Revenue:

**1,570m**

2023: 1,524m



EBIT:

**-14m**

2023: 21m



Net profit/Loss:

**-20m**

2023: 11m



Assets:

**1,637m**

2023: 1,528m



Total liquidity:

**347m**

2023: 323m



Equity ratio:

**16%**

2023: 19%



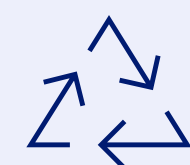
# ESG highlights



CO<sub>2</sub>e emissions reduction:

**-4%**

2023: -1%



tCO<sub>2</sub>e emissions per OTK:

**0.73**

2023: 0.76



Gender distribution

Employees (M/F)

**53/47**

2023: 54/46

Board of Directors (M/F)

**60/40**

2023: 60/40

Senior management (M/F)

**60/40**

2023: 60/40



Tax footprint

**274m**

2023: 236m

# Icelandair

## Business review

- Chairman and CEO's letter
- Passenger route network
- Air freight and logistics
- Aircraft leasing and consulting
- Fleet





# Letter to our shareholders

The year 2024 was eventful for Icelandair. Our route network operations were robust, which was reflected by decreased unit cost, high customer satisfaction and outstanding on-time performance, where we consistently ranked among the most punctual airlines in Europe. We also achieved great turnaround in our cargo operation during the year and our leasing business continued to deliver strong results.

## Eventful year

The financial results for the full year were in line with the guidance we published in October 2024. We expect the positive development we saw in the fourth quarter, with performance improvements in all business units, to continue in 2025. Following several years of recovery and ramp-up of our operations after the pandemic, in 2024, our focus was on the optimization of our business. In line with this focus, to ensure profitability and future success, we launched a comprehensive transformation journey in the first half of the year. We have put a plan in place, including both cost efficiency and revenue generating initiatives, that will significantly contribute to reaching our long-term 8% EBIT goal.

## Continued expansion of our route network

In 2024, we transported a record 4.7 million passengers, a 9% increase compared to last

year. We operated to 58 gateways, thereof four new destinations – Pittsburgh, Halifax, the Faroe Islands and Lisbon. With the aim of further expanding our route network and strengthening our revenue generation, we signed five strategic partnership agreements during the year – with Emirates, TAP Air Portugal, Air Greenland, Atlantic Airways and the Italian airline ITA. Furthermore, we signed a interline agreement with Southwest Airlines in January 2025 as their first airline partner, which is an important recognition for Icelandair and our team.

## Turnaround in Cargo and Leasing performing well

Following a challenging year for the cargo operation in 2023, we implemented various measures to enhance the results in 2024. These efforts proved successful, resulting in a significant turnaround in 2024 as the cargo operation returned to operating profit. In addition, the leasing business saw strong growth and success in 2024.



## Financial performance in line with guidance

Revenue generation was impacted by weaker demand in the market to Iceland in the high season in comparison to last year. With a joint effort of our team, we managed to successfully respond to these changes in demand by leveraging our flexibility and shifting focus to the transatlantic market, thereby maintaining a strong load factor. This, however, impacted our results due to lower yields on the transatlantic market. Signs of recovery emerged in the fourth quarter of 2024, with net profit showing a turnaround of USD 7 million compared to the previous year. As a result, we reported a loss of USD 20 million in 2024 compared to a profit of USD 11 million in 2023.

Total revenues amounted to USD 1.6 billion, up by 3% year-on-year. EBIT was negative of USD 14.2 million, down by USD 35 million, with an EBIT ratio of -1%. Equity amounted to USD 269 million, with an equity ratio of 16.5% at the end of the year. The liquidity position remained strong, with cash and marketable securities amounting to USD 255 million. Additionally, we had undrawn committed credit lines of USD 92 million, bringing total liquidity to USD 347 million.



## ONE transformation journey already starting to materialize

The transformation journey, named ONE, that we launched in the first half of 2024 has already started to materialize. The primary objective of the transformation is to increase operational efficiency, mainly by lowering costs but also through revenue generating initiatives. We are leaving no stone unturned in this important journey and 400 improvement initiatives have been identified and planned across all divisions and will be implemented over the next two years.

At the end of the year, we had already implemented operational improvements that will deliver over USD 20 million in run-rate annual impact when fully materialized. We expect the transformation to deliver a total of USD 70 million in annual impact by the end of 2025 as additional improvements will be implemented throughout the year, with further impact in the following years. Positive development in unit revenue and cost in the fourth quarter 2024 indicates that we are on the right track towards improved financial performance.

## Continued focus on sustainability

The long-term success of Icelandair is also crucial for the Icelandic economy and society. For an island nation like Iceland, efficient flight connections are fundamental and tourism accounts for a significant proportion of Iceland's export revenue. In addition, through our cargo services we support other export industries, such as the Icelandic seafood industry, by our connections to important markets on both sides of the Atlantic. In 2024, our tax footprint in Iceland amounted to USD 274 million, increasing by 16%. We employed an average of 3,575 full-time employees in 2024, contributing to the economic prosperity in Iceland as one of the largest employers in the country.

In addition to the important economic impact, our sustainability efforts, which are an integral part of our strategy, encompass environmental, social, and governance factors. Climate action is a key sustainability priority and from 2019 to 2024, we reduced the carbon emissions of our operations by 18% per operational tonne kilometer (OTK), largely due to our fleet renewal program. In 2024, we committed to setting a science-based climate target in line with the Science Based Targets initiative (SBTi) and will start that process this year.

We are currently working on implementing the new EU Corporate Sustainability Reporting Directive (CSRD) and its accompanying standards, the European Sustainability Reporting Standards (ESRS). As a part of the preparation, we have considered the ESRS when developing the non-financial reporting for 2024.

### First Airbus aircraft – a historic milestone

We can say that the year 2024 marked a new beginning for Icelandair when we took delivery of our first Airbus aircraft. Our first Airbus A321LR arrived in December 2024 and we are expecting additional three before the summer 2025. Furthermore, part of our agreement with Airbus from 2023 was the purchase of 13 A321XLR aircraft and purchase rights for additional 12 aircraft, with deliveries commencing in 2029. These new, long-range and efficient aircraft will increase the flexibility of our route network, contribute to operational efficiencies, as well as further support our sustainability efforts. Furthermore, they will open new and exciting opportunities for our route network which will be fundamental for the future development of Iceland as a tourist destination and a connecting hub for air travel between continents

## Bringing our teams closer together

We did not only celebrate an important milestone within our fleet in 2024, as we also moved to our new headquarters, where we have now gathered most of our operations in Iceland in one place. Our previous headquarters were built by our predecessor, Loftleidir Icelandic, in 1964. In this historic building, we spent 60 years of our 87-year history – continuously expanding our operations while bringing the spirit of Iceland to the world. In December 2024, we moved to the new Icelandair House. From now on, all crew training, office operations, customer service, the Operations Control Center and more, will be gathered under one roof, which will drive efficiency and foster further collaboration, in addition to bringing us closer to our airport operations in Keflavik.



## Promising outlook in 2025

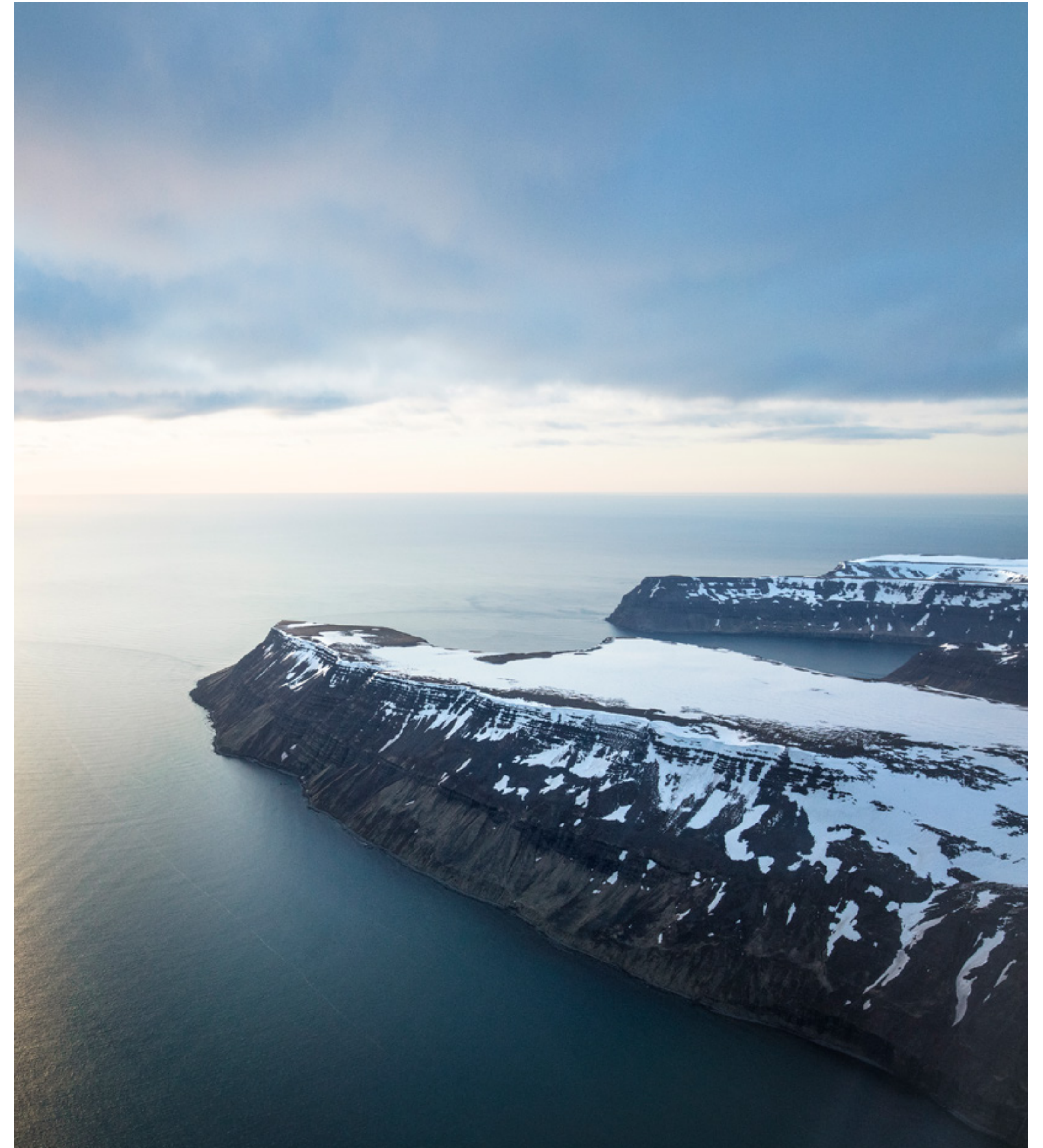
The prospects for 2025 are favorable and we expect performance improvements in all business segments. Positive development in unit cost is expected to continue, supported by the ONE transformation journey, and we expect to deliver better results in 2025, both in terms of EBIT and after-tax profit. The flight schedule in the passenger network will be our largest yet, with 62 destinations, thereof four new – Miami, Nashville, Istanbul and Gothenburg – in addition to our extended network through our airline partners. We are planning an 8% increase in capacity, focused on off peak seasons, which will both improve resource utilization and provide our customers with more travel options than ever before. This growth is driven by the transition to a more fuel-efficient fleet, which makes increased off-peak flying more viable. A fleet of 42 aircraft will be operated within the passenger route network in the peak summer season, the same number of aircraft as in 2024, thereof 21 B737 MAX aircraft and four new A321LR aircraft.

## Continued shareholder support

We are thankful for the support of our 14 thousand shareholders. We would like to thank the entire Icelandair team for their dedication and hard work during the year, our partners for productive collaboration, and most importantly, our customers for continuously choosing Icelandair.

We have set ambitious goals of improved performance in 2025 and onwards. We are confident that our current focus will further strengthen our position, improve profitability and allow us to fully capitalize on emerging opportunities and thereby create long-term value for our shareholders and the Icelandic society.

*Gudmundur Hafsteinsson, Chairman*  
*Bogi Nils Bogason, CEO*





# Passenger route network

Iceland's uniquely central location on the shortest flight route between Europe and North America is the key to our hub-and-spoke network. With our connecting hub in Keflavik Airport, we are able to serve diverse markets in an efficient way.

## The heart of our business

In 2024, we demonstrated the strength and flexibility of our passenger route network. As demand for travel to Iceland softened due to volcanic activity in the Reykjanes peninsula and strong competition from other destinations, we shifted focus to the via market, utilizing Iceland as a connecting hub between Europe and North America. This strategic adjustment enabled us to sustain and grow passenger volumes, achieving a historically strong load factor for the year, despite the challenge of lower yields associated with the via segment. Promising signs of recovery emerged in the fourth quarter as market capacity to and from Iceland declined while demand remained steady.

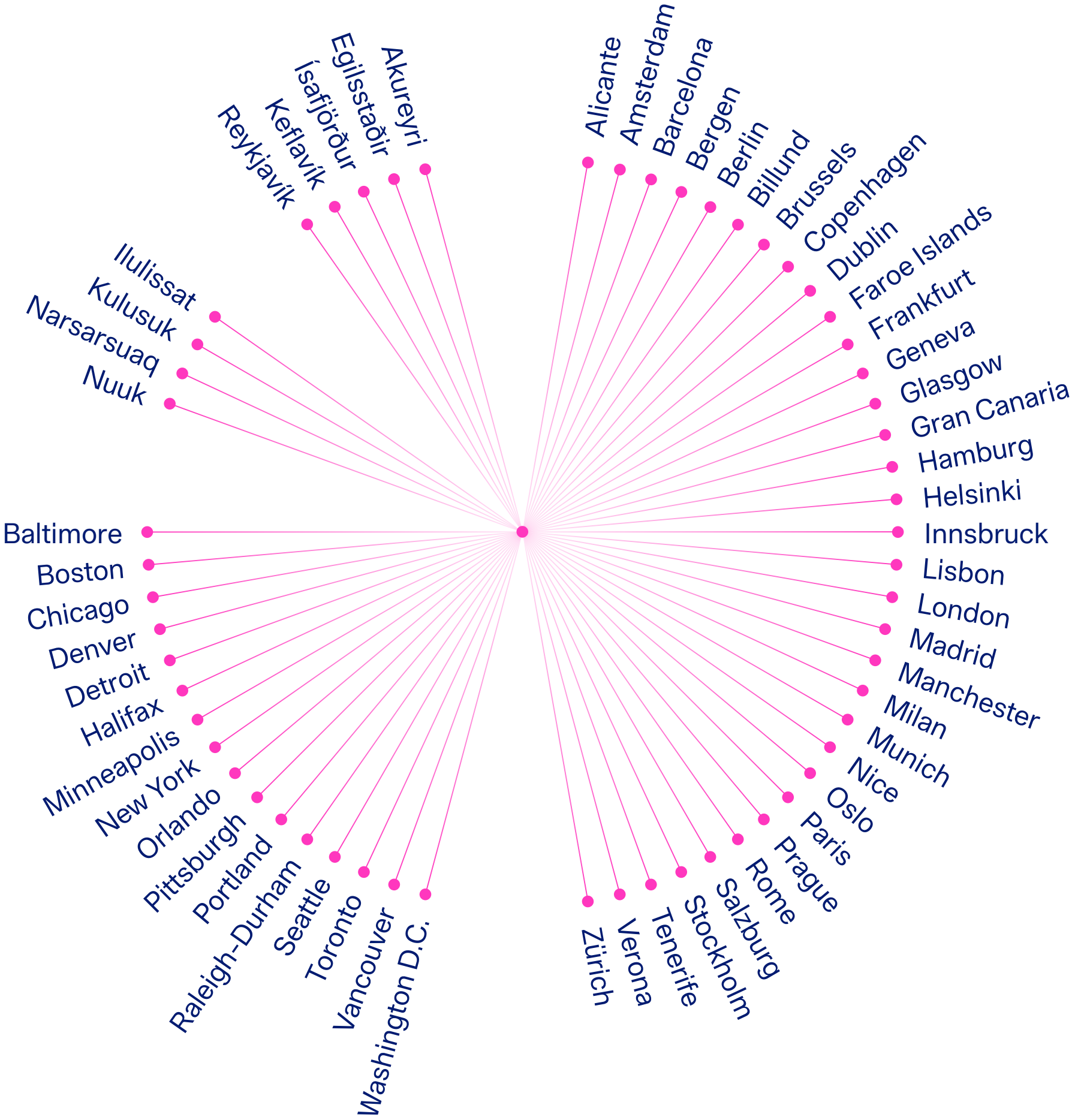
## Operational strength drives results

Operationally, we delivered a standout performance in 2024. We achieved record on-time performance during the peak summer season, which was supported by well executed maintenance programs during the winter, ensuring reliability across our fleet in the high season. These achievements contributed to a reduction in unit costs, even in the

face of ongoing inflationary pressures, underscoring our commitment to operational efficiency and cost control.

## Strengthening of connecting banks

Significant steps were made in 2024 to strengthen and enhance our connecting banks in Keflavik. Notably, Seattle operated three times daily during the summer of 2024, making Icelandair the first airline to offer triple daily long-haul flights from Seattle. We also successfully introduced morning flights to Denver during the summer of 2024. We increased flight frequencies in most destinations in 2024, providing our passengers with more departure options within the day and higher weekly frequencies.





### Five new gateways

Our passenger flight schedule, as measured in available seat kilometers, increased by 10% compared to 2023. We offered flights to 58 destinations, compared to 55 in 2023. We expanded our network by introducing Pittsburgh, Halifax, the Faroe Islands, Innsbruck and Lisbon as new destinations. Additionally, we announced plans for further expansion in 2025, with Miami, Nashville, Istanbul and Gothenburg set to join our network.

### Record year-round destinations

We have continued to see our summer schedule expand further into the shoulder seasons, driven by the growing profitability of these periods.

In 2024, we extended the operational duration of our second bank significantly, running it from May 9th to October 7th - a full four weeks longer than in 2023. This reflects our strategic focus on maximizing opportunities during these lucrative periods.

In addition to the extended operations, 2024 marked a milestone for Icelandair as we served more year-round destinations than at any point in our history. Multiple routes saw extended seasonal operations, underlining our commitment to meeting passenger demand and optimizing network efficiency. Notably, new year-round gateways were introduced, including Baltimore, Vancouver, Raleigh-Durham, and Rome.

**“The Airbus A321LR and XLR are key to our future competitiveness, enabling us to continue to make the most of Iceland’s unique hub location between continents. With superior fuel efficiency, range, and flexibility, these aircraft enable route expansion, operational optimization, and an enhanced passenger experience—driving sustainable growth and securing our strong market presence in an evolving industry.”**

Tómas Ingason  
Chief Commercial Officer



# Domestic and regional network

## Supporting local development

Efficient and reliable air transport plays a vital role in enhancing the quality of life for the communities we serve. Icelandair is committed to connecting people, driving economic growth, and supporting local development.

## New opportunities in the regional network

Looking ahead, we anticipate changes to our domestic and regional networks. New airfields opened in Nuuk in November 2024, and new airports in South Greenland and Ilulissat are set to open in 2026. With the introduction of larger aircraft to serve Greenland, Icelandair will phase out its smaller Dash DH2 fleet by 2026, shifting focus to the Dash DH4 and narrowbody jets for regional operations.

These changes reflect our ongoing commitment to sustainable, dependable, high-quality service for the communities of Iceland and Greenland, strengthening our position in the North Atlantic region and continuing to provide connectivity in the region.





### Record number of passengers

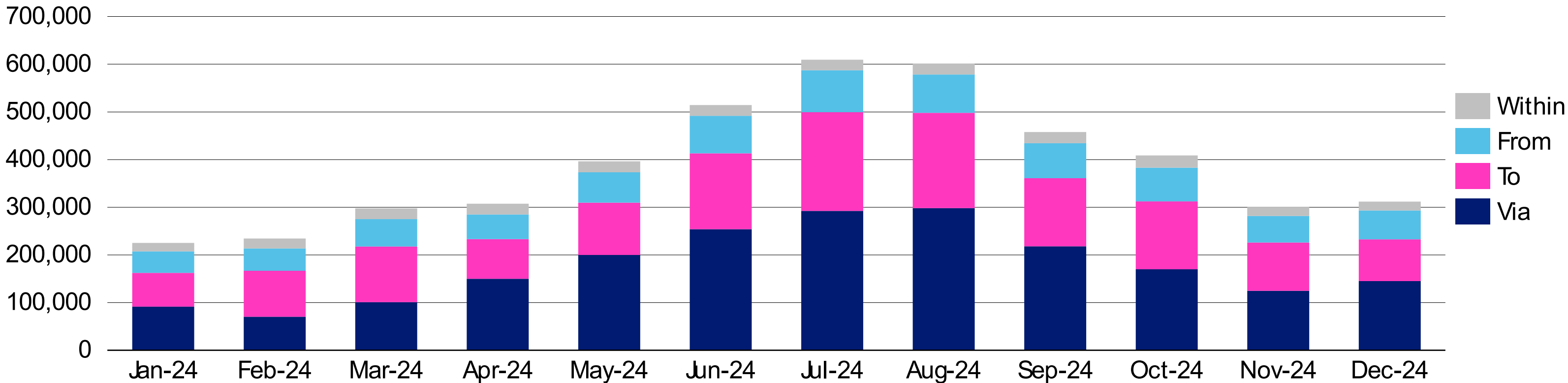
The total number of passengers on international and domestic flights was 4.7 million in 2024, an increase of 9% compared to 2023. The to market with Iceland as a destination and the via market, the market between Europe and North America, were our largest markets, accounting for 33% and 45% of total passengers each. However, the via market, grew the most, or by 29%. The from market, with travel originating in Iceland, accounted for 17% of our total passengers. The domestic operation within Iceland accounted for 6% of total passengers.

### Strong load factor

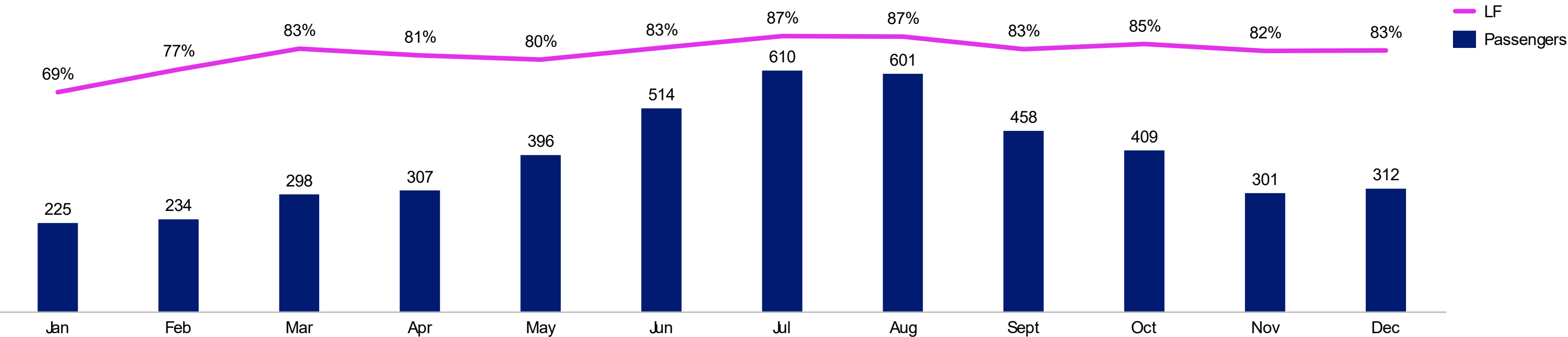
In 2024, we achieved a strong load factor of 82.6%, up 1.1 percentage points year-on-year. This performance remained historically high, reflecting solid demand across transatlantic routes, driven by the via market.

This result underscores our resilience and strategic vision, solidifying our position as a key player in the transatlantic market and laying the groundwork for continued success.

### Number of passengers per market



### Load factor and number of passengers (thousand)





## Outlook for 2025

We will serve 62 destinations in 2025. In April, we will introduce Nashville, Tennessee to our route network, Nashville known as the Music City, will open up a world of opportunities for travelers from Iceland and Europe to connect to a variety of destinations across the United States. This new route not only enhances travel options but also offers the chance to explore Nashville's vibrant music scene, rich history, and southern charm.

In November last year, we announced the historic city of Istanbul, Turkey, as a new destination. This expansion is part of a broader strategy to enhance connectivity and provide more travel options for our passengers. Our flights to Istanbul will be perfectly timed to connect with Turkish Airlines' extensive network of flights to and from Asia and the Middle East. This way, we will further strengthen our partnership with Turkish Airlines.



We announced our newest destination in January 2025, Miami. Known for its stunning beaches, lively nightlife, and diverse cultural influences. Often called the Magic City, Miami offers a unique blend of Latin American and Caribbean flavors, iconic art deco architecture, and a thriving arts scene.

Orlando and Lisbon will become year-round destinations, and flights to Gothenburg will start next summer. We will also increase the frequency of flights to destinations where we have strong partnerships with other airlines, maximizing the benefits of these partnerships and offer passengers more flexible travel schedules.

Next summer, we will operate 42 aircraft, including 21 B737 MAX aircraft and four new Airbus A321LRs, keeping the total number of aircraft the same between years. The new Airbus A321LRs are more fuel-efficient and have lower variable costs compared to the older Boeing 757s they are replacing. These cost efficiencies will support Icelandair's growth strategy, particularly outside the peak summer season.



In 2025, our growth strategy will focus primarily on the spring and fall seasons. This includes an earlier start of the second bank of flights just before Easter, allowing for an extended period of increased operations.

During the summer peak, our capacity will remain similar to the previous year, ensuring that we can continue to meet the high demand for travel during this busy season. Overall, our capacity is projected to grow by 8% in 2025 compared to 2024, all while utilizing similar resources.

With continued focus on driving efficiencies and with the impact of the ONE transformation, we will be in a prime position to capture emerging opportunities and create long-term value for shareholders and Icelandic society. These opportunities include expanding the route network with new, longer-range aircraft, which form the foundation for the further development of Iceland as a tourist destination and as a connecting hub between Europe and North America. At the same time, we are committed to offering a best-in-class customer experience, working towards more sustainable operations, and building a top-tier workplace.





# Above and beyond: The Icelandair customer journey

## Enhancing customer experience

We are dedicated to deliver an exceptional customer experience by prioritizing the needs and comfort of our passengers above all else. Our commitment to excellence is reflected in every aspect of our service, from the moment you book your flight to the time you reach your destination.

Throughout the year, our primary focus has been on implementing comprehensive improvements across all touchpoints, with the aim of enhancing customer experience, operational efficiency, and sustainability. A significant milestone was the expansion of our loyalty program through a strategic partnership with Expedia. This collaboration has provided our customers with greater flexibility and has resulted in record levels of member engagement.

## On-board improvements

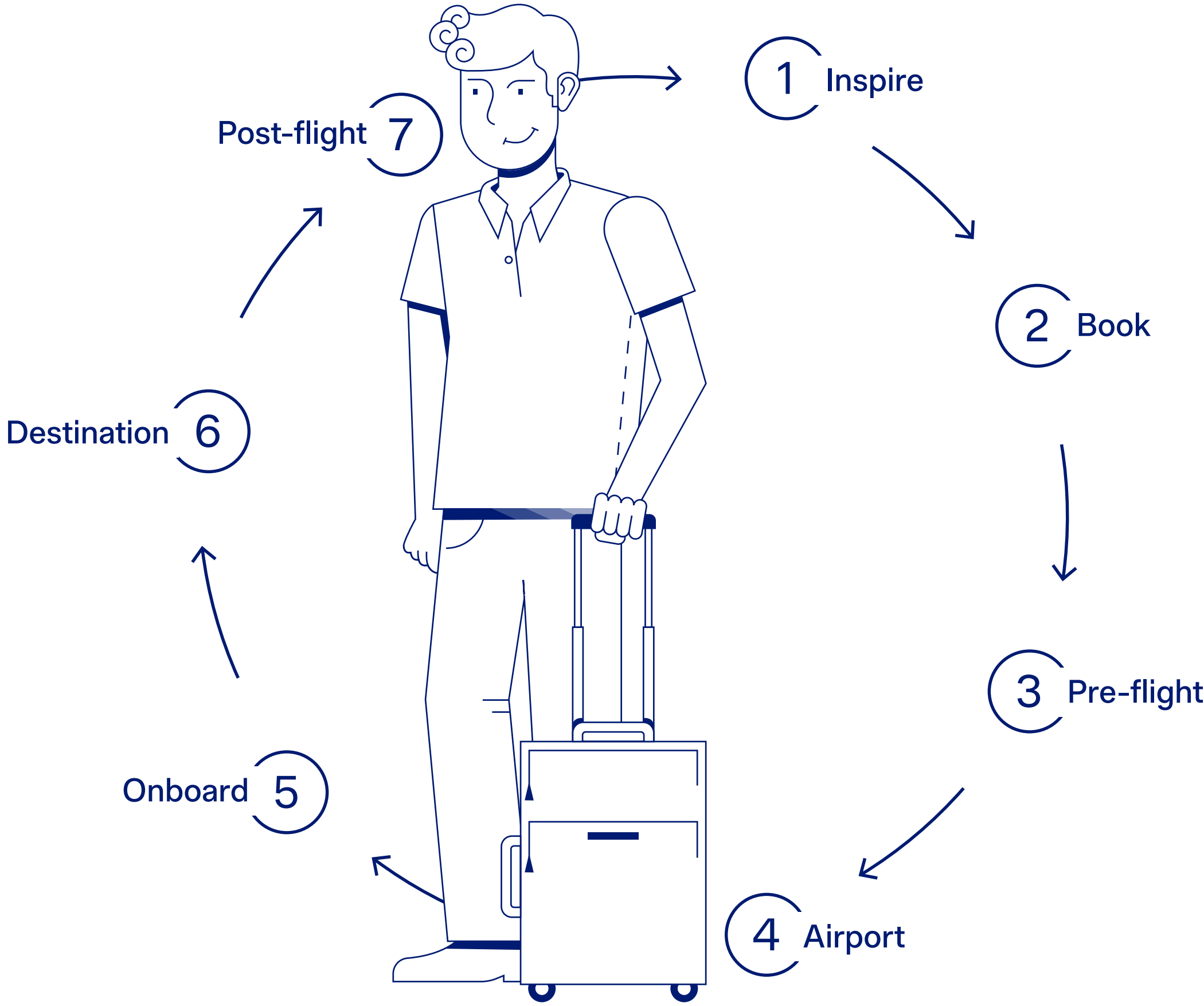
On board, we have concentrated on enriching the family travel experience by introducing activity-based children's meal boxes and offering a wider range of content in our in-flight entertainment system. Our digital touchpoints have also seen

substantial advancements, including updates to our app and improvements to the booking flow design. These enhancements have created a more seamless and intuitive user experience, from product selection to delivery processes.

The year concluded with the delivery of our first Airbus aircraft, which features enhanced living spaces, updated entertainment systems, and modern seat designs. These new aircraft present exciting opportunities to further elevate the customer experience. The design of these aircraft has been meticulously planned with customer comfort in mind, aligning with our goal of delivering smooth and enjoyable travel experiences.

## Effortless connections

In addition, we have made considerable efforts to improve the airport experience for our transfer passengers. Our focus has been on streamlining their journey to ensure a smooth and efficient transition between flights. We have also maintained a strong commitment to proactive communication before and during travel, effectively managing customer expectations to provide a reassuring and smooth experience throughout their journey.







Guðný Halla Hauksdóttir  
*Director Customer Service*

“In 2024, we took a proactive approach to customer communications, with focus on solutions that anticipate our customers’ needs before they even have to reach out. By enhancing self-service options, streamlining processes, and leveraging data-driven insights, we’ve not only improved customer satisfaction but also significantly reduced inbound calls. Our goal is to provide seamless, efficient support—ensuring customers get the help they need quickly and effortlessly.”





## Transforming customer communication

In 2024, we significantly elevated our customer service by investing in better communications, adopting a proactive service approach, and introducing a state-of-the-art virtual assistant. We overhauled our communication infrastructure to provide more efficient and personalized interactions. This included expanding our customer support teams, implementing advanced systems, and revitalizing our social media platforms to offer real-time assistance. These improvements have enabled us to respond to customer inquiries more swiftly and effectively, ensuring that each interaction is tailored to meet individual needs.

Anticipating our customers' needs has been pivotal to our strategy. We undertook extensive training programs for our staff, focusing on proactive service techniques designed to address potential issues before they escalate. This approach has not only led to a significant decrease in customer complaints but also in higher satisfaction scores. Our commitment to proactive service means that our customers can enjoy a smoother, more enjoyable travel experience, knowing that any concerns will be promptly and efficiently addressed.

## Strong growth for Icelandair VITA

This year, Icelandair Holidays faced challenges in foreign markets, with overall sales experiencing headwinds. However, the average spend and contribution per package booking increased, indicating higher value transactions. Domestically, Icelandair VITA saw strong growth across several destinations. The golf segment and charter destination packages performed well, and we observed significant growth in group packages sales and in the concerts and events category.

We made substantial progress in sourcing, improving efficiency, strengthening supplier relationships, and advancing technical infrastructure. These improvements now enable dynamic hotel availability for inbound markets and enhanced options for selling tours and activities.

Looking ahead, we are committed to creating a seamless, high-quality one-stop shopping experience for our customers, offering a curated selection of accommodations, transfers, and activities at competitive prices across our destinations.

## Robust brand awareness

Due to a softened demand for travel to Iceland following volcanic activity and stronger competition with other destinations, we shifted our marketing focus to outbound and transit travel. This strategic adjustment helped counter the temporary drop in demand for travel to Iceland.

We saw a 16% increase in website visitors from January to November compared to the same period last year. At the beginning of the year, we partnered with the UK-based agency Launch

Online, which has exceeded expectations and continues to strengthen. Our brand health metrics have improved, with the Brand Awareness & Consideration (BAC) metric rising from 63% in November 2023 to 68% in November 2024. Additionally, 46% of Icelanders rated Icelandair as their first-choice carrier in November 2024, up from 41% in November 2023.

We invested in consumer and trade events such as Taste of Iceland, WTM (World Travel Market), and ITB (Internationale Tourismus- Börse) to enhance brand visibility and deepen connections with global travel professionals, consumers, and media outlets. We also supported cultural initiatives like Iceland Airwaves, Reykjavik Pride, and Design March, celebrating creativity, diversity, and innovation.

## Awards won in 2024

Our commitment to customer focus and on delivering smooth and enjoyable travel experiences is a key driver behind our success. In 2024, we got recognition of our customer focus through four prestigious awards.



The Icelandic Customer Satisfaction Index



APEX Passenger Choice Awards Four Star Major Airline by your passengers



2024 APEX Passenger Choice Award® Best Wi-Fi in Europe



Marketing Person of the year - The Icelandic Marketing Association



### Meet Saga: Our new AI assistant

We introduced “Ask SAGA” our AI-powered virtual assistant, which has revolutionized the way we handle customer interactions. Since its launch, Ask SAGA has managed over 320 thousand customer interactions, achieving a remarkable 70% resolution rate. This innovation has significantly reduced wait times for our customers, allowing our human agents to focus on more complex and nuanced issues that require a personal touch. The introduction of Ask SAGA has not only improved efficiency but has also enhanced the overall customer experience by providing quick and accurate responses to a wide range of inquiries.

Through these initiatives, Icelandair has demonstrated a strong commitment to enhancing customer experience by leveraging innovative communication tools and adopting a proactive service approach. Our efforts in 2024 have set a new standard for customer service excellence, ensuring that our passengers receive the highest level of care and attention throughout their journey.

“Ask SAGA has revolutionized customer interactions, handling over 300 thousand customer interactions with a 70% resolution rate, reducing wait times and enhancing the overall customer experience”

Arndís Halldórsdóttir  
*Digital Customer Service Manager*



## Strong commercial infrastructure

We have built an extensive sales network in all operating regions, in Iceland, Europe and North America. Our sales and distribution efforts are comprehensive and diverse, requiring a hands-on approach that has been developed over the years and continues to evolve over time. We rely heavily on strong relationships in the B2B market across our regions.

We have sales employees located in Europe and North America, in addition to our sales function in our headquarters in Reykjavik, Iceland. Within Europe, we have sales executives based in Copenhagen, Oslo, Stockholm, Helsinki, London, Paris, Frankfurt, Hamburg, Brussels and Amsterdam. Within our North America region, we have employees located in Boston, Denver, Seattle, New York and Rhode Island. In addition, we have general sales agents in offline and seasonal markets that represent an extension of our commercial staff.

## Unique products and services

In addition to an extensive sales infrastructure, we benefit from a broad product portfolio, which is essential to operate a successful hub carrier in Iceland. We are the only Icelandic airline operating a premium cabin, which is crucial for an important part of our customers. We have a strong loyalty program and loyalty participation has never been higher as active loyalty members are nearing two million customers. We operate a domestic network, packages services and have utilized our passenger network to build an extensive cargo network.

## Strong international brand

The Icelandair brand is closely connected to Iceland and the country's image. For decades, we have invested in marketing, resulting in a strong international brand that contributes to better results in direct sales. In key markets, the Icelandair brand measures strong and on par with the world's largest airlines. This strong brand awareness gives us a great advantage in our most important markets.





# Strategic airline partnerships

## Enhancing our route network

We place significant emphasis on forging and strengthening partnerships with other airlines to expand our market reach and enhance our comprehensive route network. Approximately 10% of Icelandair's total revenues are generated through airline partnerships.

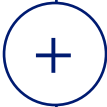
On certain individual routes, the contribution from partnerships can be as high as 40% of the total revenue. This highlights the importance of collaborative efforts in driving our profitability and market presence.

## Five new codeshare agreements

Last year, we signed five new codeshare agreements. In June, we signed a codeshare agreement with Emirates which will give passengers travelling with Icelandair access to Emirates' extensive network spanning the Middle East, Asia and Africa. Furthermore our Keflavik hub will become an ideal stopover for transatlantic travelers.

In October, we signed a codeshare agreement with TAP Air Portugal, which will offer increased access to destinations in South Europe and South America strengthening our reach in these high-demand regions. Later the same month, we signed two codeshare agreements at the Arctic Circle Assembly in Reykjavik, with Air Greenland and Atlantic Airways. These agreements are designed to enhance connectivity by providing seamless travel links between Greenland and the Faroe Islands, on one hand, and North America and Europe, on the other, through Iceland as a central hub.

In December, we signed a codeshare agreement with ITA Airways Italy, opening connections via Rome, between Iceland and numerous ITA destinations including Bologna, Florence, Venice and Naples. We plan to further expand the partnership with ITA and introduce codeshare via many of our mutual gateways in Europe.





## Southwest's first airline partner

We signed a signed a strategic partnership agreement with Southwest Airlines, that commenced on February 13, 2025. This pivotal agreement represents a milestone for Southwest Airlines as it marks the carrier's first-ever partnership with another airline. It also highlights Icelandair's esteemed standing in the global aviation industry and our ability to forge meaningful alliances with leading carriers worldwide.

Southwest Airlines is widely regarded as one of the largest and most influential carriers in the United States, renowned for its expansive network and customer-focused approach to service.

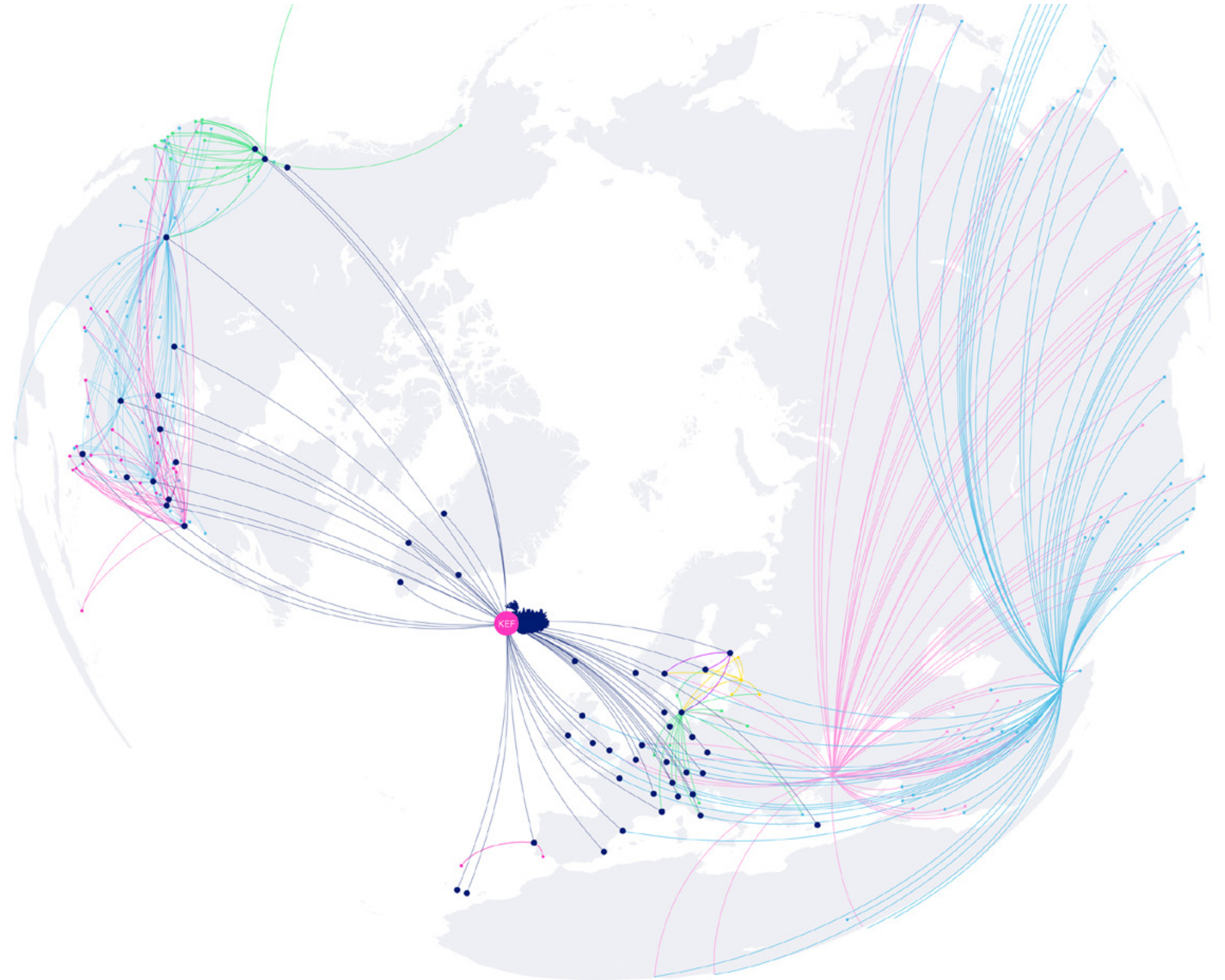
Through this partnership, our customers will gain access to Southwest's extensive network, of nearly 120 destinations across North America.





## Icelandair's extended partnership network

By working closely with partner airlines, we can provide seamless travel experiences for passengers, offering more convenient connections and a broader selection of destinations. These partnerships also allow us to optimize our flight schedules and improve operational efficiency, ensuring that passengers benefit from a reliable and extensive network.





# Society and partnerships

We continued our efforts to contribute to Icelandic society through our diverse partnerships that reflect our strategy and approach to social responsibility and are underpinned by our vision of bringing the spirit of Iceland to the world. Aside from being an important employer in Iceland, we are proud of our role in the Icelandic community and continue to seek new opportunities to expand our ties to society as a whole.

## The spirit of creativity

Iceland is globally recognised as punching above its weight on the world music stage, and Icelandair is proud of the role it plays in nurturing and showcasing local talent. Icelandair founded the acclaimed Iceland Airwaves music festival in 1999, and today sponsors a number of music, design and arts events. We celebrate music and culture that flourish outside the capital, too, sponsoring the Eyrarrósín award (for cultural projects in the regions), and festivals such as Bræðslan in the Eastfjords, and Aldrei fór ég suður in the Westfjords.

- Iceland Airwaves
- Icelandic Music Experiments (Músiktilraunir)
- Iceland Writers Retreat
- DesignMarch
- Eyrarrósín award
- Aldrei fór ég suður
- Bræðslan

## The spirit of community

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

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







## The spirit of thinking big

We believe that a small nation can have a big impact, and we are proud that Iceland leads by example on important global issues such as gender equality and green energy.

We sponsor annual events that enable the country to shine a spotlight on issues that are close to Icelanders' hearts.

- Arctic Circle conference
- Iceland Innovation Week
- Reykjavik Global Forum - Women leaders

## The spirit of teamwork

The whole is greater than the sum of its parts, and this is especially true in a country with a small population. Together the nation can reach new sporting heights as evidenced in the recent successes of the national football and handball teams on the global stage.

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

## The spirit of exploration

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

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

## Inclusivity and equality

We're proud to be part of a community that values and supports equality. We partner with Reykjavík Pride to transport special guests to their annual event; we also partner with Samtökin '78, the National Queer Association of Iceland. Every year, we fly a Pride Flight during Reykjavík's Pride week. The cabin crew and pilots on these flights are all proud members or allies of the LGBTQ+ community. The service on board is themed accordingly – we serve treats, rainbows, and a fun and festive mood.



# Operational excellence

## Operational improvements

Within our operations, we focus on finding the strategic levers of what is in our control and on making the right decisions – finding the balance between external and controllable actions. We continuously identify and evaluate opportunities for efficiency improvements, minimizing fuel consumption and thus decrease the environmental impact of our operation.

## A year of resilience and operational excellence

The year of 2024 has been a testament to our commitment to operational excellence and strategic foresight. Despite multiple volcanic eruptions in Iceland during the year our flight schedule was not affected. This achievement underscores the strength of our crisis management protocols and the robustness of our operational planning.

One of the cornerstones of our success this year has been our strategic maintenance planning. By meticulously preparing our fleet ahead of the high season, we ensured minimal downtime and maximized fleet availability during periods of peak demand. This proactive approach not only supported operational continuity but also enhanced customer satisfaction by delivering reliable service.

## Continuous cost efficiency to ensure competitiveness


Efficiency has been a key driver in our operations, reflected in our ability to lower Cost per Available Seat Kilometer (CASK) despite global inflationary pressures in the value chain. By streamlining processes, optimizing resource utilization, and leveraging economies of scale, we have demonstrated our ability to adapt and thrive in a challenging economic environment.

Another significant milestone has been our success in minimizing irregular operations (IRROPs) costs. Through advanced planning, real-time operational adjustments, and an unwavering focus on customer service, we reduced the financial and reputational impacts of disruptions. This achievement not only reflects our operational resilience but also our commitment to upholding the highest standards of service excellence.

As we reflect on the year's accomplishments, it is clear that our operational performance has been pivotal to our overall success this year. By staying true to our values of **passion, responsibility, and simplicity**, we have solidified our position as a key player in the aviation industry, ensuring a strong foundation for sustainable growth in the years to come.





A man with a full grey beard and mustache, wearing a dark blue sweater over a collared shirt, stands in an industrial environment. He is leaning on a metal railing. In the background, there are large, vertical, cylindrical metal structures, possibly part of a manufacturing or processing plant. The lighting is soft and even.

“Strategic maintenance planning along with a strong execution of a great team ensured minimal downtime and maximized fleet availability during peak demand, lowering cost and enhancing customer satisfaction with reliable service.”

Leifur Guðmundsson  
*VP Technical Operations*



## Record On-Time-Performance

Our strong on-time performance has been a key achievement. During the peak season, we ranked among the top three European airlines in Cirium's analytics, securing first place in June, second in July, and third in August.

**82.7%**  
On-Time Performance

In 2024 our overall on-time performance was 82.7 %. This accomplishment highlights our commitment to punctuality, which plays a crucial role in enhancing customer experience, fostering brand loyalty, and optimizing operational efficiency.

“In 2024, we delivered standout operational performance, achieving record on-time performance in peak summer, supported by well planned and executed winter maintenance for fleet reliability. These efforts as well as our ambitious fuel efficiency program, reduced unit costs despite inflation and rising expenses, highlighting our commitment to efficiency, cost control, and operational excellence.”

Sylvía Kristín Ólafsdóttir  
Chief Operating Officer





# Ensuring resilience amid volcanic activity

## Safety is our main priority

As an airline operating from Iceland, we navigate unique challenges, including unpredictable weather and volcanic or seismic activity. Careful planning and adaptability are essential to ensuring smooth and reliable operations in this dynamic environment. We have implemented a robust set of measures to address the challenges posed by ongoing volcanic and seismic activity in the Reykjanes Peninsula. This strategic approach underscores our commitment to operational resilience, passenger safety, and timely communication.

## Operational adjustments

We have implemented adaptable operational strategies to mitigate the effects of volcanic activity on our flight schedules. In 2024, we experienced six volcanic eruptions and our crises management team was activated for each of them. The ongoing volcanic activity in the Reykjanes Peninsula has not affected Icelandair's operations at Keflavik International Airport.

## Passenger communication

Maintaining clear and consistent communication with passengers is a cornerstone of our strategy.

We provide timely updates on flight statuses and safety precautions through various channels, enabling passengers to make informed decisions and plan their travel with confidence.

## Collaboration with authorities

We work in close partnership with Icelandic authorities, including the Icelandic Meteorological Office and the Department of Civil Protection and Emergency Management. This collaboration ensures access to real-time data and expert guidance, facilitating informed decision-making during volcanic events. By leveraging these partnerships, we can proactively adjust our flight schedules and routes to ensure passenger safety and minimize disruptions. Our commitment is to maintain seamless operations, even in the face of natural challenges, underscores our dedication to providing reliable service to our customers.

## Safety protocols

Comprehensive safety protocols form the foundation of our preparedness. These protocols are continuously reviewed and updated in response to evolving scientific insights and guidance from relevant authorities. By aligning operations with the latest safety standards, Icelandair safeguards the well-being of its passengers and employees.

“At Icelandair, the safety of our passengers and our employees is our utmost priority. We ensure safe and reliable travel through meticulous planning and strategic collaboration.”





# Air freight and logistics



## Leveraging our passenger route network

The focus of Icelandair Cargo is airfreight to and from Iceland, by leveraging the passenger route network together with scheduled freighter flights. Icelandair Cargo operates a B767-300 freighter in its route network between Liege, New York and Keflavik.

Icelandair Cargo's main markets for air freight are Central Europe and North America. Our emphasis is on our home market, supporting important export industries like the Icelandic seafood industry. For import, fruit and vegetables, as well as spare parts and e-commerce are a large part of our operations. We offer fast, reliable, and often the only viable way for import and export of perishables, supporting the overall well-being in

Iceland. Transporting freight between Europe and North America via our Keflavik hub still plays a role in our operation, connecting markets on both sides of the Atlantic.

## Well-equipped warehouse in Keflavik

One of the main emphases when planning the cargo schedule and operation is to maximize the utilization of the belly capacity available in the Icelandair passenger network. We provide our customers with a 10,000-square-meter facility dedicated to the service and handling of temperature-controlled freight that requires special handling.

Within the new building, we have allocated 2,000 square meters of temperature-controlled space, meticulously maintained to accommodate perishables and pharmaceutical products requiring precise temperature regulation between -18°C and +25°C.

This ensures that we can deliver exceptional service to our customers, irrespective of the nature of their products. Our commitment to maintaining stringent temperature controls underscores our dedication to quality and reliability in freight handling.

“Looking ahead to 2025, Icelandair Cargo will continue to service our key markets while exploring new growth opportunities with increased availability and expanded destinations.”



Einar Már Guðmundsson  
Managing Director Icelandair Cargo



# Aircraft leasing and consulting

Loftleidir Icelandic is a capacity solution provider for airlines and tour operators, concentrating mainly on AM (Aircraft, Maintenance) projects, VIP Private Jet services, ACMI (Aircraft, Crew, Maintenance, Insurance), part trading and consulting services.

## Continued success in 2024

In 2024, Loftleidir continued to grow with total production of flight hours increasing by 38% and revenue increasing by 31% from last year. The VIP Private Jet customer base expanded with new customers in South America, Asia and Europe resulting in record year in the VIP operations. Air Niugini's and the Fly Khiva operations grew from last year.

The ad hoc operation also grew with more enquiries on flights, both to and from Iceland as well as between international destinations. For the ad hoc charters Loftleidir mainly uses the extra availability from the Icelandair scheduled fleet, but good utilization of the fleet has limited these charter opportunities.

The Antarctica operation continued for another summer season on the South Pole with two polar destinations, Troll and Union Glacier, with the base being in Punta Arenas in Chile. The operation, which starts at the beginning of November and ends by the end of January, has been a success, transporting mostly adventure travelers to the South Pole for outdoor activities.

## Good outlook for 2025

Looking ahead to 2025, Loftleidir Icelandic is poised for another year of growth. We maintain our strong foothold in the VIP Private Jet market and the unique special charter segment with customers and operation in all seven continents of the world.

On the AM market, Air Niugini's and Fly Khiva operations will grow with more aircraft being utilized reflecting the unwavering commitment to the partnership with Loftleidir as their main aircraft and technical supplier.





# Flexible and efficient fleet

We have a flexible fleet that marries commonality with varying sizes, capabilities, and ownership costs. At year end 2024, our fleet comprised a total of 52 aircraft, thereof, 12 aircraft assigned to Loftleidir-Icelandic and one aircraft to Icelandair Cargo.

## 42 aircraft serving the route network

In summer 2024, a total of 42 aircraft were utilized in the route network, two more than in summer 2023. The international routes were served by 12 B757 aircraft, three B767 aircraft, and 21 B737 MAX aircraft. The domestic and regional flights

were operated with six DHC-8 aircraft. We operate flight simulators for B757, B767, and B737 MAX aircraft at our training facility in Iceland. The facility is well utilized year-round, for Icelandair and several other operators.



## Icelandair Group fleet at year end:

Icelandair	31 Dec 2024	31 Dec 2023
B737 Max	21	18
B757	8	12
B767	3	3
A321 LR	1	0
DHC-8	6	6
Cargo		
B767	1	1
B757	0	1
Loftleidir		
B757	5	4
DHC-8	1	1
B737	3	2
B767	3	3
Icelandair Group Total	52	51



## Fleet development 2024-2030

In December 2024, we took delivery of our first Airbus aircraft in our history. Since 2018, we have invested USD 750 million in fleet renewal in the international passenger network with older aircraft phased out for more fuel efficient and more environmentally friendly B737 MAX and Airbus A321LR aircraft.

**750m** investment  
in fleet renewal

By the summer 2025 season, we will have received three additional Airbus aircraft, bringing the total to four A321LRs in service. Consequently, we will retire four Boeing 757s from our passenger route network. In addition lease agreements were concluded for three more A321LR which will be delivered in 2026.

In July 2023 we finalized purchase agreement with Airbus for 13 Airbus A321XLR aircraft and purchase rights for up to 12 additional aircraft. The XLR's are scheduled for delivery in 2029. The efficient A321XLR aircraft will further strengthen our business model, increase our flexibility and provide opportunities for future growth, as well as further support our sustainability efforts. The strong foundation we have with our current fleet and commitments, ensure significant flexibility to scale the operation to desired levels in the future.

“We welcomed our first Airbus A321LR into the fleet in late 2024, marking the beginning of a new era of more fuel-efficient and modernized operations. This milestone is the result of extensive preparation, hard work and a strong collaboration between Icelandair and Airbus ”

Bjarni Jónsson  
Manager Project management



# Our first Airbus A321LR

## Successor of Boeing 757

The A321LR will be the successor of our Boeing 757, which has been the backbone of our fleet for decades. The aircraft will seat 187 passengers, 22 in Saga Premium and 165 in Economy. Coupled with Pratt & Whitney GTF™ engines, the A321LR will have a range of up to 4,000 nautical miles (7,400 kilometers), allowing the aircraft to operate to all destinations in our network previously served by the B757.

The A321LR is up to 30% more fuel efficient than the B757, driving operational efficiency and supporting our sustainability efforts with reduced CO2 emissions and noise footprint compared to previous generation aircraft.

## Pratt & Whitney GTF™ engines

The GTF engine is the most fuel-efficient and sustainable engine for single aisle aircraft available today. GTF engines lower fuel consumption and carbon emissions up to 20% relative to previous generation aircraft and have a 75% smaller noise footprint.

## Gate to gate Wi-fi

Viasat's satellite connectivity service provides a high-quality, fast online experience on all routes. It includes streaming entertainment, and real-time productivity tools, keeping passengers and crew connected throughout the flight.

## Launch customer of Panasonic Astrova

We are proud to be the launch customer of the new generation Astrova in-flight entertainment system from Panasonic Avionics. Astrova leverages the latest, cutting-edge consumer electronics and avionics technology to redefine the entertainment experience passengers will have when flying for business and pleasure. With 4K OLED displays, bluetooth connection and fast USB charging, Astrova enhances the passenger experience on board.

## Comfortable seating from Geven

With over 40 years of expertise, Geven provides economy and business-class seats for Airbus fleets. Comoda - Materia Pack redefines business class with a spacious console, enhanced privacy, and a movable seat pan for greater comfort. For economy class, the innovative and lightweight Elemento seat, manufactured through a sustainable production process, offers weight reduction



and exceptional passenger space. Geven's designs support sustainability with a 20% CO2 reduction in production and minimal emissions during use.

## Airspace cabin with XL bins

The aircraft's Airspace cabin features XL bins, providing 60% more stowage space compared to previous generation aircraft for a more relaxed

boarding experience for passengers and cabin crew alike. In addition, the latest lighting system enhancing well-being and the overall passenger experience on board.







# The new Icelandair House

At the end of 2024, we moved to the new Icelandair House in Hafnarfjörður. There, we have combined our non-airport operations in Iceland as well as crew pickup and training under one roof, driving efficiency and fostering further collaboration, in addition to bringing us closer to our airport operations in Keflavík. Our previous headquarters were built by our predecessor, Loftleidir Icelandic, in 1964. In this historic building, we spent 60 years of our 87-year history – continuously expanding our operations while bringing the spirit of Iceland to the world.

Housing around 550 employees, the Icelandair House is an extension to our training center, built in 2014. Designed with flexibility, efficiency and sustainability in mind, the building will be BREEAM certified, reflecting our commitment to environmental and safety factors, energy efficiency as well as the health and well-being of our employees. The space is adaptable for future growth and special emphasis was placed on activity-based working with diverse workspaces that support collaboration and idea generation. With the move, the company's office space will be reduced by 1,300 square meters, with the associated streamlining of operations.



“Our new Icelandair house was designed as a dynamic hub for employees, reflecting our strong culture of teamwork and performance. Employee consultation and data analysis played a crucial role in shaping the design, supporting our ways of working. Prioritizing flexibility, employee well-being, and the company’s future growth, we focused on practical solutions without unnecessary extravagance. I am incredibly proud of both the collaborative, data driven process and the final result that meets our current, and I truly believe, future needs.”

Sigrún Össurardóttir  
Workplace services manager



# Icelandair

## Strategic direction



- Our robust business model
- Our strategy
- Transformation journey



# Our robust business model

## Built on the unique location of Iceland

The foundation of our business model and the key competitive advantage of Icelandair is the geographical location of Iceland. The passenger route network is the heart of our business and provides extensive connectivity between Europe, North America, and beyond through our airline partners. The route network allows us to serve four distinct markets: to, from, via and within Iceland. In addition, we run both cargo and aircraft leasing and consulting services that complement and further strengthen the core network operations.

For an island nation like Iceland, efficient flight connections that connect us to the world are fundamental and positively impact the quality of life in the country. Strong connectivity is also the foundation of the development of tourism and thus the economy in general. In addition to being a leader in tourism development in Iceland, we also support other export industries such as the Icelandic seafood industry through our cargo services. Furthermore, with new long-range and fuel-efficient aircraft, we will be able to open new and exciting markets, which will be fundamental for the future development of Iceland as a tourist destination and a connecting hub for air travel.

## Strong commercial and operational infrastructure

Building on our strategic location midway between Europe and North America, we have established strong commercial and operational infrastructure over the decades, creating value in the short and long term for our customers, shareholders, other stakeholders and society at large.

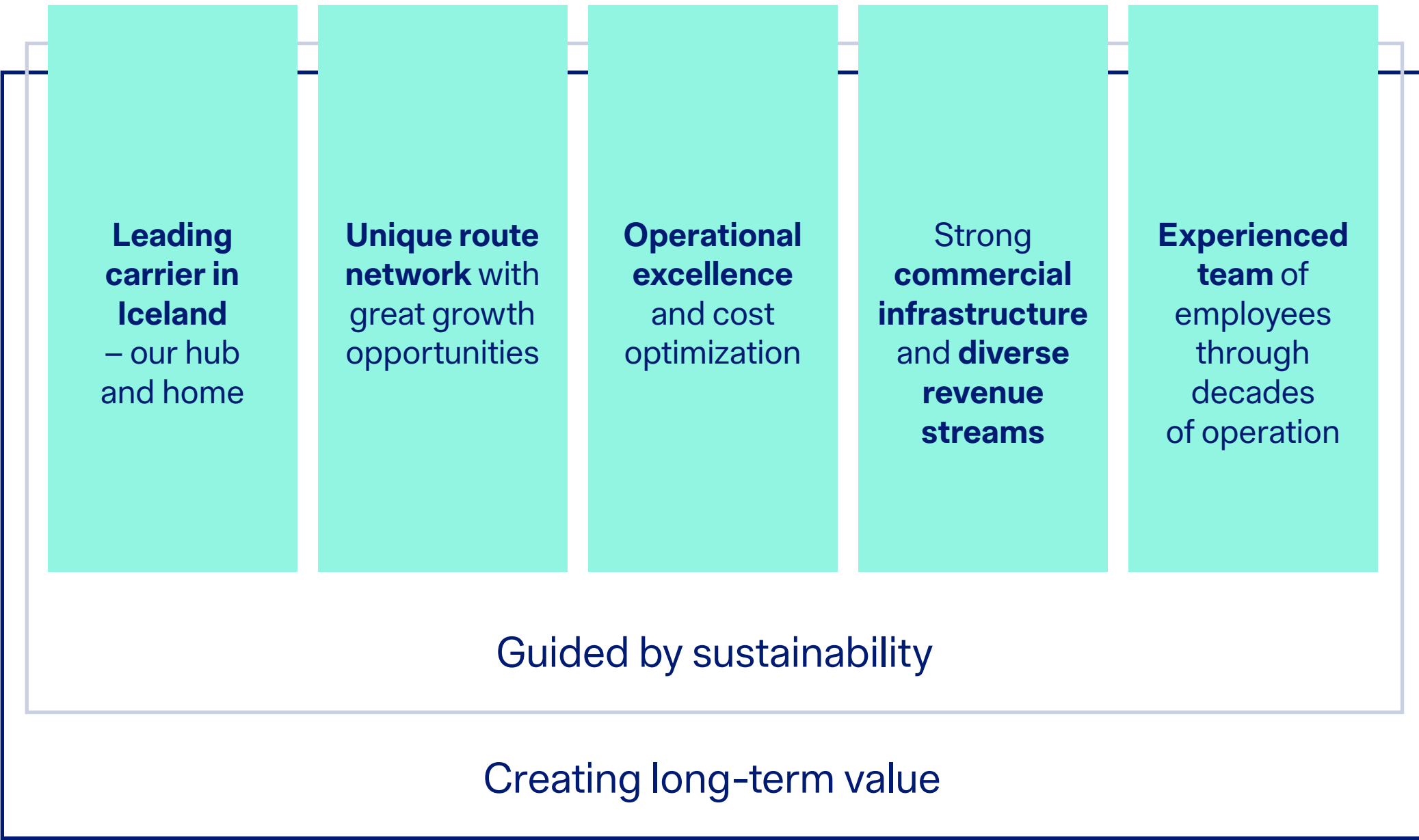
The key strengths that underpin how we create value are our unique route network that presents extensive opportunities for expansion, strengthening our position as the leading hub carrier in Iceland. Our sheer focus on operational excellence and cost optimization ensures smooth and efficient operations. Furthermore, our robust commercial infrastructure and our well-established international brand provide significant advantages in both direct and indirect sales channels. These efforts are managed by our outstanding team of employees that have decades of experience in all areas of aviation. Supporting all of this is our focus on sustainability that guides us in our decisions and everyday operations.

## Experienced team

Our people are the foundation for our success. Aviation is a complex industry and we operate an extensive hub and spoke network. In the past 87 years, a tremendous amount of knowledge and experience has been built up within the company and the experience of our employees is incredibly important in operating our flight schedule in an efficient manner with focus on best-in-class customer service.

## Guided by sustainability

Sustainability underpins all our operations with focus on the environment, society and governance. Further information can be found in the Sustainability report.









# Our strategy

## Bringing the spirit of Iceland to the world

Our vision is to bring the spirit of Iceland to the world and our mission is to offer smooth and enjoyable journeys to, from, via and within Iceland, our hub and home. The core values of passion, simplicity, and responsibility form the foundation of our organizational culture. These values are the driving forces behind everything we do, guiding us in fostering an environment of enthusiasm, straightforwardness, and accountability.

To achieve excellence in our operations, we adhere to three guiding principles, which serve as our compass for effective decision-making and efficient resource allocation. These principles are integral to our day-to-day activities, ensuring that we remain aligned with our mission and vision as we continue to grow and evolve.

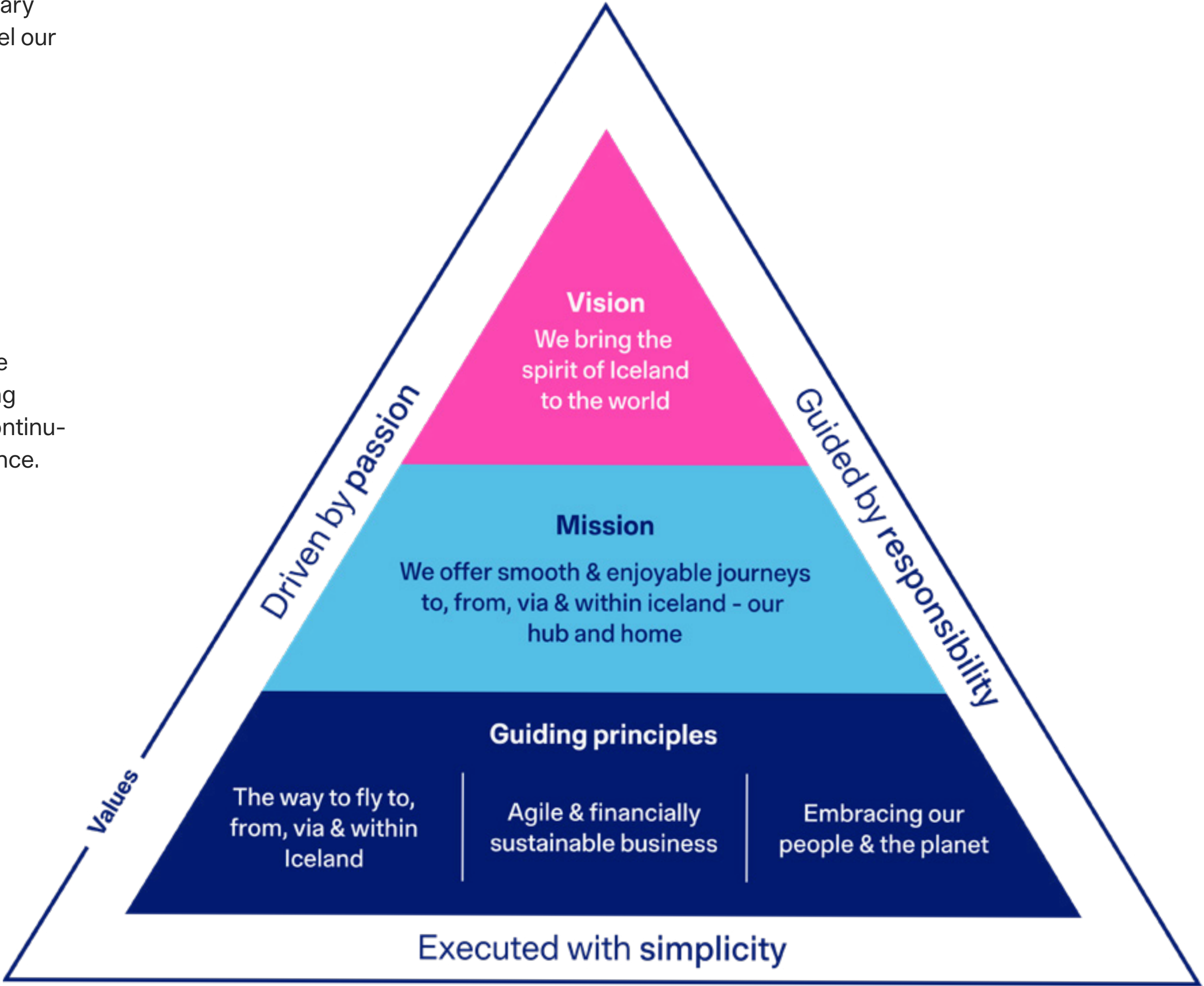
## Objectives and Key Results

Every year, we establish formal corporate objectives utilizing the Objectives and Key Results (OKR) methodology. This structured approach allows us to articulate our strategic priorities, ensuring clarity and alignment across the company. These objectives serve as a cornerstone for guiding our employees, providing them with a clear understanding of our overarching direction and aspirations for the year.

In 2024, we identified and pursued four primary corporate objectives, each designed to propel our strategic vision forward.

- Be the leading hub carrier in Keflavik
- Reinforce workplace excellence and embrace opportunities
- Raise OTP in a sustainable and safe way
- Improve competitiveness through cost optimization

Through focused effort and collaboration, we achieved significant progress toward realizing these goals, reflecting our commitment to continuous improvement and organizational excellence.





# Transforming for the future

## Successful ramp up after the pandemic

Following several challenging years and a rapid ramp-up phase after the pandemic, from 2024 our key focus has been on optimizing our operations by driving efficiencies and increasing our competitiveness.

In 2021-2023, we hired and trained around 2500 employees, reintroduced several aircraft into service and implemented 13 new aircraft into the fleet. The year 2023 marked the final year of our post-covid recovery. This successful ramp up was also crucial for the recovery of the tourism industry in Iceland and thus the Icelandic economy.

## Transformation journey launched

In line with our continued focus on improving the Company's competitiveness to ensure profitability and long-term success, we launched a comprehensive transformation journey named ONE in the first half of 2024.

The primary objective of the program is to increase operational efficiency, mainly by lowering costs but also through revenue generating initiatives. We are leaving no stone unturned in this important journey and have put a plan in place that will significantly contribute to reaching our long-term 8% EBIT goal.

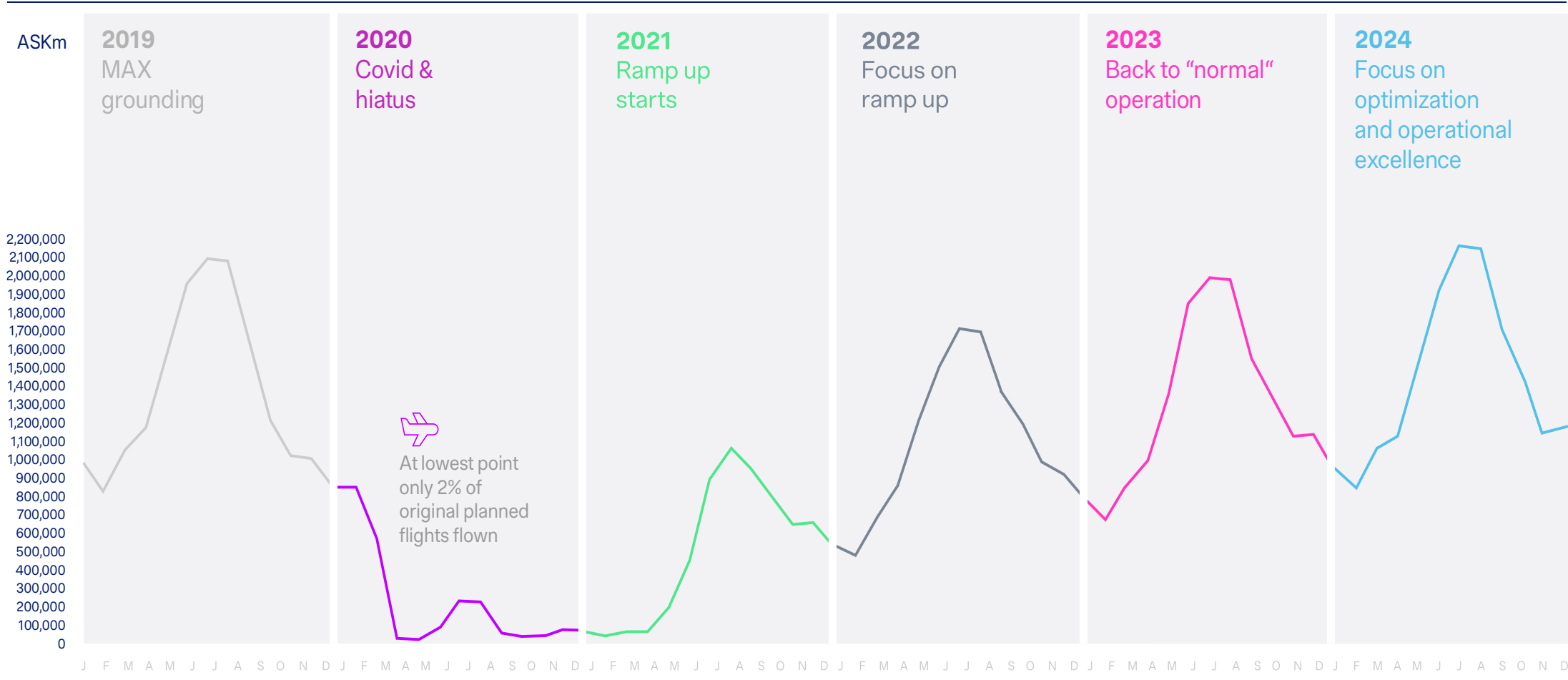
The transformation is supported by the Transformation Office that was established in 2024. Rakel Óttarsdóttir was appointed Chief Transformation Officer in addition to her role as Chief Digital Officer. She leads a dedicated team within Icelandair that is responsible for mapping and overseeing transformation initiatives across the Company.

## The path to profitability and long-term success

This effort is imperative to address ongoing market dynamics, inflation and cost pressure, as well as fluctuations in demand. Furthermore, it will put Icelandair in a prime position to capture emerging expansion opportunities and create long-term value for both shareholders and Icelandic society. These opportunities include expanding our route network with new, longer-range aircraft, which form the foundation for the further development of Iceland as a tourist destination and as a connecting hub between Europe and North America. At the same time, we are committed to offering a best-in-class customer experience and building a top-tier workplace while maintaining a strong safety culture.

## More than 400 improvement initiatives planned over next two years

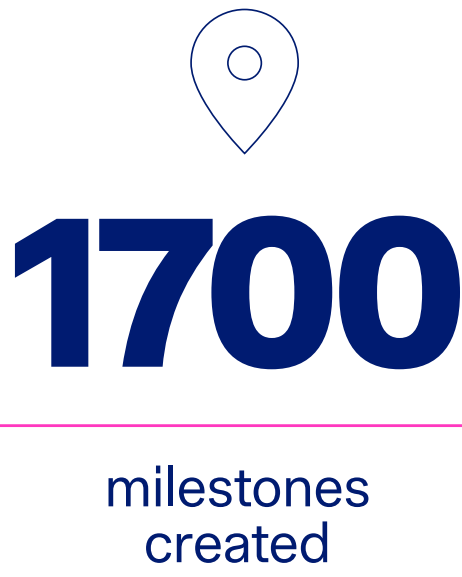
More than 400 improvement initiatives have been identified and planned across all divisions and will be implemented over the next two years. Various actions were taken during the year, such as restructuring of non-production units which was implemented in May 2024, whereby the number of management positions was reduced, the outsourcing of our flight catering business, which is one of the largest food production companies in Iceland with around 200 full-time employees, as well as executing a turnaround project within our cargo business. Further cost initiatives include renegotiation and restructuring of ground handling contracts at outstations, adjustments in catering and onboard service standards and optimization of turnaround processes in our Keflavik hub, to name a few. These initiatives are thoughtfully developed to maximize financial improvement while maintaining good customer experience.





Transformation already started to deliver financial impact

The transformation has already started to deliver financial impact. By the end of 2024 we had implemented initiatives with over USD 20 million in annual impact when fully materialized, of which USD 15 million are cost initiatives. The initiative pipeline is strong with plans to implement initiatives worth a total of USD 70 million in annual impact by the end of 2025, with further impact in the following years. Positive development in unit revenue and cost in Q4 2024 indicates that we are on the right track towards improved financial performance.



Rakel Óttarsdóttir  
Chief Digital and Transformation officer



# Icelandair

Corporate governance  
and risk





# Corporate governance

## Importance of corporate governance

The framework of Icelandair's corporate governance practices, hereafter Icelandair Corporate Governance practices, is made up by the Guidelines on Corporate Governance, 6th edition issued on 21 July 2021, by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers, along with the Company's Articles of Association, the Rules for Issuers of securities listed on the Nasdaq Iceland and policies and procedures approved by the Board. The Company's Articles of Association are accessible on the Company's website. The Guidelines on Corporate Governance are accessible on the website [leidbeiningar.is](https://leidbeiningar.is) and the guidelines and the Rules for Issuers are available on the website of Nasdaq Iceland.

Icelandair was recognized for Excellence in Corporate Governance in 2024, an acknowledgement granted by the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers. The acknowledgement certifies that the working practices of the Company's Board of Directors are well organized, and that the implementation of the Board's duties is exemplary. The recognition is based on an assessment of Icelandair's governance practices that are evaluated based on the Guidelines on Corporate Governance. Stjórnvísí (e. Excellence Iceland), the country's national body for quality management and performance improvement, is the coordinator of the recognition process.

In all main respects there are detailed rules of procedure in place, including for the Nomination Committee. However, a specific diversity policy has not been implemented in relation to the combination of the members of the Board of Directors. In its work, the Nomination Committee gives consideration to the combination of the Board in terms of education, professional background, gender, knowledge, experience, and skills. The Company has a goal to ensure that there is never more than 60% of one gender in management positions. The ratio of women at the Executive Management and Director levels was 40% at year-end 2024. The proportion of women in management positions in 2024 is 40%.

## Code of ethics

On 25 May 2009 the Board of Directors approved a Code of Ethics which was amended on 5 January 2011 and 18 November 2016. The Code of Ethics is accessible to all Company employees through the Company's intranet, MyWork and on the Icelandair Group [website](https://www.icelandair.com).





# Board of Directors

The Board of Directors is instructed in the Company's Articles of Association to hire a Chief Executive Officer for the Company and decide the terms of the CEO's employment. The Board of Directors and the CEO are responsible for the management of the Company. The Company's Board of Directors must at all times ensure that there is adequate supervision of the Company's accounts and the safeguarding of its assets and shall adopt working procedures in compliance with the Companies Act. Only the Board of Directors may assign powers of procuration on behalf of the Company. The signatures of the majority of the members of the Board are required to bind the Company.

The CEO is in charge of the day-to-day operation of the Company and is required to observe the policy and instructions set out by the Company's Board of Directors. Day-to-day operation does not include measures which are unusual or uncommon. Such measures can only be taken by the CEO with the specific authorization of the Board of Directors unless it is impossible to await the decision of the Board without seriously disadvantaging the operation of the Company.

In such instances, the CEO is required to consult with the Chairman of the Board, if possible, after which the Board of Directors must immediately be notified of the measures.

The Rules on Working Procedures are accessible to the Board of Directors and the management through the Board's intranet, Admincontrol, as well as at the Icelandair Group website. In accordance with article 14 of the Rules on Working Procedures the Board of Directors must annually evaluate its work, size, composition, and practices, and must also evaluate the performance of the Chairman of the Board, the CEO and others responsible for the day-to-day management of the Company and its development.

The annual performance assessment, made through self-evaluation, is intended to improve working methods, and increase the efficiency of the Board. The assessment entails e.g. evaluation of the strengths and weaknesses of the Board's work and practices and takes into consideration the work components which the Board believes may be improved.

## Composition and activities of the Board of Directors

The Board of Directors convened ten times during the year and all Board members attended almost all meetings. All the current members of the Board of Directors are independent from the Company. All Board members were independent of the Company's major shareholders in 2024 with the exception of Matthew Evans, who was appointed to the Board of Directors by the Company's largest shareholder.

	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
No. of meetings in 2024	10	4	3	4	6
Guðmundur Hafsteinsson	x (Chairman)		x (Chairman)		
Nina Jonsson	x		x		
Svafa Grönfeldt	x	x			x
John F. Thomas	x	x			x (Chairman)
Matthew Evans	x		x		
Alda Sigurðardóttir				x	
Alexander Edvardsson		x (Chairman)			
Árni Gunnarsson				x (Chairman)	
Georg Lúðvíksson				x	



# Board of Directors

The Board of Directors is composed of five professionals with diverse expertise. The Board of Directors oversees the Company’s management alongside the CEO. [Further information](#) about the Board of Directors can be found on the Company’s website.



**Guðmundur Hafsteinsson**  
Chairman

Guðmundur joined the Board of Icelandair Group on 8 March 2018. He is born in 1975 and is an Icelandic and U.S. citizen. Guðmundur is independent of the Company, its management, and significant shareholders and has 8,555,555 shares.



**Nina Jonsson**  
Vice Chairman

Nina joined the Board of Icelandair Group on 6 March 2020. She was born in 1967 and is an Icelandic and U.S. citizen. Nina is independent of the Company, its management, and significant shareholders and has no shares.



**Svafa Grönfeldt**  
Board member

Svafa joined the Board of Icelandair Group on 8 March 2019. She was born in 1965 and is an Icelandic and U.S. citizen. Svafa is independent of the Company, its management, and significant shareholders and has 12,500,000 shares.



**John F. Thomas**  
Board member

John joined the Board of Icelandair Group on 6 March 2020. John was born in 1959 and is an Australian and U.S. citizen. John is independent of the Company, its management, and significant shareholders and has 3,394,500 shares.



**Matthew Evans**  
Board member

Matthew joined the Board of Icelandair Group on 23 July 2021. He was born in 1986 and is a U.S. citizen. Matthew is independent of the Company and its management. He neither holds shares nor share options in the Company. However, he is a Board member as the representative of the Company’s largest shareholder and as such he is not independent from the Company’s major shareholders.



# Sub-committees of the Board

## Nomination Committee

The Nomination Committee has its own Rules of Procedures which are approved by the Board. In its work, the Nomination Committee gives consideration to the combination of the Board in terms of education, professional background, gender, knowledge, experience, and skills. The Nomination Committee has an advisory role in the selection of members of the Board of Directors and presents its proposal in time for the election to the Board of Directors.

## Remuneration Committee

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

## Health & Safety Committee

The purpose of the Health & Safety Committee is to maintain oversight of the development and implementation of Icelandair's Health & Safety Policies and initiatives as well as serving as a forum for in-depth discussions on Icelandair's safety matters and relevant considerations to health and risk mitigation strategies. These sub-committees adhere to the Rules on Working Procedures.

## The Audit Committee and internal controls

The Audit Committee is accountable for reviewing and assessing the risk management and internal control processes. The Committee oversees the Group's annual consolidated financial statements, the Company's financial statements, including non-financial information, as well as the Company's annual report.

Internal controls are applied at various levels to minimize the risk of fraud, abuse of funds and to achieve operational, reporting and compliance objectives. The management establishes appropriate internal control, with Board oversight, and holds individuals accountable for their responsibilities in the pursuit of objectives. Directors are responsible for identifying, assessing, and mitigating risks associated with the operations of their respective divisions and report them to the Board. The Company has a Risk governance

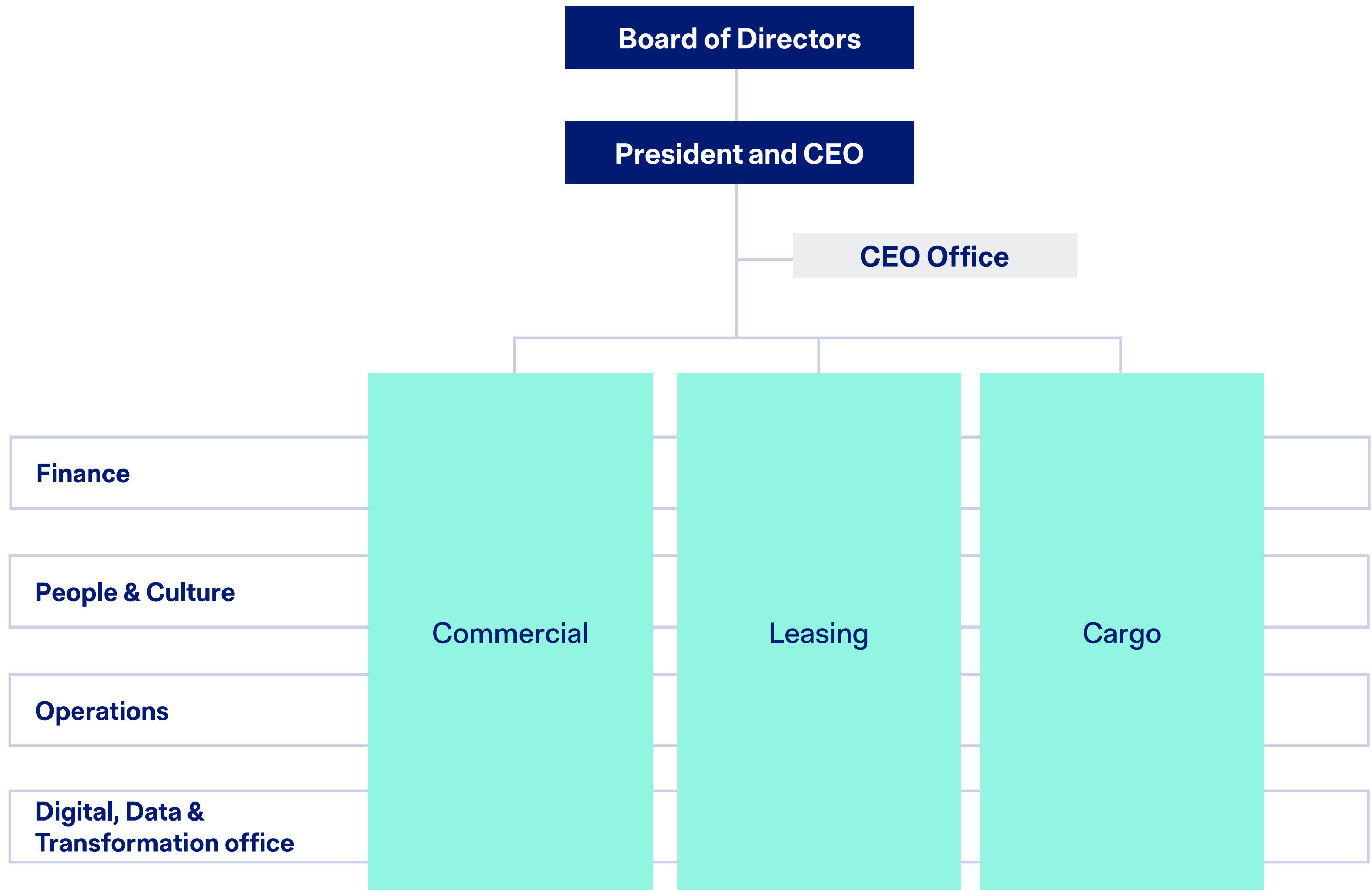
framework in place which includes a centralized enterprise risk platform that is coordinated by Risk Management and overseen by the Risk Committee. Icelandair has identified risks in the financial and accounting processes and selected and developed control activities to mitigate those risks.

The oversight of compliance with the Company's risk management policies and procedures resides with the Board's Audit Committee. Enterprise risk is monitored through bi-annual risk assessments that are reported to the Board of Directors. Regular and ad hoc reviews of risk management controls and procedures are a part of the Company's working procedures, the results of which are reported to the Audit Committee. The Committee oversees the annual financial statements of the Company and the Group's consolidated financial statements including non-financial information as well as the Company's annual report. The Committee is responsible for the evaluation of the independence and the eligibility of both the Company's external auditor and auditing firm. The Committee shall make suggestions to the Board of Directors regarding the selection of the Company's auditor. The Audit Committee held four meetings in 2024.



# Organizational structure

The Company's operations consist of seven divisions that support our strategy of sustainable growth, digital transformation, and central focus on customer experience. These divisions are: Commercial, Aircraft Leasing & Consulting, Air Freight & Logistics, Finance, People & Culture, Operations, and the Digital, Data and Transformation office.



## Cross-functional committees

As a part of the organizational structure, cross-functional committees oversee and support the execution of the Company's strategy. These committees are the following:

### The Service Committee:

Its key role is to establish a common ground for high level decision-making on key decisions that impact service standards and the Icelandair brand.

### The Schedule Committee:

Its key role is to review and approve all matters related to the network and live flight schedule to ensure that an approved schedule is available for the next 18-24 months.

### The Investment Committee:

Its key role is to review and approve larger investment cases, monitoring overall CAPEX (Capital expenditures) plans and maintain an overall CAPEX forecast and review and develop the investment framework of Icelandair.

### The Fleet Committee:

Its key role is to define the strategic plan for Icelandair's fleet and oversee the implementation of the Fleet Policy.



# Executive Committee

Our Executive Committee consists of eight members who provide strategic leadership and oversee the Company's operations. [Further information](#) about the Executive Committee can be found on the Company's website.





# Risk governance framework

## Proactive risk management

Icelandair's Risk Management governance framework is designed to manage the Company risk-taking in the context of its business strategy, and considering its risk-bearing capacity, risk appetite, and minimum capital and liquidity requirements. The overall purpose of the framework is to improve operational stability and to form a foundation for proactive risk management.

In addition to the Risk Management Policy, the Risk Management framework consists of three

sub-policies, the Financial Risk Policy, the Liquidity Policy, and the Operational Risk Policy as well as guidelines, procedures, and internal controls as deemed appropriate.

To identify and manage risks effectively, we follow a three-lines-of-defense model, where these three lines work together to provide structure around risk management and internal governance.

### The Company in principle follows a three-lines-of-defense model

#### 1st line:

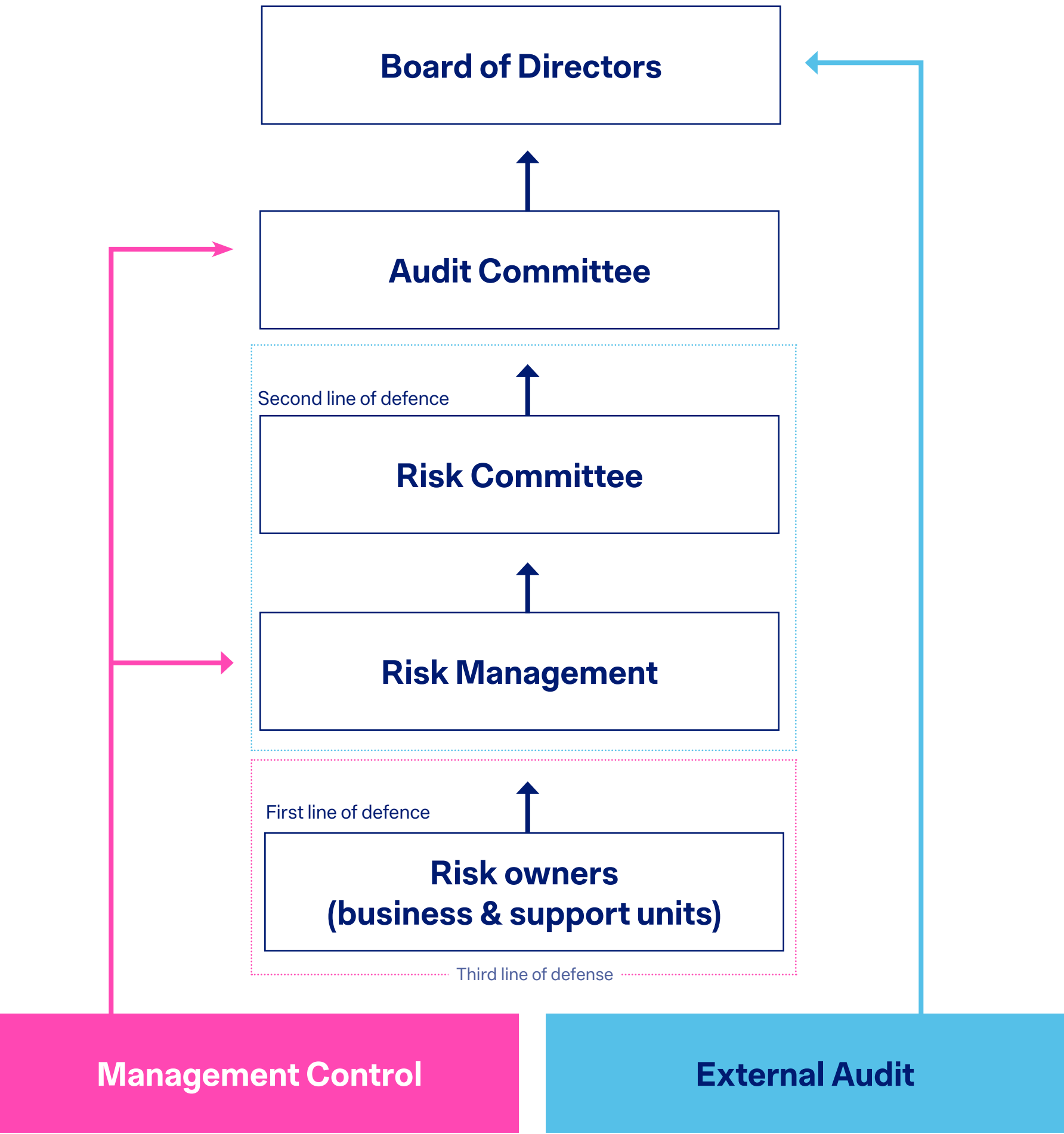
Risk owners within the business and support functions are responsible for day-to-day risk assessment and mitigation. This includes the responsibility for ensuring the necessary resources and training of employees for identifying, understanding, and monitoring these risks through the relevant internal policies, regulations, and procedures.

#### 2nd line:

The Treasury and Risk Management team and the Risk Committee are responsible for creating and communicating the Company's overall risk management framework and strategy. This includes overseeing risk assessment and reporting on principal and emerging risks to the Board.

#### 3rd line:

Internal control and external auditors provide monitoring, oversight and audit activities reporting independently to the Audit Committee and/or Board of Directors.





# Safety and risk management

## Principal risks

The international aviation market, in which Icelandair operates, is both highly competitive and sensitive to a multitude of macro-economic, sector-specific, financial, and enterprise-related risks that can impact the Company's operations and its ability to achieve its strategic objectives. Many of these risks are outside the Company's sphere of influence. Risks are continually evolving and may be deemed more or less prominent from one year to the next. Additional risks and/or uncertainties that do not currently exist, are not presently considered material, or of which the Company is unaware, may also impact operations. The Risk Management Policy and measures are therefore reviewed, and modified as needed on a regular basis, at least annually, and approved by the Board of Directors.

Financial risk is handled centrally for all companies within Icelandair Group while day-to-day operational risk is largely managed by directors and line managers at the division level. Relevant risk owners are obliged to monitor and manage risks proactively and to include relevant information in the planning, steering and control processes. Sustainability and climate risk is an ever more prominent risk factor for airlines and one that Icelandair has put an increased focus on

assessing. Climate risk includes both physical and transition risk where physical climate risk concerns the direct impacts to the Company, such as potential damage to aircraft due to bad weather and delays, and transition risk which concerns aspects such as new regulatory requirements concerning e.g. emissions reduction and requirements for new technology and supplies that can be difficult to access.

We consider the following, in order of importance, to be the principal risks that could compromise the achievement of our strategy and business objectives:

### Macro-economic and competition risk

Demand for airline services is highly susceptible to general macro-economic conditions which can heavily impact supply and demand for air travel as well as jet fuel prices, interest rates and foreign exchange rates. Competition amongst airlines is high, making asset and resource efficiency a vital component in being able to offer a competitive product.

### Safety and security risk

Safety is at the core of all Icelandair's operations. Safe and secure operations that meet the wants and expectations of customers, employees and partners is critical to the Company's business.

### Regulatory risk

The airline industry is subject to a myriad of rules and regulations. Airlines must constantly monitor and keep abreast of changes to the regulatory landscape in their operating jurisdictions to ensure compliance.

### Sustainability and climate risk

Climate change poses a financial, regulatory, and reputational risks for airlines. These can manifest in increased tax burden and costs associated with transitioning to low-carbon fuel, extreme weather events that can disrupt operations and damage infrastructure and increased consumer awareness of environmental impact which can result in reputational risk.

### Technical risk

Failure or disruption to IT, financial or management systems, whether internal or external, could affect the Company's ability to carry out its daily operations and services to its customers.

### Labor market risk

The airline and tourism industries are inherently labor-intensive industries. The Company is reliant on creating an inclusive and knowledge-driven culture to recruit and retain highly skilled employees.

### Reputational risk

Serious or repeated interruptions to services, or a perception that the Company is not conducting itself in a socially or environmentally responsible manner, can result in a decline in demand for the Company's products and services thus hurting revenue generation.



# Risk definitions

All identified risks broadly fall into one of four categories: Financial, Strategic, Hazard and Operational risk.

## Financial risk

### Liquidity risk

The risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

### Market risk

The risk that fluctuations in market prices such as that of fuel, exchange rates, interest rates and carbon emission allowances materially impact the Company's profitability.

### Counterparty risk

The risk that the other party in an investment, credit, or trading transaction does not fulfill its part of the deal and may default on contractual obligations.

## Strategic risk

### Competition risk

The risk that the Company will lose customers due to competition. Also referred to as market share risk.

## Legal and political risk

The risk that the Company's business strategy, assets or operations suffer as a result of legal or political changes or instability in its main markets.

## Sustainability risk

The risk that an environmental, social or governance event or condition causes an actual or a potential material negative impact on the Company's operations, profitability or financial standing. Sustainability risk includes climate risk.

## Reputational risk

The risk that the Company's brand or standing is damaged due to failure to meet the expectations of its stakeholders.

## Operational risk

### Fraud risk

The risk of unexpected loss, be it financial, reputational, or material, due to fraudulent activity by internal or external parties.

### Cyber and IT risk

The risk that the Company will have to suspend its business operations and services to its customers due to failure or disruption to critical IT or management systems.

## Compliance risk

The risk that the Company's financial, organizational, or reputational standing may be damaged due to violations of laws, regulations, codes of conduct, or organizational standards of practice.

## Process risk

The risk of loss in revenue as a result of ineffective and/or inefficient processes in inter alia maintenance, reliability, recruitment, key manager planning, accounting or controls.

## 3rd party risk

The risk that a third party will cause disruption to the Company's operations including but not limited to vendors, partners, government agencies, tourism authorities etc.

## Hazard risk

### Safety risk

The risk of potential loss of life or bodily harm, financial or reputational damage due to flight incidents, malfunctions or other accidents.

## Environmental risk

The risk that can have a material environmental or environmentally-driven impact on the business associated with the current or planned use of operational assets.

## Liability risk

The risk of the Company being held liable or responsible for an action or inaction, whether or not at fault, resulting in a direct or indirect financial loss.





# Icelandair

## Sustainability statement

- Overview
- Sustainability report
- Environmental information
- Social information
- Governance information



# Sustainability overview

The value of aviation and tourism is undisputed, especially for an island nation like Iceland. We are dependent on efficient flight connections for tourism, trade, international relations and to maintain a good quality of life in the country. As one of the largest private companies in Iceland, Icelandair contributes significantly to Iceland’s economy and society. We are committed to working towards the sustainable development of aviation and our key sustainability priorities include climate action, gender equality and economic contribution.

Sustainability is at the center of our strategy, and it plays an important role in our day-to-day decisions and operations. ‘Embracing our people and the planet’ is one of the three guiding principles of our corporate strategy and underlines that all decisions should be made with consideration to the responsibilities we have towards our people, the wider community and the environment.

## Strategic focus areas

Icelandair supports the United Nations’ Sustainable Development Goals (SDGs) and has chosen four goals that represent the Company’s key sustainability focus areas. These are Climate Action, Gender Equality, Responsible Consumption and Production, and Decent Work



and Economic Growth. Icelandair is also a signatory of the UN Global Compact and committed to the Ten Principles on human rights, labor, environment, and anti-corruption. We report annually on the progress in accordance with the UN Communications on Progress requirements.

## Preparing for future EU regulations

Over the past years, we have reported on our sustainability efforts in accordance with Nasdaq’s ESG Reporting Guide but we are currently in the process of implementing the new EU Corporate Sustainability Reporting Directive (CSRD) and its accompanying standards, the European Sustainability Reporting Standards (ESRS). The CSRD has not yet been implemented in Iceland but as a part of the preparation, we considered the ESRS when developing the non-financial reporting for 2024. During the year, we also worked on revising our sustainability strategy to strengthen our commitments to our key priorities and aligning it to the new EU reporting regulations.

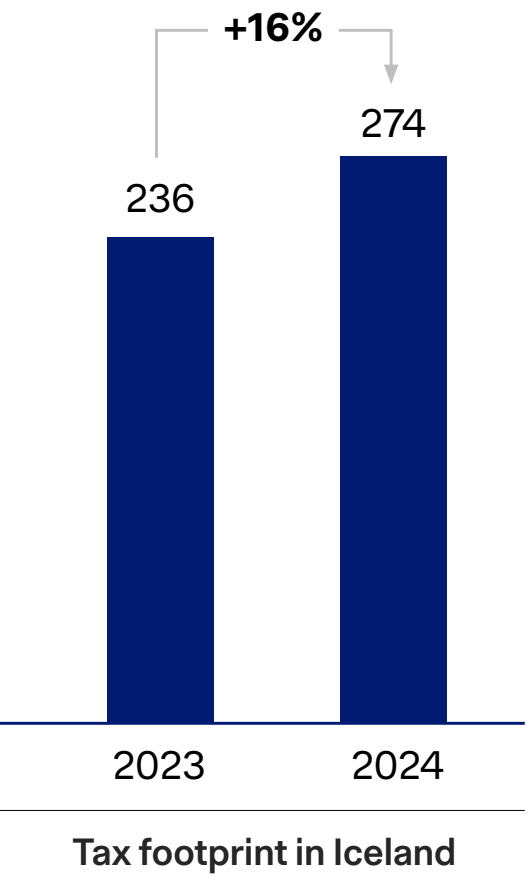




# Contributing to the economy and society

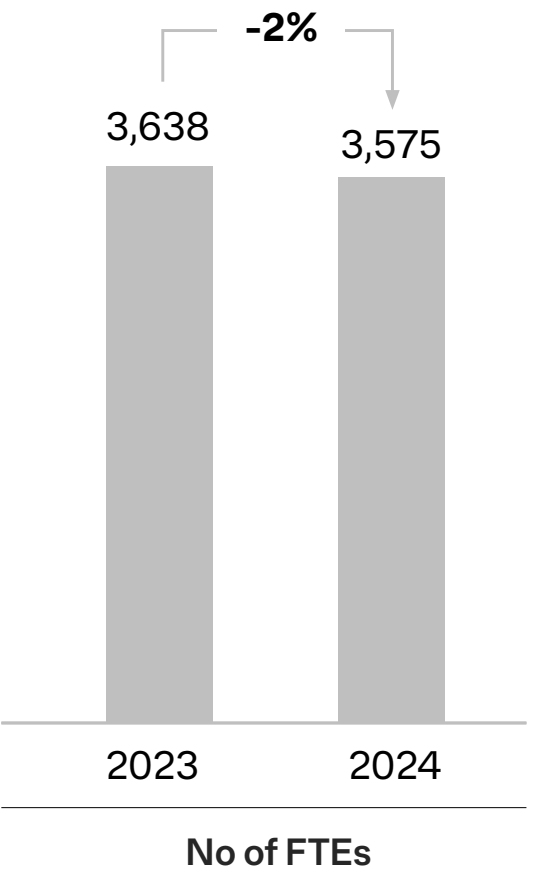
## Significant economic contribution

As Iceland's largest export industry, tourism accounts for a significant proportion of Iceland's export revenue. Icelandair has a significant economic and social impact. The tax footprint of Icelandair in Iceland amounted to USD 274 million in 2024, increasing by 16%. In addition, we support other export industries through our cargo services, such as the Icelandic seafood industry, opening valuable markets for fresh fish on both sides of the Atlantic.



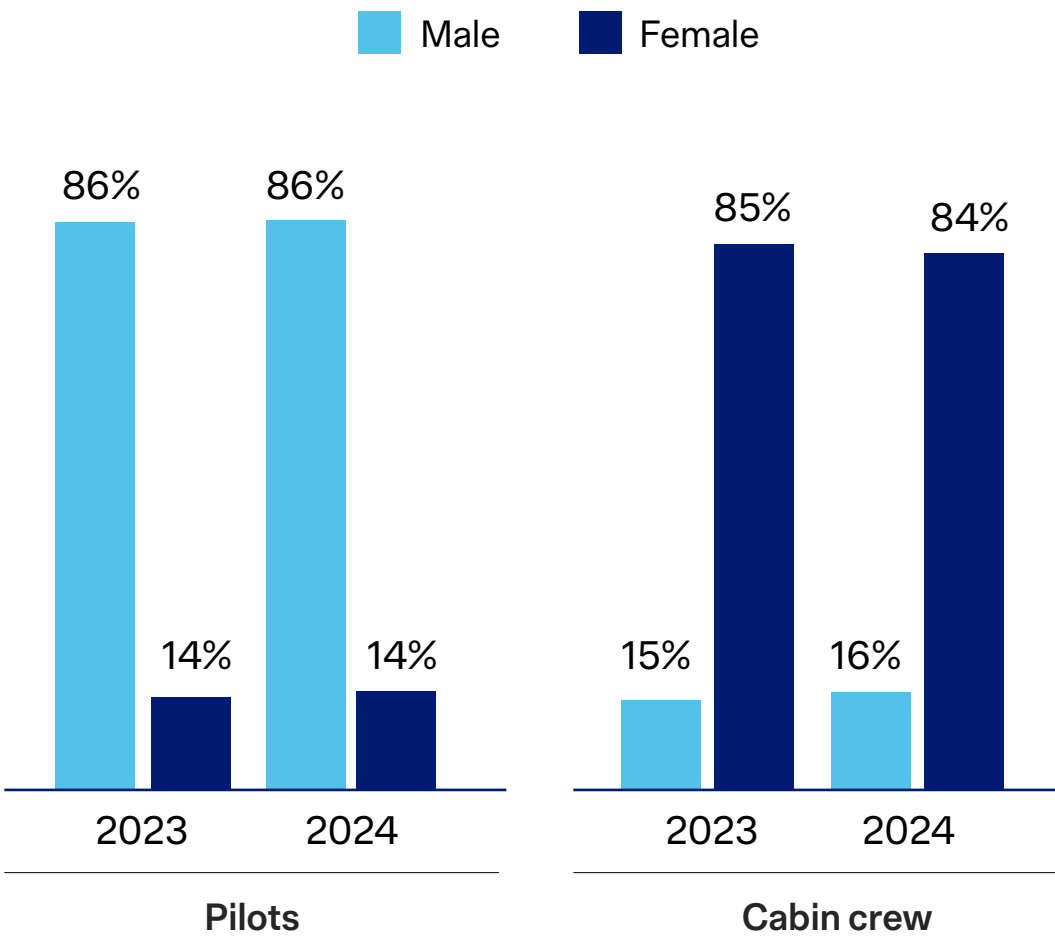
## One of the largest employers

Icelandair contributes to economic prosperity in Iceland as one of the largest employers in the country. In 2024 we employed an average of 3,575 full-time employees.

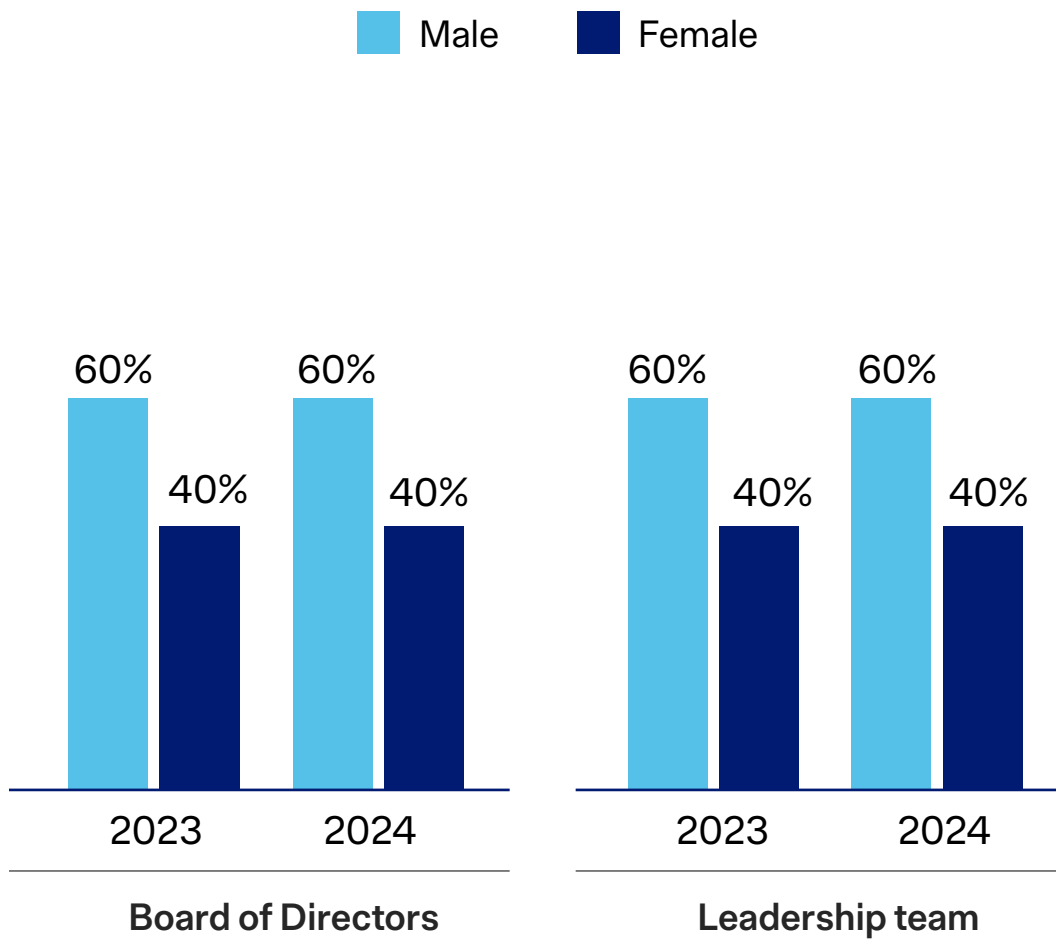


## Promoting gender equality

Our aim is to increase gender equality across our operations, focusing on management, crew and aircraft maintenance. In 2024, the proportion of female pilots remained steady at 14% which is one of the highest ratios of female pilots in the world. The proportion of male cabin crew members is growing and was at 16% in 2024. We have continued to support and promote education and jobs in aircraft maintenance in cooperation with key stakeholders, with a special emphasis on appealing to a more diverse group of people.



Diversity in our management team is vital and our goal is to have no more than 60% of one gender in management positions. The ratio of women at Board level is 40% as well as in our Executive Committee. For other management positions women represented 46% at year-end 2024, in line with our target.





# Climate action: a key priority

Climate action is a key focus area of Icelandair. We support the long-term aspirational goal of the aviation industry to reach net-zero carbon emissions by 2050 and have set medium-term climate targets to reduce emissions per operational ton kilometer (OTK). From 2019 to 2024, we have reduced our carbon emissions per OTK by 18%, largely due to the fleet renewal program that involves a shift towards a new generation of more fuel-efficient aircraft.

**18%** Reduction in  
carbon emissions  
2019-2024

In 2024, we took delivery of the first Airbus aircraft in Icelandair's aviation history. The A321LR is expected to be up to 30% more fuel efficient than the Boeing 757 which it is replacing.

During the year, we committed to setting a near-term science-based emission reductions target in line with the Science Based Targets initiative (SBTi) and will start that process in 2025.

“In 2024, we made significant progress in fleet renewal, fuel efficiency and emissions reduction efforts across our operations. We prioritized weight optimization and reinforced a focus on efficiency and emission mitigation throughout our operations. In addition, we committed to setting a Science-Based Target and began exploring Sustainable Aviation Fuels, which will play an increasing role in our strategy in the coming years. These efforts reflect our continued dedication to mitigating climate impact and supporting decarbonization in aviation.”

Sandra Hafstein  
Sustainable operations  
manager

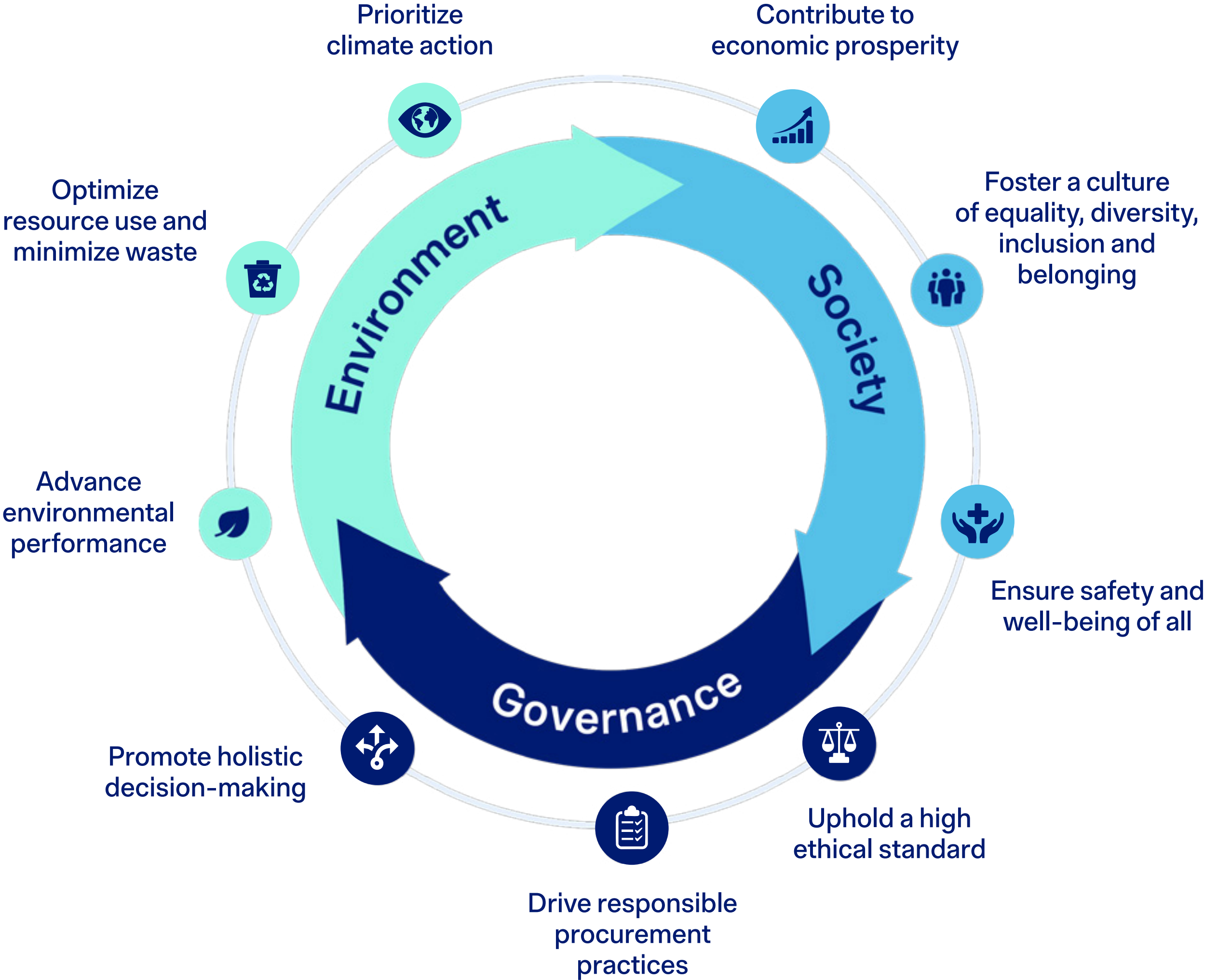


# Aligning our ESG Strategy

In 2024, we reviewed our ESG strategy and priorities. Rooted in Icelandair's core values, our ESG strategy serves as a guiding framework for how we embrace responsibility towards our people and the planet, which is one of the key principles of our overall corporate strategy. We are building on our previous sustainability strategy and taking into account the results of the recently conducted Double Materiality Assessment (DMA), which has helped refine and sharpen our sustainability priorities. The DMA allowed us to identify and refine the most critical sustainability topics, ensuring that our approach remains focused, relevant, and aligned with both stakeholder expectations and regulatory developments.

## Nine ESG focus areas

The ESG strategy is structured around Environment, Society and Governance where three focus areas have been identified and prioritized for each. The nine sustainability focus areas will be developed further during 2025, supported by specific targets and measurable metrics to track progress on performance. Ultimately, the ESG strategy is designed to enable a strong integration of sustainability in the core business of Icelandair, in line with the overall group strategy.





# Sustainability report

## Basis for preparation

This section represents the non-financial information (hereafter 'sustainability statement') of Icelandair for the financial year 2024. The statement includes information about the potential impacts that Icelandair's operations and value chain have on the environment and society, as well as the potential financial effects of the environment and society on Icelandair's operations. Furthermore, the statement includes information on how we work on managing these impacts. The scope of the sustainability statement is the same as for the financial accounts and no subsidiaries are exempt from the statement.

## Preparing for the CSRD

Over the past years, we have reported on our sustainability efforts in accordance with Nasdaq's ESG Reporting Guide but we are currently in the process of implementing the new EU Corporate Sustainability Reporting Directive (CSRD) and its accompanying standards, the European Sustainability Reporting Standards (ESRS) which outline requirements for corporate reporting on a broad range of sustainability matters. The CSRD has not yet been implemented in Iceland but as a part of the preparation, we considered the ESRS when developing the non-financial reporting for 2024. The Company's sustainability data is presented in accordance with the Nasdaq's ESG Reporting Guide 2.0 (Environment, Society and Governance) at the end of the sustainability statement.





# Governance of sustainability matters

## The role of the management and supervisory bodies

Icelandair's governance structure is outlined in the Corporate Governance Statement, which includes information on the composition of the Board of Directors.

A new sustainability governance structure was established during the year for overseeing and managing material impacts, risks and opportunities related to the environment, society and governance.

During 2024, the Board of Directors and the Executive Committee discussed a broad range of sustainability matters, including sustainability reporting, the CSRD implementation plan, the sustainability governance structure, the development of an updated ESG Strategy, the decarbonization roadmap, regulatory developments and the commitment to setting a science-based climate target through the Science Based Target Initiative (SBTi).





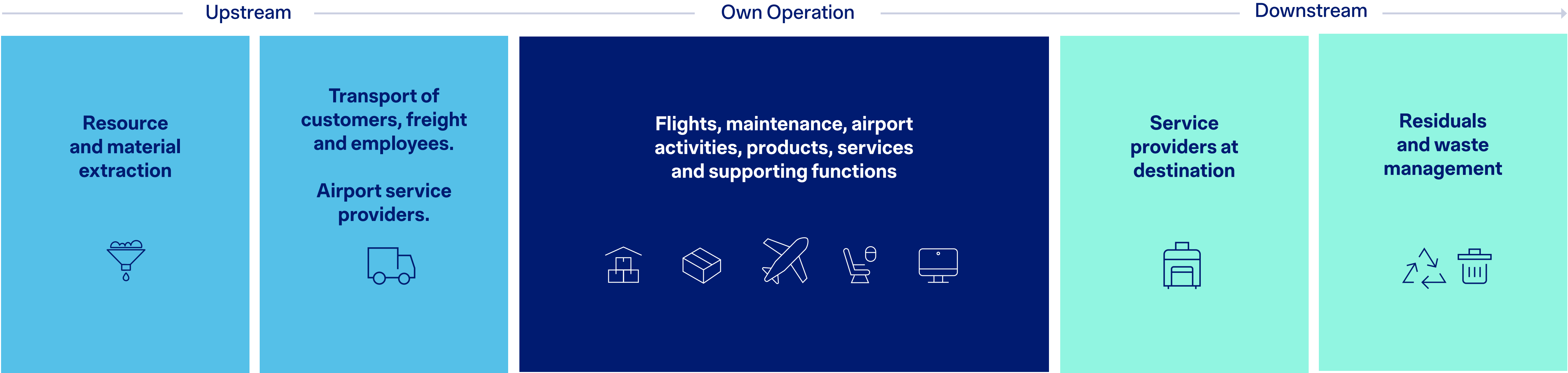
# Value chain

## Upstream suppliers and downstream service providers

Icelandair's value chain reflects a comprehensive network of upstream suppliers, downstream service providers and partners working together to deliver seamless transportation services and generate value for stakeholders.

The upstream value chain includes suppliers and service providers essential to Icelandair's operations, including aircraft manufacturers, fuel suppliers, maintenance providers, airport facilities, and transport services for customers, freight and employees. These critical inputs enable Icelandair to deliver core services, including passenger and cargo flights, leasing operations, airport services, technical maintenance, and other supporting services.

As a result, the downstream activities include service providers at destination, cargo facilities and services, and waste and residuals management. Partners like travel agencies and cargo handlers play a vital role, alongside stakeholders who benefit from economic and social impacts of Icelandair's operations, such as tourism and other trade and export industries.





# Double Materiality Assessment

## Material sustainability matters

The concept of double materiality is presented with the new EU Corporate Sustainability Reporting Directive (CSRD). Double materiality, as defined by the CSRD, comprises impact materiality and financial materiality. Impact materiality refers to a business' impact on the environment and society while financial materiality refers to the risks and opportunities that a company faces in relation to the environment and society. A sustainability matter is considered 'material' for a company if it fulfils the requirements for impact materiality, financial materiality, or both. To prepare for the upcoming regulation in Iceland, we performed a Double Materiality Assessment in the latter part of 2023.

## Description of the process to identify and assess material impacts, risks and opportunities

The Double Materiality assessment was conducted with a four-step approach as followed:

### 1. Preparation and scoping

The business model and value chain with Icelandair's key activities, were mapped to establish a common point of reference for the assessment and define the assessment boundaries.

### 2. Mapping impacts, risks and opportunities

"Mapping Workshops" were held to identify potential impacts, risks, and opportunities (IRO). The workshops were informed by IROs previously identified through Icelandair's processes, including the environmental management system, the risk registry and previous materiality assessments. Additionally, the sustainability topics, sub-topics and sub-sub-topics outlined in Article 16 of ESRS 1 were incorporated into the mapping process. Risks and opportunities were identified based on related impacts and Icelandair's dependencies on specific resources. The IRO identification process was conducted across different parts of the value chain,

enabling the identification of potential hotspots. The workshops involved relevant internal stakeholders from Icelandair, as well as external sustainability experts.

### 3. Assessing materiality

The third step was to assess the materiality of identified impacts, risks and opportunities. For impact materiality, assessment criteria for the dimensions scale, scope, irremediability and likelihood need to be set. The scales used in the Double Materiality Assessment were based on the following: The OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, the ESRS 1 General Requirements, Icelandair's existing assessment scales, where applicable, as well as external experts on human rights, risk and environmental impact assessment. The assessment of financial materiality was conducted using predefined scales for the size of financial effect and likelihood. The scale for evaluating the financial impact of sustainability topics aligns with Icelandair's Risk Assessment framework and associated manuals

and guidelines, ensuring a streamlined and consistent approach. Icelandair is in the process of integrating sustainability risks into the Risk Registry, and all identified risks, including sustainability-related ones, are accessible within the risk management system.

### 4. Validating and reporting

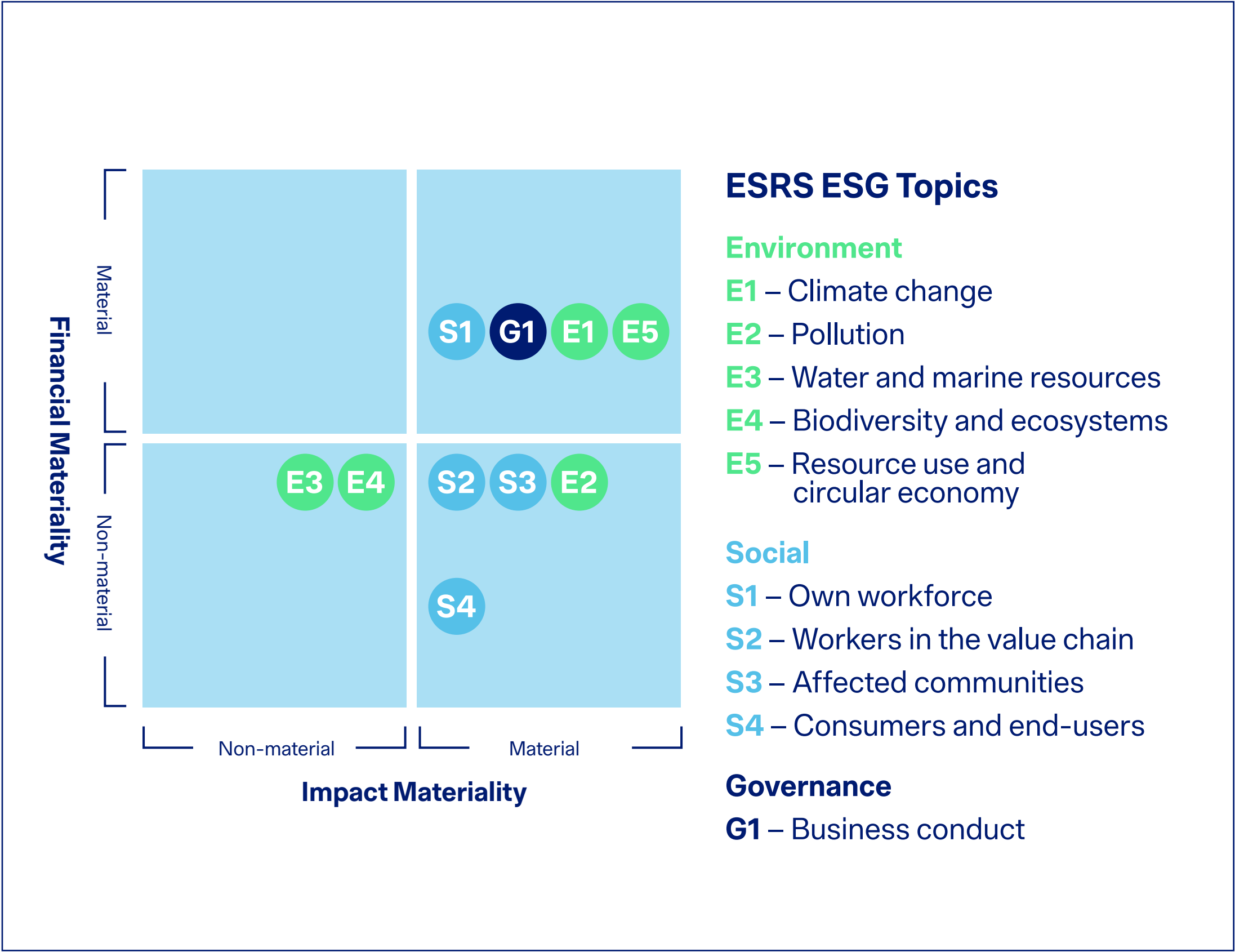
The assessment of materiality of all IRO's was validated by the Sustainability team. Next, the results were mapped on a materiality matrix and validated by the Executive team.



# Material ESG topics

## Results of the Double Materiality Assessment

As a result of the Double Materiality Assessment, eight of the ten ESG topics have been assessed as material for us.



In 2024, we conducted an ESRS gap assessment to identify the documentation and data needed to comply with the disclosure requirements. The process began by identifying the material disclosure requirements and data points based on the results of the double materiality assessment. Subsequently, the data availability for material datapoints was assessed. It includes reviewing currently available data, assessing its quality and reliability, starting to collect new types of data, developing policies and implementing new processes to prepare for disclosing in accordance with CSRD when it comes into effect in Iceland.

We recognize that the Double Materiality Assessment is an ongoing process, with objectives extending beyond reporting purposes. Insights gained from the assessment and stakeholder feedback have already started shaping our ESG strategy and approach to sustainability.

Over the coming years, we plan to conduct deeper analyses of impacts and risks, integrating them into our overall risk management processes. The Double Materiality Assessment will be reviewed bi-annually unless any significant changes occur in our management system or business model.





# Environmental information

We are committed to playing our part in creating a more sustainable future for aviation. Our focus is on reducing aircraft emissions, managing noise and air pollution and minimizing waste.

## Robust Environmental Management

These efforts are guided by Icelandair's Environmental Management system (EMS). Icelandair is certified to the highest level of the IEnvA environmental assessment program from the International Air Transport Association (IATA), which requires demonstration of ongoing environmental performance improvements. The IEnvA program is based on recognized environmental management principles, ISO 14001, and assessments are conducted by accredited independent organizations.

## Collaboration with key stakeholders

We participate in environmental working groups within organizations such as IATA and Airlines for Europe (A4E), working alongside industry partners to drive meaningful change both globally and locally.

As a result of the DMA three environmental topics were assessed as material, Climate change, Pollution and, Resource use and circular economy.





# Climate change

As an airline, we recognize our climate impact and reducing our impact remains our top priority. We address these impacts through measures such as fleet renewal, operational improvements, and the exploration of using alternative fuels.

## Impact materiality

Our own operation, specifically flights and ground handling activities generate greenhouse gas (GHG) emissions. The aviation industry is a contributor to GHG emissions, mainly through the combustion of aviation fuels. The industry has pledged to achieve net-zero carbon emissions by 2050. Technological advancements in aviation throughout the years have led to new-generation aircraft that deliver 20% to 30% lower emissions than older generation aircraft. However, the industry's transition to alternative fuel sources has been challenging. Scaling up and financing the production of Sustainable Aviation Fuels (SAF) remains critical to achieving climate goals. Beyond flights, GHG emissions are also generated in ground handling activities. Additionally, GHG emissions occur across the value chain, from production of aircraft, fuels, transport of passengers to and from airports, and in waste handling.

## Potential financial effects from material transition and physical risks

Icelandair is subject to various regulations related to the EU Green Deal and "Fit for 55" and has physical assets and operations dependent on weather conditions. Hence, climate-related transition and physical risks have been identified as material.

### Transition risk

In 2023, the Regulation EU 2023/2405 of the European Parliament and of the Council of 18 October 2023 on ensuring a level playing field for sustainable air transport ("ReFuelEU"), was adopted in the European Parliament with the aim to increase the uptake of sustainable fuels in the aviation sector. It came into effect on 1 January 2024 to ensure that, starting from 2025, at least 2% of aviation fuels will be sustainable, with this share increasing every five years: 6% in 2030, 20% in 2035, 34% in 2040, 42% in 2045 and 70% in

2050. However, Sustainable Aviation Fuels (SAF) remain difficult to source and the availability and price may challenge Icelandair's climate transition.

Airlines have been part of the EU's Emissions Trading System (ETS) since 2012. Since the beginning, the total number of emissions allowances in the system has been steadily reduced. In 2023, changes were introduced to ensure a further reduction in emissions and the changes were implemented into Icelandic law by year-end. These changes include a faster reduction in allowances and more aggressive phase-out of free allowances for airlines from 2024 to 2026, despite aviation not having any other technical means of reducing its emissions. These new rules disproportionately affect Icelandair and Iceland as a tourist destination due to Iceland's geographical location on the periphery of Europe and dependence on air travel. Unlike other European countries, Iceland has no alternative means of international travel and its stage length to Europe results in higher proportional costs for airlines connecting through Iceland

compared to carriers operating elsewhere, or flying directly across the ocean. This would make flights more expensive for Icelandic operators than their EEA and non-EEA peers and could lead to carbon leakage. The Icelandic government, therefore, negotiated a special adoption and reached an agreement with the EU Commission to adapt Directive (EU) 2023/958 for Iceland. In 2024, the Icelandic government worked on the accompanying regulations to define how to reimburse airlines flying to and from Iceland 100% of the price difference between SAF and fossil fuel at Icelandic airports, in addition to defining the carbon neutrality plan that airlines will need to submit to the Environmental Agency to retain free emission allowances in 2025 and 2026. However, uncertainty remains on how this will be implemented and the effects on Icelandair.



# Target to address climate change

## Physical risk

Icelandair is inherently exposed to physical climate risks, such as changing weather patterns, rising sea levels and extreme temperatures due to its dependence on weather conditions. Such events can pose a challenge to the operations such as infrastructure stability and flight operations. Recognizing the importance of proactively addressing these challenges, Icelandair will conduct a climate risk assessment with the aim of identifying and evaluating our primary physical climate risks, enabling us to develop strategies to mitigate their impacts and enhance the resilience of our operations. For further information see the Operational risk chapter.

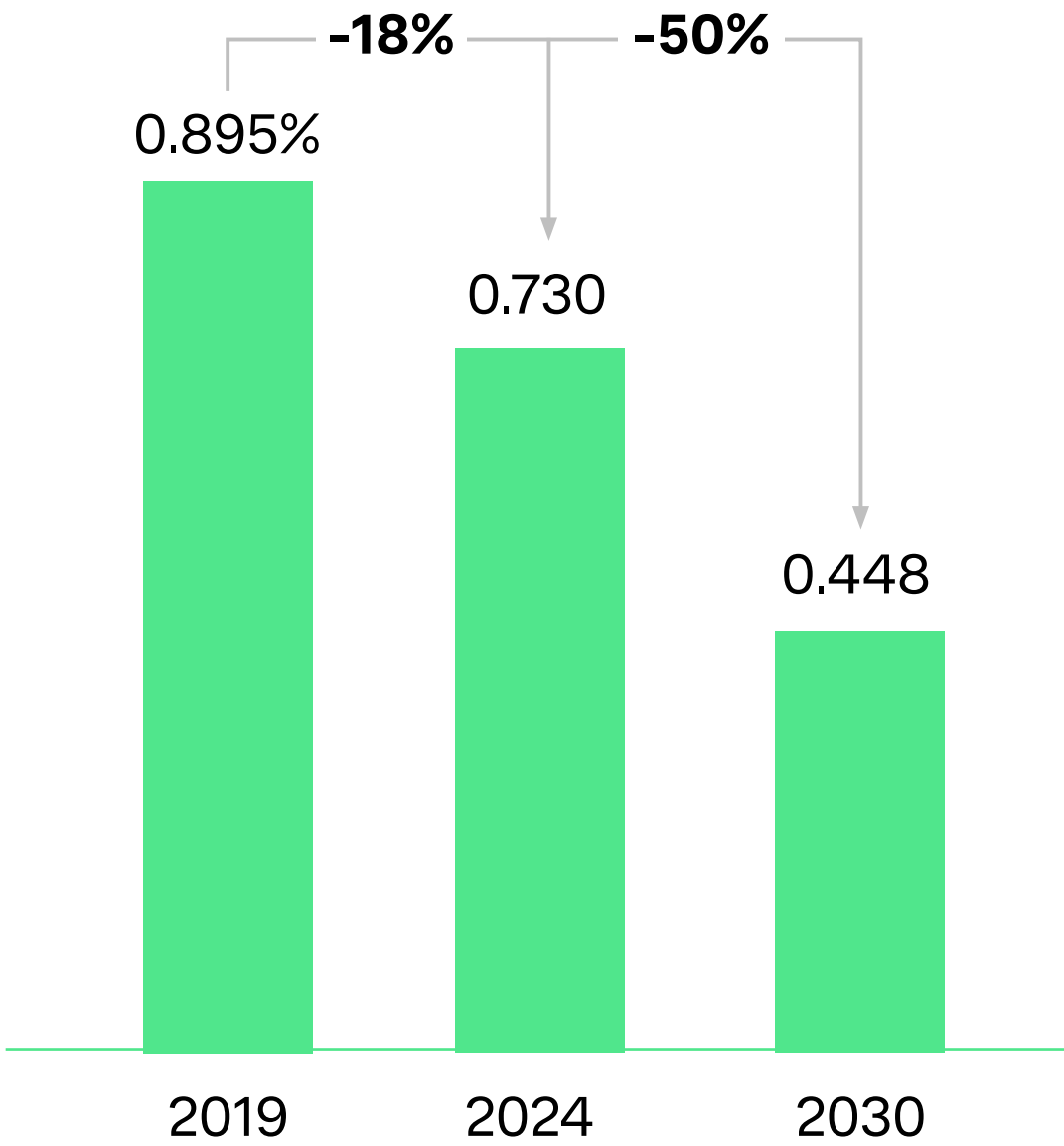
## Policies related to climate change

Through our Climate and Environmental policy, we are committed to manage the most material impacts of our operations and continuously

improve operational performance. Through the policy, we address reducing greenhouse gas emissions through fleet renewal, operational improvements, and exploring the use of alternative fuels. It also addresses the mitigation of climate risks to ensure the resilience of the operations against the impacts of a changing climate. The policy is approved by the Deputy COO of Operations and the CEO.

## Targets

To address the global challenge of climate change, Icelandair has set a target for Scope 1 emissions, aiming to achieve net zero emissions by 2050, and monitors fuel efficiency and CO<sub>2</sub>e emissions from flight operations. In addition, the Company has set a specific target to reduce CO<sub>2</sub>e emissions by 50% per Operational Ton Kilometer (OTK) from flight operations by 2030 compared to 2019. The emissions from aviation are reported annually to the Environmental Agency of Iceland. Operational



Ton Kilometer (OTK) is how much CO<sub>2</sub>e is emitted moving one payload ton over a distance of one kilometer and takes into consideration the weight of the aircraft, passengers, and cargo.

As part of the Company's commitment to a more sustainable aviation future, a decarbonization strategy has been developed that focuses on the most impactful and manageable levers available today. At the core of this strategy are fleet renewal and operational improvements, which will drive the reductions in carbon emissions over the short to medium term. Simultaneously, the Company is exploring the use of Sustainable Aviation Fuels, which will increasingly support the climate targets in the mid- and long-term.

During 2024, Icelandair decided to set climate targets in line with the Science Based Targets initiative (SBTi). Icelandair has now formally committed to setting a near-term company-wide emission reductions target in line with climate science with the SBTi. Following this commitment, Icelandair will in 2025 and 2026 work on developing targets aligned with the SBTi criteria.



# Actions related to climate change policies

The fleet renewal program combined with operational improvements and the exploration of using alternative fuels, provide a comprehensive approach to reducing the environmental impact of Icelandair.

## Fleet renewal

The most effective and immediate way to reduce carbon emissions is by modernizing the fleet. Replacing older models with new generation aircraft that are far more fuel efficient has a significant impact on reducing fuel consumption, emissions and decreasing operational costs. During 2024, three Boeing 757s were retired and one Boeing 767 was subleased to another airline. Icelandair took delivery of three new Boeing 737MAX during the year, as well as its first ever Airbus aircraft, an A321LR. These aircraft are of a new generation of more fuel-efficient and thereby more environmentally friendly aircraft, and therefore an important part of reducing carbon emissions within the operation.

## Operational improvements

While fleet renewal is a critical lever to reduce carbon emissions, the full potential of decarbonization efforts will only be realized when combined

with operational improvements that optimize fuel efficiency across every aspect of the operations. The Company's fuel efficiency program is the tool to achieve optimal fuel efficiency and involves a collaborative effort and best practices that involve various departments within the Company, each playing a crucial role in achieving operational excellence. During 2024, various projects were realized such as the optimization of potable water, active monitoring of pantry weight and customization of serviceable on-board items to reduce weight. As infrastructure and new technologies allow, the Company also aims to gradually transition to electric ground support equipment, thereby reducing emissions from ground operations.

## Alternative fuels and innovation

While fleet renewal and operational efficiencies are currently the most impactful levers in the decarbonization strategy, Icelandair acknowledges the importance of advancing the production and availability of Sustainable Aviation Fuels (SAF) in the market as it is crucial to support and accelerate the decarbonization path. Beyond SAFs, Icelandair is monitoring the development of other technological innovations, such as hybrid-electric propulsion systems, carbon capture technologies and new aircraft designs that use alternative energy sources like hydrogen. By continuously evaluating



the potential of these technologies, the decarbonization strategy remains agile and aligned with the latest advancements in sustainable aviation.

As part of Icelandair's climate efforts, the Company also wants to help its customers better understand the carbon footprint of their flights and give them an opportunity to support climate solutions. In 2024, Icelandair partnered with

CHOOOSE to give travelers access to a climate software solution which can help them understand, calculate and address their travel emissions. The service is available at point of booking and offers passengers a way to address their travel-related carbon emissions by supporting accredited climate solutions around the world.



# Climate and energy related metrics

## Energy consumption

Almost 100% of Icelandair’s energy consumption comes from burning of jet fuel which is a form of fossil fuel. However, 100% of energy and heating used for the Company’s buildings and facilities in Iceland use energy from renewable sources. Metrics for Icelandair’s energy consumption and emissions are presented to the right.

## Green house gas emissions

Almost all of Icelandair’s measured GHG emissions come from burning of jet fuel as the production of electricity and heat in Iceland are mainly from renewable sources and therefore have a low carbon footprint. Icelandair only reports on Category 5, waste generated in operations under Scope 3 emissions but will expand on different categories in 2025.

Energy consumption and mix (GWh)	2024
Total energy consumption from fossil sources	4,707
Fuel consumption from crude oil and petroleum products	4,707
Share of fossil sources in total energy consumption (%)	99.5%
Total energy consumption from renewable sources	21
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	21
Share of renewable sources in total energy consumption (%)	0.5%
Total energy consumption	4,728

GHG emissions	2024
Scope 1 GHG emissions	
Gross Scope 1 GHG emissions (tCO2e)	1,167,660
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	41%
Scope 2 GHG emissions	
Gross location-based Scope 2 GHG emissions (tCO2e)	168
Gross market-based Scope 2 GHG emissions (tCO2e)	0
Significant Scope 3 GHG emissions	
Total Gross indirect Scope 3 GHG emissions (tCO2e) (Category 5 waste generated in operations)	89
Total GHG emissions	1,167,917



# Pollution

Aircraft noise and emissions are key environmental concerns for the aviation industry. The combustion of aviation fuels contributes to air pollution and aircraft operations generate noise that can affect local communities. Through our commitment to reducing our climate impact, we simultaneously implement measures that help minimize both air and noise pollution.

## Impact materiality

The primary source of pollution in our operations is the burning of aviation fuel. Pollution also arises throughout the value chain from activities such as production processes, airport transport, staff and cargo transportation, catering services, ground vehicle operations, ground support at airports, fuel storage and paint stripping. Noise pollution, while not included as a sub-topic under the ESRS, is also a material concern for Icelandair. Aircraft noise can impact communities and habitats around airports, particularly due to the noise generated during takeoff and landing. Additionally, Icelandair uses substances of concern in its operations which can negatively impact the environment and health if not managed properly.

## Policies related to pollution

The Climate and Environmental Policy addresses Icelandair's commitment to mitigate negative impacts related to air and noise pollution. Through

the policy, Icelandair is committed to follow standard operating procedures in relation to noise abatement to minimize the impact on surrounding communities. Moreover, Icelandair works to manage substances of concern, and proactively avoid incidents and emergency situations, and ensure that, if they occur, their impact on people and the environment is controlled and minimized. All incidents are reported and managed through the Company's Safety Management System (SMS).

## Actions related to pollution

The commitment to mitigate the negative impacts of air and noise pollution is reflected in our climate actions, such as renewing the fleet to newer generation aircraft, implementing operational improvements and exploring the use of alternative fuels – all of which contribute to mitigating air and noise pollution. Air and noise pollution are some of the environmental issues that are addressed in Icelandair's EMS. To minimize the impact on the surroundings, the International Civil Aviation

Organization (ICAO) and the European Union Aviation Safety Agency (EASA) have established stringent noise regulations, and we have operational procedures in place to comply with these requirements and guidelines.

In the technical operation and maintenance processes, certain substances of concern, including hazardous chemicals and other regulated pollutants, are utilized. To ensure safe handling and compliance, Material Safety Data Sheets (MSDS) are available for such materials, describing the properties and potential hazards of the material, how to use it safely, and what to do in an emergency. In 2025, Icelandair's goal is to identify all substances of concern used in the operations and continue phasing out substances where possible. In terms of de-icing practices, standard operating procedures are in place. The de-icing procedures ensure compliance with the relevant regulations, and global aircraft de-icing standards, to ensure optimal aerodynamic performance and safety.

## Targets

Air and noise pollution from Icelandair's operations are closely linked to our GHG emissions. Consequently, the climate targets are expected to address and mitigate these pollution impacts. As a result, we have not established specific targets for air and noise pollution.

Icelandair's broader objective is to continuously monitor and enhance the overall environmental performance, including incidents such as fuel spills, optimizing the use of de-icing fluids and refrigerants, and systematically tracking all environmental incidents through the EMS.

We are starting to monitor pollution and therefore do not have metrics available for 2024.



# Resource use and circularity

Our approach to resource use and circularity is centered on minimizing waste from our operations, reducing unnecessary consumption and optimizing resource efficiency by reusing valuable materials whenever possible, and prioritizing onboard recycling initiatives.

## Materiality

Resource inflows and outflows are assessed as a material topic as airlines depend heavily on resources for operations, including fuels, aircraft maintenance materials, food and goods for passenger services. Icelandair reuses and recycles aircraft parts when retiring old generations, specializing in end-of-life solutions and the trading of parts for Boeing aircraft. Waste management is also a material topic as we contribute to waste generation through various processes, such as inflight and maintenance activities. In general, airlines rely to a large extent on single-use plastics for packaging, food containers and cutlery, and there are challenges improving recycling on board due to limited infrastructure, logistical constraints and regulations for waste management. Resource inflows have been assessed as financially material for Icelandair in the long term, as Icelandair is dependent on specific resources for its operations. Icelandair faces potential risks

associated with supply chain disruption and resource scarcity, as some materials critical to airline operations include critical raw materials. While the financial effects are expected to be moderate, quantification of the effects is challenging. The financial implications will depend on factors such as the type of resource, the degree of dependency and the actual availability of the resource in the market at a given time.

## Policies related to resource use and circularity

Through Icelandair's Climate and Environmental Policy, we are committed to decreasing waste, maximizing recycling and finding circular solutions. We are committed to reducing waste and promoting the responsible use of resources, specifically aiming to reduce single-use plastics, optimizing consumables in the cabin, and adopt responsible procurement practices to minimize negative impacts across the supply chain.

## Actions related to resource use and circularity

We have implemented several successful initiatives to optimize resource use and enhance waste recycling across the company. Key actions include reusing aircraft parts, introducing onboard recycling, and reducing food waste by offering passengers the option to pre-order their onboard meals to avoid unnecessary over catering. We have also prioritized sustainable materials and reducing waste, such as introducing new blankets made from recycled materials, and actively working to eliminate single-use plastics and consumables onboard. For example, Saga membership cards are now exclusively digital, plastic cups are no longer provided with every drink and newspapers are no longer offered – all contributing to reducing cabin waste.

## Targets

Laws and regulations have always restricted waste separation on board, and Icelandair has for years called for changes in regulations in Iceland on recycling waste from international flights, which has until recently all been incinerated due to these regulations. In good cooperation with the Environment Agency of Iceland and the Icelandic Food and Veterinary Agency, new guidelines were implemented in 2023 that enable airlines to sort clean recyclables, i.e., plastic, paper and aluminum cans coming into Iceland.

Icelandair has set goals related to efficient material use in line with Icelandair's policy commitments. The goal is to achieve a 40% recycling rate for aircraft waste in 2025 and to implement measures to report on waste reduction per passenger.



# Waste related metrics

## Waste streams

Icelandair uses a waste management system provided by Klappir Green Solutions, which digitally tracks and breaks all waste-related data down to the operational units. The waste streams generated from our operations are typical for aviation companies and include cabin and maintenance waste. The materials presented in Icelandair's waste are food waste, mixed waste, aluminum scrap, plastic waste, paper, wood waste, batteries, electronic waste, oil waste and automotive scrap.

## Amount of waste

The total amount of waste produced by Icelandair in Iceland including the Keflavik hub amounted to 808 tons, a reduction from 1,338 tons in 2023. This reduction is due to changes that were made during the year as we outsourced our catering facilities to an international catering company. The on-board waste stream is processed through the catering facilities in Keflavik and are therefore no longer a part of Icelandair's total waste. The largest waste stream aside from the on-board waste is mixed waste from the on-board service, containing mainly food waste and packaging waste. Food and beverage waste from international flights has to be incinerated or sent to landfill due to international catering regulation.

Waste (tons)	2024
Total amount of waste generated	808
Total amount of waste diverted from disposal	640
Non-hazardous	640
Preparation for reuse	0
Recycling	297
Other recovery operations	343
Hazardous	0
Preparation for reuse	0
Recycling	0
Other recovery operations	0
Total amount of waste directed to disposal	169
Non-hazardous	165
Incineration	3
Landfill	162
Other disposal operations	0
Hazardous	4
Incineration	4
Landfill	0
Other disposal operations	0
Total amount of non-recycled waste	169
Percentage of non-recycled waste	21%





# EU Taxonomy

## Background

As described by the European Commission, the EU Taxonomy is a classification system for determining sustainable economic activities that provides companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable with regard to the six environmental objectives that have been established. The environmental objectives are: 1) climate change mitigation, 2) climate change adaptation, 3) the sustainable use and protection of water and marine resources, 4) the transition to a circular economy, 5) pollution prevention and control, and 6) the protection and restoration of biodiversity and ecosystems.

## Icelandair's Taxonomy-eligible activities

An eligibility screening and interpretation of the criteria was done in the fall of 2023 to determine whether Icelandair's business activities were eligible under the EU Taxonomy. According to the screening, Icelandair is eligible for four economic activities included in the amended Climate Delegated Act. Eligibility and alignment on turnover, capital expenditures and operating expenditures related to these activities are reported, however, no alignment was achieved in 2024. The Company will continue to work on alignment, fulfilling the minimum safeguards, and further implementation of the EU Taxonomy.

### 3.21 Manufacturing of aircraft

Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to manufacturing of aircraft, specifically repair and maintenance.

Taxonomy-eligible turnover from this economic activity is generated in connection with maintenance, repair, overhaul services and the sale of spare parts. The turnover of 2 USD million represents 0.2% of Icelandair's overall turnover. The expenditure of 32 USD million accounts for 26.9% of the capital expenditure for the reporting year. The economic activity accounts for 122 USD million and 8.5% of Icelandair's total OpEx expenses.

### 6.18 Leasing of aircraft

Description of the activity: Renting and leasing of aircraft and aircraft parts and equipment.

Icelandair has financial streams relating to leasing of aircraft. Through its leasing business, Loftleidir Icelandic, Icelandair is involved in the leasing of aircraft for airlines and tour operators.

The Taxonomy-eligible turnover of 94 USD million represents 6.2% of Icelandair's overall turnover. The expenditure of 16 USD million accounts for 13.8% of the capital expenditure for the

reporting year. The economic activity accounts for 63 USD million and 4.4% of Icelandair's total OpEx expenses.

### 6.19 Passenger and freight air transport

Description of the activity: Purchase, financing, and operation of aircraft including transport of passengers and goods. The economic activity does not include leasing of aircraft referred to in Section 6.18.

Icelandair has financial streams relating to passenger and airfreight transport. Icelandair operates an international route network that connects Europe and North America, serving passengers to, from, via and within Iceland. The focus of Icelandair's airfreight and logistics operations is on freight services to, from and via Iceland, by leveraging the passenger route network, in addition to scheduled air freighter flights, operated on a designated cargo aircraft.

The Taxonomy-eligible turnover of 1,452 USD million represents 92.2% of Icelandair's overall turnover. The expenditure of 66USD million accounts for 55.6% of the capital expenditure for the reporting year. The economic activity accounts for 1,103 USD million and 77.1% of Icelandair's total OpEx expenses.

### 6.20 Air transport ground handling operations

Description of the activity: Manufacture, repair, maintenance, overhaul, retrofitting, design,

repurposing and upgrade, purchase, financing, renting, leasing and operation of equipment and service activities, including ground services activities at airports and cargo handling, such as loading and unloading of goods. Icelandair has financial streams relating to ground handling operation. Ground handling involves a range of services provided on the ground to aircraft, passengers and cargo.

The Taxonomy-eligible turnover of 9 USD million represents 0.6% of Icelandair's overall turnover. The CapEx for this economic activity includes expenditure on purchase and maintenance on ground handling equipment. The expenditure of 4 USD million accounts for 3.7% of the capital expenditure for the reporting year. The economic activity accounts for 143 USD million and 10% of Icelandair's total OpEx expenses.

## Taxonomy non-eligibility

Icelandair's business activities that are currently not included in the EU Taxonomy, and thus not assessed as Taxonomy eligible, comprise the Taxonomy non-eligible percentage (%).



# Proportion of taxonomy-eligible turnover

				Substantial contribution criteria							DNSH criteria ("Does not significantly harm")									
Economic activities (1)	Code (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy aligned proportion of total turnover, 2023 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)	
	2024	USD	%	%	%	%	%	%	%	%	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%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Air transport ground handling operations		6.20	9	0.6%	EL	N/EL	N/EL	N/EL	N/EL								0%	-	-	
Leasing of aircraft		6.18	94	6.2%	EL	N/EL	N/EL	N/EL	N/EL								0%	-	-	
Manufacturing of aircraft		3.21	2	0.2%	EL	N/EL	N/EL	N/EL	N/EL								0%	-	-	
Passenger and freight air transport		6.19	1,452	92.2%	EL	N/EL	N/EL	N/EL	N/EL								0%	-	-	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			1,557	99.2%														-	-	-
Total (A.1+A.2)			1,557	99.2%														-	-	-
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities			13	0.9%	Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective															
Total (A+B)			1,570	100%	N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective															



# Proportion of taxonomy-eligible CapEx

				Substantial contribution criteria							DNSH criteria ("Does not significantly harm")								Category (enabling activity) (20)	Category (transitional activity) (21)
Economic activities (1)	Code (2)	Absolute turnover (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy aligned proportion of total CapEx, 2023 (18)			
	2024	USD	%	%	%	%	%	%	%	%	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)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Air transport ground handling operations	6.20	4	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		-	-
Leasing of aircraft	6.18	16	13.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		-	-
Manufacturing of aircraft	3.21	32	26.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		-	-
Passenger and freight air transport	6.19	66	55.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		-	-
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		118	100%														-		-	-
Total (A.1+A.2)		118	100%														-		-	-
B. Taxonomy-non-eligible activities																				
CapEx of Taxonomy-non-eligible activities		0	0%																	
Total (A+B)		118	100%																	

Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective



# Proportion of taxonomy-eligible OpEx

				Substantial contribution criteria							DNSH criteria ("Does not significantly harm")							Category (enabling activity) (20)	Category (transitional activity) (21)
Economic activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy aligned proportion of total OpEx, 2023 (18)		
	2024	USD	%	%	%	%	%	%	%	%	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 activites (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Air transport ground handling operations	6.20	143	10%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	-	-
Leasing of aircraft	6.18	63	4.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	-	-
Manufacturing of aircraft	3.21	122	8.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	-	-
Passenger and freight air transport	6.19	1,103	77.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	-	-
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,431	100%														-	-	-
Total (A.1+A.2)		1,431	100%														-	-	-
B. Taxonomy-non-eligible activities																			
OpEx of Taxonomy-non-eligible activities		0	0%																
Total (A+B)		1,431	100%																

Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective



# Social information

We are committed to playing our part in society. Our focus is on contributing to economic prosperity, fostering a culture of equality, diversity, inclusion and belonging while ensuring the safety and well-being of all.

Icelandair recognizes the growing focus on human rights due diligence, driven by legislation like the EU Taxonomy's Minimum Safeguards, the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD), as well as increased inquiries from business partners. In response, we are taking the first steps of developing sustainability due diligence processes, which will include human rights due diligence, to demonstrate responsible practices and meet expectations.

As a result of the DMA four social topics were assessed as material, Own workforce, Workers in the value chain, Affected communities and, Consumers and end-users.





# Own workforce

Our exceptional team of employees form the backbone of our business. All employees are a part of the same team and Icelandair's core values – passion, simplicity and responsibility – are the principles that guide us to maintain a strong and motivating company culture. We are committed to our employee's personal growth, and we focus on fostering a culture of equality, diversity, inclusion and belonging for all. We promote a culture that recognizes that employee wellness is fundamental to performance and safety.

## Materiality

Working conditions, specifically health and safety, along with equal treatment and opportunities are key material topics for us.

Actual positive impacts relate to training and skills development for employees. Icelandair provides role-specific and company-wide training, which is critical in the airline industry for ensuring safety, regulatory compliance, customer satisfaction, operational efficiency and adaptability to industry changes. We actively promote gender equality in the workforce, setting an example for the industry, and have one of the highest proportions of female pilots in the world. We have also rapidly increased the number of male flight attendants. We have policies and procedures in place to prevent work-place violence and harassment. Adequate housing has also been assessed as material as we provide housing for certain foreign workers in Iceland.

Potential negative impacts relate to health and safety faced by employees in various roles. For example, ground handling workers are exposed to harsh weather conditions and handling of luggage, maintenance staff may encounter harmful substances, and flight crew members may face occupational hazards. Icelandair's employees can face challenging situations due to long working hours and disruption to work plans which can affect their work-life balance. We recognize that employee wellness is essential for performance and safety and work continuously to improve the working conditions of employees to prevent negative impacts.

Additionally, labor strikes or disputes, particularly with pilots, cabin crew, and ground staff, could pose financial risks in the medium-to-long term. Such disruptions may lead to flight cancellations, delays, and customer dissatisfaction, impacting overall operations.





# Policies related to own workforce

## Policies related to own workforce and processes for engaging with own workers about impacts and raising concerns

Icelandair commits to upholding human rights and fair labor practices, with employees adhering to Icelandair's Code of Ethics. Equal opportunities and rights are central to our Equal Rights Policy and Equal Rights Plan, which drive active and measurable equality efforts throughout the company. The Equality Plan encompasses key areas such as equal pay, recruitment, training, work-life balance, and the prevention of workplace harassment. The Equal Rights Policy explicitly prohibits all forms of discrimination, including those based on gender, origin, opinions, disability, reduced work capacity, age, sexual orientation, gender identity, sexual identity, or any other status. Icelandair has implemented an Equal Pay Policy supported by an Equal Pay System to ensure that employees receive equal wages for work of equal value, irrespective of gender, and ensure that all employees are paid a

fair and adequate wage. Icelandair's comprehensive Health & Attendance Policy applies to all employees working for the company and its purpose is to preserve employee health and includes various health-related programs and initiatives to further employees' health and wellbeing.

We are committed to fostering an inclusive, equitable environment that celebrates diversity, promotes equality and accessibility, and nurtures a sense of belonging for all. To support the commitment and engage with employees, Icelandair conducts regular engagement surveys and monitors the employee Net Promoter Score (eNPS), and ensures employees have accessible channels to raise concerns.

To simplify the reporting of undesirable behavior, breach of legal obligations or other misconduct, Icelandair has implemented a simple online announcement tool, [tilkynna.is](https://tilkynna.is). The tool allows employees to submit reports anonymously. Reporters gain access to a secure communication

channel to receive updates on their reports. To ensure effective use of this tool, all employees receive information on how to use the tool as part of regular training.

Employees who experience bullying, discrimination, or harassment are encouraged to seek support and we are dedicated to providing appropriate remediation to harmed individuals in situations where Icelandair has caused or contributed to a negative impact. Incidents are addressed on a case-by-case basis and Icelandair collaborates with stakeholders to resolve issues, communicates actions taken and incorporates lessons learned to prevent future occurrences.



# Own workforce

## Actions related to own workforce

In the end of 2024, we relocated our headquarters to the new Icelandair House in Hafnarfjörður. One of the goals of the new headquarters is to strengthen the Company culture and foster workplace excellence. The headquarters are an extension of Icelandair's training center, which was built in 2014. The new facility brings together theoretical and practical crew training, office operations, customer service, support functions, and the operations control center under one roof. Additionally, flight crews gather in the building before heading to Keflavík Airport. With improved lighting, noise control and air quality, the headquarters offer a modern and diverse work environment that supports the Company's ambition to be Iceland's most desirable employer.

### Training and skills development

Icelandair believes it is essential for employees to embrace and demonstrate a growth mindset. This approach benefits both the individual and the

company as a whole. To support this vision, the People & Culture team ensures that all employees have access to market-leading learning and development resources tailored to their diverse needs. At the same time, Icelandair maintains rigorous safety and security standards, with detailed action plans and mandatory training for all employees in roles deemed critical to aviation safety or occupational health. For new employees, the Company offers a comprehensive orientation program that includes e-learning modules about the Company and health and safety training. Every month, the People & Culture team curates an ambitious training schedule featuring both on-site and online courses. Through the Company's extensive e-learning platform, employees can access a wide range of courses designed to support their personal and professional growth.

For Icelandair, training is a cornerstone of Flight Safety. Icelandair pilots have responded very well to the full implementation of Evidence Based Training (EBT) which emphasizes realistic

scenarios and a more supportive training environment than legacy training can offer. EASA's promotion of Competency Based Training and Assessment has been embraced by Icelandair training department with upgraded programs which are adapted to classrooms, practical facilities and electronic learning alike for both pilots and cabin crew. The introduction of new Airbus A321 aircraft is a huge task, and during 2025 the training facilities will be upgraded to meet the highest standards in training. This includes a CEET Airbus Cabin Emergency Evacuation Trainer and a full flight simulator. Additionally, as a leading airline in Iceland, Icelandair believes it is important to offer high-quality education in the specialized jobs performed in aviation and therefore actively supports flight-related education in Iceland through various measures.

### Diversity and equality

Icelandair promotes equality by providing equal job opportunities and fairness for employees and job applicants. The first step to ensure equal

opportunities is to reduce the impact of gender stereotypes by showing strong role models and introducing the jobs to underrepresented groups. Icelandair needs to ensure that the roles offered at Icelandair are appealing and available for everyone. All job advertisements state that Icelandair welcomes and encourages people of all genders to apply for all available jobs. Icelandair emphasizes to base decisions of recruitment, work conditions, distribution of work, delegation of working groups, training, and development on neutral and professional work methods, which are not influenced by gender, religion or origin and create diverse teams.



# Own workforce

## Targets

Icelandair's goal is to foster an inclusive, equitable environment that celebrates diversity, promotes equality and accessibility, and nurtures a sense of belonging for all. Icelandair aims to promote employee satisfaction and maintain an Employee Net Promoter Score (eNPS) of at least 40. To track progress, employee satisfaction is monitored through the eNPS, Employer Excellence Score and Engagement Score. Additionally, Icelandair is committed to ensuring gender diversity in management, with a target of no more than 60% of one gender in leadership positions.

## Employee characteristics

Icelandair has a diverse workforce with employees representing many different skills, both personal and professional and they represent 35 different nationalities. The metrics presented on the characteristics of Icelandair's workforce only include employees in Iceland, as Icelandair does not have at least 50 employees representing at least 10% of its employees in other countries than Iceland. No employee has requested to not disclose their gender or to identify as other gender than female or male.

Gender	Number of employees (head count)
Male	1,990
Female	1,930
Total employees	3,920

Total number of employees (FTE) in 2024 on average was 3,575, which is a reduction of 1.7% from 2023.

	Male	Female	Total
Number of employees (FTE)	1,911	1,664	3,575
Number of permanent employees (FTE)	1,810	1,473	3,283
Number of temporary employees (FTE)	92	172	263
Number of non-guaranteed hours employees (FTE)	8	20	28

The employee turnover includes voluntary leave, dismissal, retirement and death in service. The turnover rate at Icelandair remains quite low at 7% rising from 4% in 2023.

	2024
Number of employees who left during the reporting period	253
Employee turnover	7%

The percentage of employees covered by workers' representatives in Iceland is 99%.



# Own workforce

## Gender distribution in management and top management

One of Icelandair’s key sustainability focus areas is gender equality, alongside a broader commitment to equality, diversity, and non-discrimination. Achieving gender balance across the Company’s operations remains a core priority and Icelandair is committed to meet set goals in this area. The gender distribution presented includes members of the Executive Committee and one level below, Directors.

Gender distribution - top management	2024	2023
Male	60%	60%
Female	40%	40%

## Age distribution

The employee age distribution at Icelandair is quite typical, with a normal distribution of younger and older employees.

Employee distribution by age	2024
Under 30 years old	19%
30-50 years old	55%
Over 50 years old	26%

## Health and safety

Promoting good health among employees is high on the Company’s agenda and initiatives have been launched with the overall aim of improving the well-being of all employees. All employees are covered by the Company’s health and management system.

Health and safety	2024
Number of fatalities as a result of work-related injuries and work-related ill health	0
Number of recordable work-related accidents	254
Cases of recordable work-related ill health	0
Number of days lost to work-related injuries from work related accidents or ill health	1,420

## Pay gap

All employees are covered by collective bargaining agreements, which determine the salaries for the majority of the employees. The gender pay gap is defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees. The remuneration ratio is defined as the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual).

Remuneration and pay gap	2024
Gender pay gap	1: 1.28
Remuneration ratio	8



# Own workforce

## Work-life balance

All employees are entitled to take family-related leave in accordance with Icelandic law. All employees are entitled to parental leave which is a leave of absence from paid employment. The duration is 12 months in total. Each parent is entitled to six months, of which six weeks are transferable. Recognizing the importance of both parents in raising kids and making it possible for both parents to be actively involved, both at home and at work.

## Discrimination incidents and complaints filed

Human rights incidents	2024
Total number of incidents of discrimination, including harassment	31
Number of complaints filed through channels for employees to raise concerns	13
The total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints	0
Number of severe human rights incidents	0
The total amount of fines, penalties and compensation for damages as a result of severe human rights inci-dents	0





# Workers in the value chain

Icelandair relies on an extensive network of suppliers providing essential inputs such as aircraft, fuel, maintenance, and airport facilities. We recognize that the well-being, safety, and working conditions of the people throughout our value chain are vital, and we promote responsible and ethical practices in our supply chain.

## Materiality

The sustainability of the supply chain is an important aspect of our operations. As part of Icelandair's efforts to enhance sustainability due diligence, we plan to conduct a human rights risk assessment to gain a better understanding of the human rights risks throughout the value chain.

## Policies related to workers in the value chain

Icelandair has a Supplier Code of Conduct in place where suppliers are required to ensure that materials are ethically sourced, in compliance with international human rights and environmental standards. Icelandair requires that its suppliers comply with ethical standards that reflect the same standards that Icelandair complies with in its own operations. Icelandair is updating its procurement practices, including risk assessing and monitoring suppliers in a systematic way.





# Affected communities

Beyond being an important employer in Iceland, Icelandair is proud of its role in the Icelandic community. We continuously seek new opportunities to expand our ties to society as a whole and contribute to the country’s cultural and economic prosperity. Through our support of various organizations and events, we are proud to foster and promote the spirit of Iceland.

## Materiality

Icelandair contributes to economic prosperity in Iceland as a leading tourism company, as one of the largest employers in the country and through its community engagement. Icelandair contributes directly to the Icelandic economy in the form of salaries, salary-related expenses and pension contributions, in addition to our indirect contribution that drives economic benefits not only to the local tourism industry but the Icelandic economy as a whole. By connecting Iceland to the world, Icelandair also facilitates international relations and trade and by supporting important export and import through the cargo operations. While not specifically included as a sub-topic under the ESRS, Icelandair regards this impact as material.

## Action on material impacts on affected communities

We have continued our efforts to contribute to Icelandic society by actively engaging with key stakeholders to ensure the continued positive economic impact of aviation and tourism in Iceland, as well as through our diverse partnerships that

reflect the Icelandair’s strategy and approach to social responsibility and economic prosperity. Icelandair supports Icelandic music through Iceland Airwaves and Icelandic Music Experiments. We have also been a proud sponsor of the main sports federations in Iceland for years. To support the development of tourism in Iceland, Icelandair is a founding member of the Icelandic Tourism Fund, which invests in innovation in tourism. Icelandair partners with Iceland’s main volunteer search-and-rescue team on safe travel as well as flight safety and emergency response. Furthermore, together with contributions from its passengers, we support the Special Children Travel Fund which helps families of children with long-term illnesses and children who live in difficult circumstances.

## Tax footprint in Iceland

Icelandair contributes directly to the Icelandic economy in the form of taxes and fees paid to the government and municipalities. The total tax footprint in Iceland in 2024 amounted to USD 274 million.

Tax footprint	2024			2023		
	Iceland	Other countries	Total	Iceland	Other countries	Total
Salary-related taxes	24,249	486	24,735	21,080	417	21,497
Pension fund contribution	51,267	20	51,287	47,599	1,282	48,881
Emission charges	0	21,336	21,336	0	23,272	23,272
Landing fees	22,103	32,989	55,091	14,596	32,169	46,765
Other taxes	4,784	0	4,784	4,346	0	4,346
<b>Companies fees</b>	<b>102,403</b>	<b>54,831</b>	<b>157,234</b>	<b>87,621</b>	<b>57,139</b>	<b>144,761</b>
Employee income taxes	115,008	433	115,441	100,180	336	100,517
Passenger taxes	53,107	127,898	181,004	41,818	107,006	148,824
<b>Collected taxes</b>	<b>168,115</b>	<b>128,331</b>	<b>296,445</b>	<b>141,998</b>	<b>107,342</b>	<b>249,341</b>
Deferred payments on payroll taxes	3,896	0	3,896	6,535	0	6,535
<b>Total tax footprint</b>	<b>274,414</b>	<b>183,162</b>	<b>457,576</b>	<b>236,154</b>	<b>164,481</b>	<b>400,637</b>



# Consumers and end-users

Our customers safety and well-being is our highest priority. We are committed to providing an accessible and inclusive travel experience for all our customers and we continuously follow up on customers experience to improve our services.

## Materiality

Icelandair's primary sustainability impact on customers relates to personal safety and social inclusion. The health, safety and security of passengers is always our highest priority, with ongoing measures to identify and manage risks and consistently improving the Safety Management System. The protection of children is a key area of focus, supported by procedures designed to enhance their travel experience and provide special services to unaccompanied minors. Non-discrimination has been identified as a material topic, recognizing that aspects of the services provided may limit access for some individuals.

## Policies and processes related to customers

Icelandair is committed to providing an accessible and inclusive travel experience for all passengers. We work in accordance with the Customer Support guidelines and actively engage with customers and

relevant stakeholders to better understand and address their needs, including conducting large-scale surveys. Additionally, we proactively provide customers with essential information before their journeys to ensure smooth experiences. To identify areas for improvement, Icelandair relies on multiple feedback mechanisms such as passenger reports, customer surveys and crew observations. Cases are reviewed to identify recurring patterns and implement meaningful improvements.

We are dedicated to providing appropriate remediation to harmed individuals in situations where Icelandair has caused or contributed to a negative impact. Incidents are addressed on a case-by-case basis and remedies can relate to acknowledging issues, addressing concerns, committing to better processes, or compensation when appropriate. Icelandair collaborates with stakeholders to resolve issues, communicates actions taken, and incorporates lessons learned to prevent future occurrences.

Like other airlines, Icelandair is at risk of transporting victims of human trafficking. All cabin crew members receive training on identifying and responding to potential human trafficking situations and we collaborate closely with national law enforcement agencies to support efforts to combat human trafficking.

## Actions and targets related to material impacts on customers

A robust customer experience strategy has been established with the aim of refining Icelandair's services and elevating the quality of our offerings. We have prioritized accessibility and stakeholder engagement throughout the year. In 2024, Icelandair's comprehensive customer service questionnaire was updated with a specific focus on how to communicate with and support passengers with disabilities, including both visible and non-visible disabilities. The goal is to ensure respectful interactions and create a less stressful, more enjoyable experience for this group. We have also

identified key stakeholder groups related to passengers with disabilities and, in collaboration with the Icelandic Disability Alliance (Öryrkjabandalag Íslands), produced an informational video to help passengers with disabilities better understand the journey and the service offered.

## Targets

Icelandair's commitment is to provide smooth, enjoyable and safe journeys, tailoring our diverse group of customers. Performance is measured using metrics such as Net Promoter Score (NPS), Customer Satisfaction (CSAT) scores, and customer feedback scores, which provide valuable insights for ongoing improvement.



# Governance and business conduct

Effective governance and ethical business conduct are central to our operations. By regularly reviewing Icelandair’s strategy, policies and performance, and fostering a culture of integrity, we ensure compliance, transparency and accountability across all levels of the company, safeguarding trust with stakeholders and supporting long-term success.

## Materiality

Corporate culture has been assessed as a key material topic, reflecting the importance of maintaining high ethical standards. We ensure this through the implementation of policies and training programs, and regular evaluation of employee perceptions of corporate culture through internal surveys.

Animal welfare has been assessed as material, given the potential impact of Icelandair Cargo’s transportation of animals, primarily horses. While incidents are rare, Icelandair acknowledges its responsibility to minimize risks and ensure the welfare of animals during transit.

Corruption and bribery prevention and detection is also material for Icelandair’s operations, the Company is updating the Corruption and Bribery Policy, the Supplier Code of Conduct, and forming dedicated training programs to mitigate risks and ensure compliance. Icelandair is committed to safeguarding employees who report criminal offenses or other unethical conduct, in accordance

with Act No. 40/2020 on the Protection of Whistleblowers. Additionally, we aim to work with responsible suppliers throughout the supply chain and are working on enhancing our procurement practices to qualify and monitor suppliers in a systematic way.

## Policies and processes related to corporate culture and business conduct

We manage our material impacts through various policies and processes, including the Anti-corruption and Anti-bribery Policy, Code of Ethics, Procurement Policy, Rules on Whistleblowing and Supplier Code of Conduct.

Through the Supplier Code of Conduct, suppliers are required to ensure that materials are ethically sourced, in compliance with international human rights and environmental standards. Icelandair requires that its suppliers comply with ethical standards that reflect the same standards that Icelandair complies within its own operations. We are in the process of centralizing and improving

procurement functions across all operations. A part of these efforts is to enhance the sustainability due diligence process and integrate sustainability into Icelandair’s procurement practices. We will continue to monitor the implementation of the new European Corporate Sustainability Due Diligence Directive (CSDDD) for reference. More emphasis will be put on qualifying and monitoring suppliers in a systematic way, with self-assessments and risk evaluations.

We require all new employees to formally certify their compliance with the Anti-Corruption and Anti-Bribery policy. The policy describes Icelandair’s processes for identifying and managing bribery and corruption risks in Icelandair’s operations. Certain functions pose elevated risks for corruption and bribery due to their involvement in critical financial transactions and interactions with external stakeholders – such as procurement, hiring, finance, and senior management.

Concerns regarding unlawful behavior or policy violations can be reported anonymously

via tilkynna.is, through supervisors, or to the Compliance Officer. Icelandair’s promise to protect whistleblowers against retaliation is outlined in the Whistleblowing policy. We are committed to prompt and impartial investigations, with People and Culture managing initial reports and engaging relevant parties as needed. Investigators operate independently of the management chain to ensure objectivity.

## Metrics related to business conduct

In 2024, there were no convictions for violations of anti-corruption and anti-bribery laws. Icelandair’s Procurement policy outlines payment practices, specifying payment terms of 30 days. Standards payment terms are 7 days for fuel suppliers and 30 days for all other supplier categories. While Icelandair has data available for 2023, efforts are underway to refine calculations, enabling detailed reporting of payment practices for the financial year 2025 in next year’s accounts. As of 2024, there were no outstanding legal proceedings related to late payments.



# Environmental, social and governance (ESG) accounting

The following sustainability information is presented in accordance with Nasdaq’s ESG Reporting Guide 2.0 issued in February 2020. As part of Icelandair’s Annual and Sustainability report, it provides a comprehensive insight into the Company’s approach to sustainability and should include all information to fulfill the Icelandic law (3/2006, 66. gr. d.) on non-financial reporting, as amended with reference to EU directive 2013/34 in year 2016.

Environmental metrics	Units	2024	2023
<b>E1 GhG Emissions</b>			
Total amount, in CO2 equivalents, for Scope 1	tCO <sub>2</sub> e	1,167,660	1,114,297
Total amount, in CO2 equivalents, for Scope 2	tCO <sub>2</sub> e	168	243
Total amount, in CO2 equivalents, for Scope 3	tCO <sub>2</sub> e	89	114
<b>E2 Emissions Intensity</b>			
Total GhG emission per output scaling factor	tCO <sub>2</sub> e per FTEs	327	306
	tCO <sub>2</sub> e per passenger	0.25	0.26
Total CO2e emissions per scaling factor	CO <sub>2</sub> e per OTK	0.73	0.76
<b>E3 Energy usage</b>			
Total amount of energy directly consumed	GWh	4,707	4,532
Total amount of energy indirectly consumed	GWh	21	26
<b>E4 Energy Intensity</b>			
Total direct energy usage per output scaling factor	GWh per FTEs	1.32	1.25
	GWh per passenger	0.001	0.001
<b>E5 Energy Mix</b>			
Non-renewable energy (fossil fuels are the primary energy source)	%	99.5%	99.4%
Renewable energy	%	0.5%	0.6%



## Environmental metrics

	Units	2024	2023
<b>E6 Water Usage</b>			
Total amount of water consumed	m <sup>3</sup>	302,770	376,458
Total amount of water reclaimed	m <sup>3</sup>	-	-
<b>E7 Environmental Operations</b>			
Does your company follow a formal Environmental Policy?	Yes/No	Yes	Yes
Does your company follow specific waste, water, energy, and/or recycling policies?	Yes/No	Yes	Yes
Does your company use a recognized energy management system?	Yes/No	Yes	Yes
<b>E8 Climate Oversight / Board</b>			
Does your Board of Directors oversee and/or manage climate-related risks?	Yes/No	No	No
<b>E9 Climate Oversight / Management</b>			
Does your Senior Management Team oversee and/or manage climate-related risks?	Yes/No	Yes	Yes
<b>E10 Climate Risk Mitigation</b>			
Total amount invested, annually, in climate-related infrastructure, resilience, and product development	USD	-	-



Social metrics

	Units	2024	2023
S1 CEO pay ratio			
CEO total compensation to median FTE total compensation	ratio	8	-
Does your company report this metric in regulatory filings?	Yes/No	Yes	Yes
S2 Gender Pay Ratio			
Gender pay analysis (regular earnings)	%	2.4% in favor of men	2.8% in favor of men
S3 Employee turnover			
Year-over-year change for full-time employees	%	7%	4%
S4 Gender diversity			
Total enterprise headcount held by men and women	men / women %	53/47	54/46
Entry- and mid-level positions held by men and women	men / women %	-	-
Senior- and executive-level positions held by men and women	men / women %	60/40	60/40
S5 Temporary worker ratio			
Total enterprise headcount held by part-time employees	men / women %	-	-
Total enterprise headcount held by contractors and/or consultants	men / women %	-	-
S6 Non-discrimination			
Does your company follow a sexual harassment and/or non-discrimination policy?	Yes/No	Yes	Yes
S7 Injury rate			
Frequency of injury events relative to total workforce time		-	-
S8 Global health and safety			
Does your company follow an occupational health and/or global health & safety policy?	Yes/No	Yes	Yes
S9 Child and forced labour			
Does your company follow a child and/or forced labour policy?	Yes/No	Part of CoC	Part of CoC
If yes, does your child and/or forced labor policy also cover suppliers and vendors?	Yes/No	Part of SCoC	Part of SCoC
S10 Human rights			
Does your company follow a human rights policy?	Yes/No	Yes	Yes
If yes, does your human rights policy also cover suppliers and vendors?	Yes/No	Yes	Yes



Governance metrics

	Units	2024	2023
G1 Gender diversity			
Total board seats occupied by women (as compared to men)	%	40%	40%
Committee chairs occupied by women (as compared to men)	%	0%	0%
G2 Board independence			
Does company prohibit CEO from serving as board chair?	Yes/No	Yes	Yes
Total board seats occupied by independents	%	80%	80%
G3 Incentivized pay			
Are executives formally incentivized to perform on sustainability?	Yes/No	No	No
G4 Collective bargaining			
Total enterprise headcount covered by collective bargaining agreements (within Iceland)	%	99%	99%
G5 Supplier Code of Conduct			
Are your vendors or suppliers required to follow a Code of Conduct?	Yes/No	Yes	Yes
G6 Ethics and anti-corruption			
Does your company follow an Ethics and/or Anti-Corruption policy?	Yes/No	Yes	Yes
If yes, what percentage of your workforce has formally certified its compliance with the policy	%	100% of new employees	100% of new employees
G7 Data privacy			
Does your company follow a Data Privacy policy?	Yes/No	Yes	Yes
G8 ESG reporting			
Does your company publish a sustainability report?	Yes/No	Yes	Yes
Is sustainability data included in your regulatory filings?	Yes/No	Yes	Yes
G9 Disclosure practices			
Does your company provide sustainability data to sustainability reporting frameworks?	Yes/No	Yes	Yes
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	Yes/No	Yes	Yes
Does your company set targets and report progress on the UN SDGs?	Yes/No	Yes	Yes
G10 External assurance			
Are your sustainability disclosures assured or validated by a third party?	Yes/No	No	No



# Icelandair

## Financials

- Key figures table
- Shareholder information
- Performance in 2024
- Financial position
- Consolidated financial statements
- About this report



# Key figures table

USD thousands	2024	2023	2022	2021	2020
<b>Operating results</b>					
Total income	1,570,607	1,523,569	1,265,118	584,913	433,591
EBIT	-14,211	20,987	18,851	-135,939	-362,995
EBT	-24,807	7,789	179	-130,059	-437,834
Profit/loss for the period	-20,169	11,169	-5,819	-104,796	-376,176
<b>Balance sheet</b>					
Total assets	1,637,870	1,527,676	1,411,173	1,171,559	1,034,238
Total equity	269,067	288,347	273,386	222,384	232,809
Interest bearing debt and lease liabilities	670,858	638,580	592,109	495,921	397,482
Net interest bearing debt and lease liabilities	382,889	352,371	325,698	232,957	238,112
<b>Cash flow</b>					
Net cash from/to operating activities	221,157	215,121	190,619	50,612	119,878
Net cash to/from investing activities	-164,797	-183,703	-179,041	4,630	-2,279
Net cash to/from financing activities	-105,390	-56,620	9,071	32,814	79,659
Cash and cash equivalents end of period	150,235	199,514	224,452	204,768	117,657



# Key ratios

	2024	2023	2022	2021	2020
Earnings per share in US cent	-0.05	0.03	-0.02	-0.33	-3.04
Equity ratio	16.4%	19%	19%	19%	23%
Capex USD thousand	122,289	144,747	314,508	184,077	49,160
EBIT ratio	-0.9%	1.4%	1.5%	-23%	-84%
Intrinsic value of share capital	0.87	0.93	0.88	0.82	1.10
P/E ratio	-29.2	37.70	-51.90	-4.20	-0.40
P/B ratio	1.62	1.40	1.83	2.20	1.50
Number of shareholders	13,968	14,404	15,896	15,287	13,508



# Shareholder information

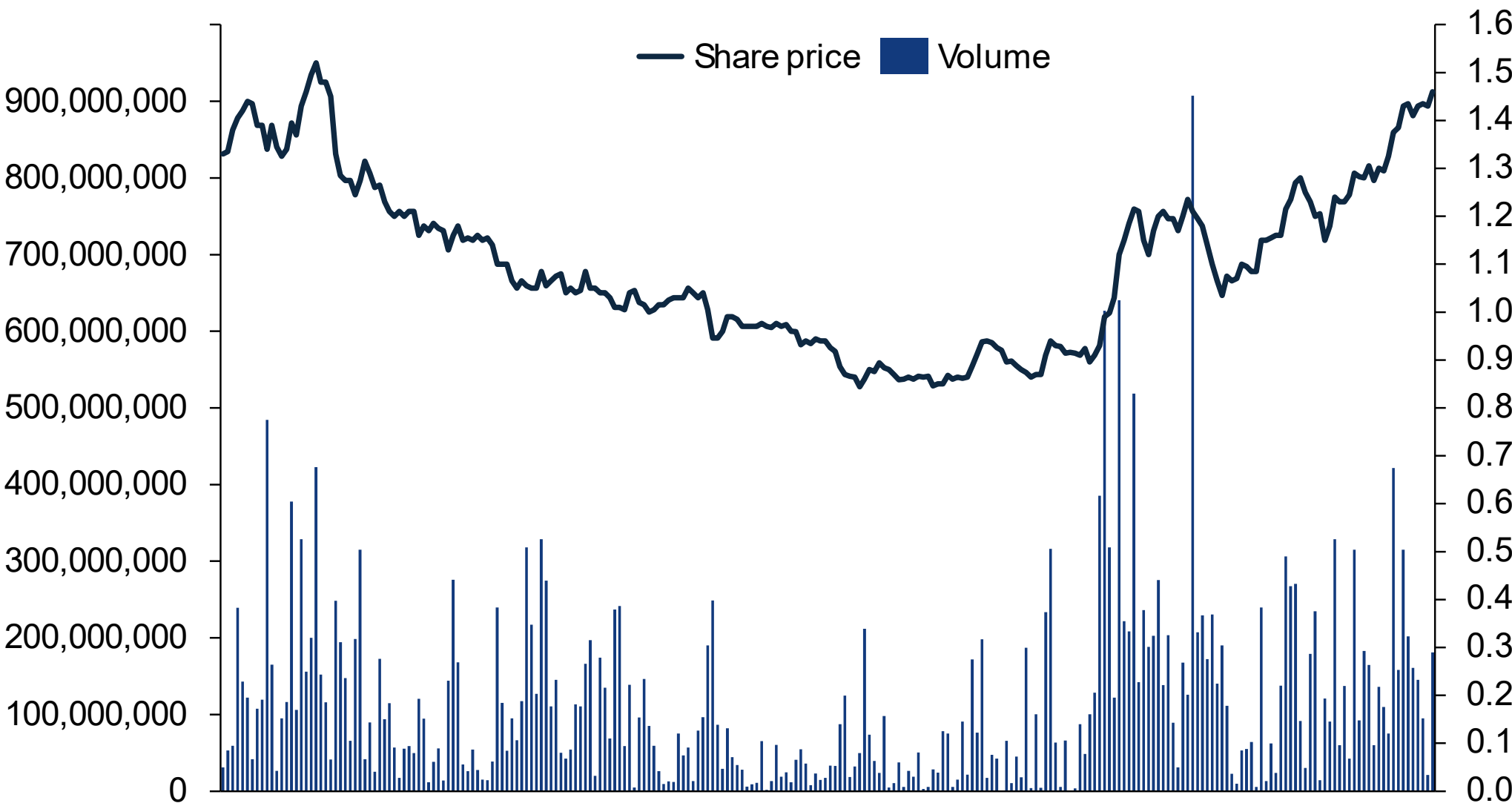
Icelandair Group’s shares have been listed on NASDAQ Iceland under the symbol ICEAIR since December 2006. The market capitalization of the Company was ISK 60 billion at year-end 2024. The Company’s share price increased by 9.36% in 2024 and was 1.46 at the end of the year.

## Share capital

The Company’s share capital amounts to ISK 41,120,247 thousand according to its Articles of Association. Each share carries one vote at shareholders’ meetings. The shares are freely transferable unless otherwise stipulated by law. All shareholders hold equal rights to dividend payments as declared from time to time. The Company held no treasury shares at year-end 2024.

## Share performance

Icelandair Group’s share price was ISK 1.46 at year-end 2024 compared to 1.33 at year-end 2023, an increase of 9.36%. The highest closing price in 2024 was ISK 1.52 per share, the lowest closing price was ISK 0.84 per share and the average closing price over the year was ISK 1.10 per share.



## Share liquidity

Icelandair has an agreement with Arion banki hf. and Islandsbanki hf. regarding market-making for the issued shares of Icelandair Group. The agreements are of unspecified duration and may be terminated with 14 days’ notice. The purpose of the agreements is to improve liquidity and to enhance transparent price formation for the Company’s shares on NASDAQ Iceland.

## Share capital

Shares in Icelandair Group were traded 12,251 times in 2024 (2023: 15,531 times) for a total market value of ISK 42.1 billion (ISK 72.8 billion in 2023). The average number of shares traded daily was 116.9 million. Icelandair Group’s market capitalization at the end of 2024 was ISK 60 billion.

All amounts in ISK	2024	2023	2022	2021	2020
Market capitalisation million	58,500	54,896	66,286	65,444	46,638
Share price at year-end	1.46	1.34	1.61	1.82	1.64
Highest closing price	1.52	2.29	2.29	1.87	8.62
Lowest closing price	0.84	1.23	1.39	1.30	0.87
No. of issued shares million	41,120	41,120	41,120	35,958	28,438
No. of outstanding shares million	41,120	41,120	41,120	35,958	28,438
Average no. of outstanding shares million	41,120	41,120	41,120	31,606	12,054



# Shareholders

At the end of 2024 the number of shareholders was 13,968, and decreased by 436 during the year. The ten largest shareholders held 39% of the shares at year end.

## Largest shareholders 31 December 2024

	No. shares in thousand	Shares in %
Blue Issuer Designated Activit	7,073,868	17.20%
Gildi-lífeyrissjóður	1,945,179	4.73%
Brú lífeyrissjóður starfs sveit	1,478,149	3.59%
Lífeyriss. starfsm. rík A-Deild	1,257,604	3.06%
Almenni lífeyrissjóðurinn	998,984	2.43%
Arion banki hf.	718,970	1.75%
Birta lífeyrissjóður	715,849	1.74%
Sólvöllur ehf.	663,704	1.61%
Lífswerk lífeyrissjóður	636,953	1.55%
Fossar fjárfestingarbanki hf.	556,391	1.35%
Others	25,074,594	60.98%

	Shareholders	%	Shares	%
1-100,000	3,857	27.77	161,953,559	0.39
100,001 - 1,000,000	7,293	51.94	2,523,788,492	6.14
1,000,001 - 10,000,000	2,556	18.40	6,741,652,739	16.60
10,000,001 - 50,000,000	196	1.41	4,040,490,558	9.83
50,000,001 +	66	0.48	26,847,398,604	67.05
Total	13,968	100	41,120,247,172	100

## Dividend policy

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

The Company had an accumulated deficit at year-end, accordingly the Board of Directors proposes no dividend payment to shareholders for the year 2024.

## Investor relations

Icelandair Group's objective is to ensure that timely and correct information about the Company is made available to all stakeholders simultaneously, regularly and consistently. Icelandair strives continuously to improve the quality, transparency and consistency of its information disclosures.

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

## Financial Calendar 2025

Financial statements Q1  
**April 29 2025**

Financial statements Q2  
**July 18 2025**

Financial statements Q3  
**October 23 2025**

Financial statements Q4  
**January 29 2026**



# Performance in 2024

## Transport figures

As measured in available seat kilometers, Icelandair's capacity increased by 10% compared to 2023. Flights were offered to 58 destinations, including five new ones. The new destinations were Pittsburgh, Halifax, the Faroe Islands, Innsbruck and Lisbon. The primary growth of the flight schedule resulted from increased frequencies to current destinations on both sides of the Atlantic. Over 785 origin and destination markets were served within the network and countless others through partnerships.

In 2024, Icelandair offered the highest number of destinations, frequencies, and connectivity in the Company's history. The airline continued to serve core destinations like Copenhagen four times per day, but many destinations on both sides of the Atlantic were served two, three, or more times per day by operating three connecting banks in Iceland.

### 4.7 million passengers carried in 2024

Icelandair transported 4.7 million passengers in 2024, 18% more than in 2023. The market to Iceland and the via market, were Icelandair's largest markets in 2024.

The to market accounted for 33% and via market for 45% of total passengers. The from market, with travel originating in Iceland, accounted for 17% of Icelandair's total passengers. The domestic operation within Iceland amounted for 6% of total passengers. The passenger load factor over the year was 82.6% increasing by 1.1 percentage points between years.

### Strong performance in the leasing operation

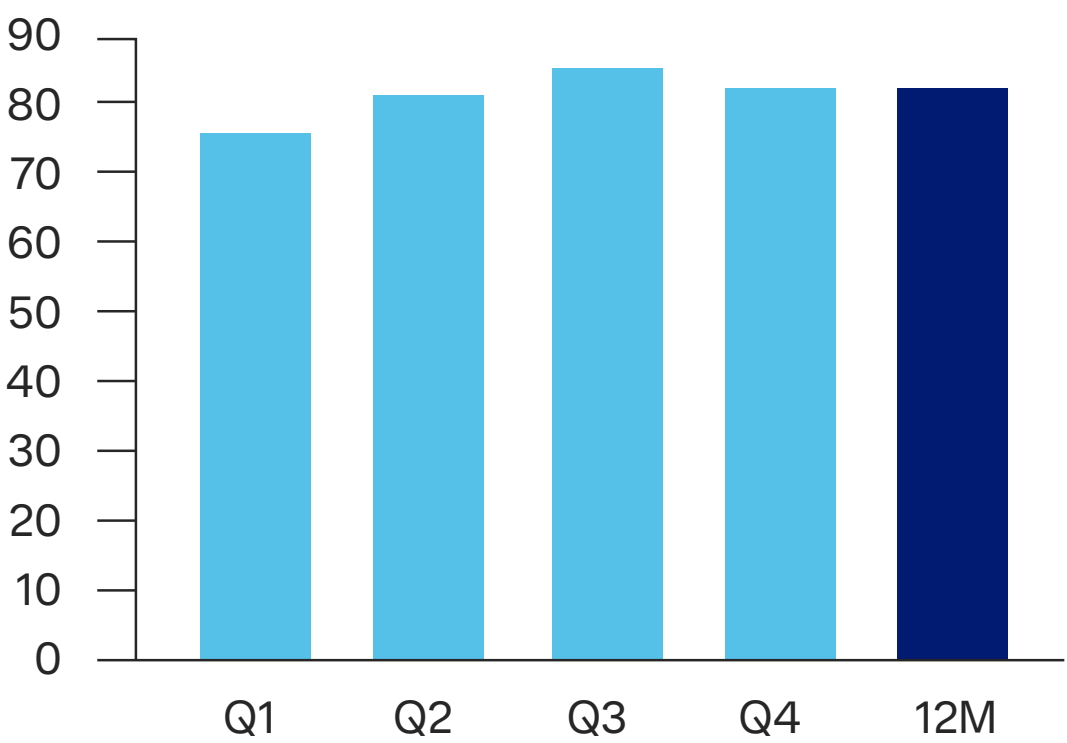
The leasing operation saw strong growth and success in 2024. Several aircraft were added to the fleet portfolio and assigned to both existing

and new customers, driving a one-third increase in revenue. New clients were secured through AM and ACMI agreements, and the World Tours program had a record-breaking year.

### Cargo operation back to operating profit

The cargo operation demonstrated a significant turnaround in 2024, driven by various initiatives to enhance profitability. This resulted in operating profit (EBIT) compared to a substantial operating loss in 2023.

Load factor %



Operational figures		2024	2023	Change
Number of passengers	Thousand	4,665	4,286	9%
Load factor	%	82.6	81.5	1.1 ppt
Available seat km (ASK)	Million	17,158	15,666	10%
On time performance	%	82.7	77.1	5.7 ppt
Sold block hours	Number	21,125	15,388	38%
Freight tonne km (FTK)	Thousand	140,665	177,448	-21%



### Earnings

Revenue generation was impacted by weaker demand in the market to Iceland in the high season in comparison to last year. Signs of recovery emerged in the fourth quarter of 2024, with net profit showing a turnaround of USD 7 million compared to the previous year. As a result, the Company reported a loss of USD 20 million in 2024 compared to a profit of USD 11 million in 2023. Total revenues amounted to USD 1.6 billion, up by 3% year-on-year. EBIT was negative of USD 14.2 million, down by USD 35 million, with an EBIT ratio of -1%.

### Income

Total passenger revenue amounted to USD 1.325 billion, up by 3% between years. Passenger revenue counted for 85% of the Company’s total operating income. Of this figure, passenger revenues amounted to USD 1,235 million compared to USD 1,289 million last year and ancillary revenues amounted to USD 89 million and increased by 4% year over year. The seismic activity in Southwest Iceland with the consequent global media coverage, and stronger competition with other destinations weakened demand in the market to Iceland, thereby impacting revenue generation in the first nine months of the year.

The year was a turnaround year for the cargo operations. Cargo revenue however decreased by 13% compared to 2023 and amounted to USD 76 million resulting from various actions taken in 2024 with the aim to increase profitability.

#### Revenue from aircraft and aircrew leases improved significantly

Revenue from aircraft and aircrew lease increased by 31% from USD 71.3 million in 2023 to USD 93.7 million in 2024. The leasing operation continued to perform well this year, sold block hours increased by 38%, and the profitability improved as well. Other revenue totaled USD 75.1 million in 2024, up from USD 74.1 million from the preceding year. Thereof revenue from tourism increased from USD 39.4 million in 2023 to USD 40.1 million in 2024.

### Revenue in 2024

USD thousand	2024	2023	Change	% Change
Transport revenue	1,325,083	1,289,927	35,156	3%
Passenger revenue	1,235,788	1,204,063	31,725	3%
Ancillary revenue	89,295	85,864	3,431	4%
Cargo revenue	76,736	88,261	-11,525	-13%
Aircraft and aircrew lease	93,731	71,317	22,414	31%
Other operation revenue	75,057	74,064	993	1%
Total	1,570,607	1,523,569	47,038	3%

Earnings development	2024	2023	Change
Total revenue (USDk)	1,570,607	1,523,569	47,038
Total operating cost excl. depreciation (USDk)	1,430,751	1,367,105	63,646
EBIT (USDk)	-14,211	20,987	-35,198
EBT (USDk)	-24,807	7,789	-32,596
Net profit/loss (USDk)	-20,169	11,169	-31,338
EBIT ratio (%)	-0.9	1.4	-2.3 ppt



Expenses

Operating expenses excluding depreciation amounted to USD 1,430.7 million and increased by USD 63.6 million from 2023. The main drivers were more production in the route network and within the leasing business, salary increases and inflationary pressure in various parts of the supply chain. The capacity measured in available seat kilometers increased by 10% between years in our route network.

Salaries and salary-related expenses amounted to 406 million, increasing from USD 392 million. Icelandair employed an average of 3,575 full-time employees in 2024, a reduction of 1.7% from 2023.

Fuel expenses amounted to USD 360.2 million and decreased by 3% between years on a 10% capacity increase in the passenger network. The difference is explained by a 6% decrease in in the effective fuel price and a larger B737 MAX fleet which continued to contribute positively to fuel savings. The average effective price (including hedges) in 2024 was USD 911 m/ton, as compared to USD 996 m/ton in 2023. Other operating expenses amounted to USD 372.3 million, compared to USD 339.6 million in 2023. Customer related costs totaled USD 89.2 million compared to USD 66.1 million last year, increasing due to the outsourcing of the Company's catering business earlier in the year.

**Depreciation and amortisation amounted to USD 154.0 million in 2024**  
Total depreciation amounted to USD 154.0 million in 2024, compared to USD 135.4 million in 2023. This includes USD 96.5 million for operating assets, an increase of USD 11.9 million, and USD 56.9 million for right-of-use assets. The increase is explained by higher depreciation of own and leased aircraft assets. Additionally, amortization of intangible assets totaled USD 0.6 million.

**Net finance expense of USD 11.2 million**  
Net finance cost totaled USD 11.2 million in 2024 and decreased by USD 2.3 million. The finance income amounted to USD 31.5 million up from USD 27.3 million in 2023. Finance cost totaled USD 42.17 million up by USD 1.8 million between years. A net currency exchange loss of USD 1.7 million was included in the finance cost in 2024.

Expenses in 2024

USD thousand	2024	2023	Change	Change
Salaries and salary related expenses	406,030	391,564	14,466	4%
Aircraft fuel	360,200	371,321	-11,121	-3%
Aircraft and engine lease	4,492	12,380	-7,888	-64%
Aircraft handling, landing and navigation	165,402	153,770	11,632	8%
Aircraft maintenance expenses	122,246	98,397	23,849	24%
Other operation expenses	372,381	339,673	32,708	10%
Total	1,430,751	1,367,105	63,646	5%
Depreciation and amortisation	154,067	135,477	18,590	14%



# Financial position

Icelandair Group’s financial position is strong. Assets at year-end amounted to USD 1.6 billion and equity ratio was 16.4%. Total liquidity was USD 347 million at year-end, thereof cash and marketable securities USD 254.8 million. Gross capital expenditures totaled USD 122.3 million in 2024.

## Balance sheet

### Assets amounted to 1.6 billion

Total assets amounted to USD 1.6 billion at the end of 2024, increasing from USD 1.5 billion at the beginning of the year. Operating assets amounted to USD 559.9 million, increasing by USD 4.8 million, due to maintenance of own aircraft and engine overhauls, as well as investment in new headquarters. Right-of-use assets amounted to USD 406.0 million, rising by USD 57.5 million due to lease agreements for two B737 MAX and one Airbus A321LR aircraft. Cash and marketable securities totaled USD 254.8 million, decreasing by USD 15.7 million from the beginning of the year.

### Aircraft investments increase interest-bearing debt and lease liabilities

Financial liabilities including loans, borrowings and lease liabilities amounted to USD 670.8 million and increased by USD 32.2 million from the beginning of the year, mostly due to aircraft related investments. Net financial liabilities amounted to USD 382.9 million an increase of USD 30.5 million compared to the beginning of the year.

### Equity ratio 16.4% at year-end 2024

Total equity amounted to USD 269.0 million at year-end 2024 compared to USD 288.3 million at the beginning of the year. Total comprehensive loss in 2024 amounted to USD 20.1 million compared to a profit of USD 14.6 million in 2023. The equity ratio at the end of 2024 was 16.4%.

## Cash flow and investments

### Strong liquidity position at year-end 2024

Net cash from operating activities totaled USD 221.1 million in 2024 increasing by USD 6.0 million year-on-year. Net cash used in investing activities amounted to USD 164.8 million. Net cash used in financing activities amounted to USD 105.4 million, thereof net repayment of borrowings and lease liabilities totaled USD 105.4 million.

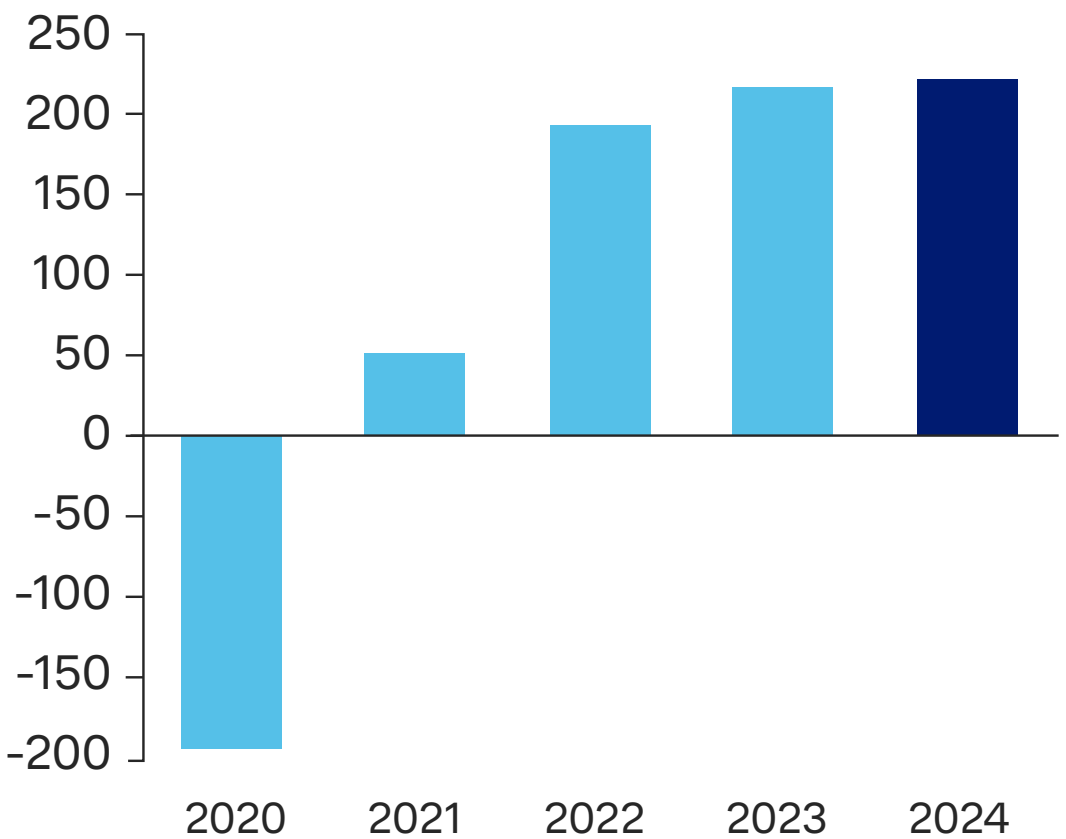
Total liquidity amounted to USD 346.8 million at year-end 2024. Thereof cash and cash equivalents amounted to USD 150.2 million and marketable securities amounted to USD 104.5 million. In addition, the Company had USD 92.0 million in committed undrawn revolving credit facilities.

Earnings development	2024	2023	2022	2021	2020
Comprehensive profit/loss for the year	-20,160	14,647	-20,145	-91,425	-408,814
Profit/loss for the year	-20,169	11,169	-5,819	-104,796	-104,796
Equity	269,067	288,347	273,386	222,384	222,384
Equity ratio	16.4%	19%	19%	19%	19%

### Net investment in 2024 USD 118 million

Investments in operating assets amounted to USD 122 million. Thereof engine overhaul amounted to USD 61.2 million and investment in new aircraft and aircraft components to USD 31.0 million. Investment in new headquarters amounted to USD 24 million. Other investments amounted to USD 12.4 million.

## Net cash from operating activities





# Consolidated financial statements

The Consolidated Financial Statements of Icelandair Group hf. for the year 2024 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements. The Financial Statements comprise the Consolidated Financial Statements of Icelandair Group hf. (the “Company”) and its subsidiaries (together the “Group”) and have been audited by KPMG.

[The Consolidated Financial Statements for Icelandair Group in 2024](#)



# About the report

This Annual and Sustainability report includes the Consolidated Financial Statements of Icelandair Group hf. that has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The report also meets Icelandic disclosure requirements. It covers the activities of Icelandair Group for the financial year 1 January to 31 December 2024.

The report is intended to provide a holistic view of the Company's operations and the material sustainability matters relating to environmental and social impacts, as well as governance (ESG).

The new Corporate Sustainability Reporting Directive (CSRD) expands the scope of non-financial reporting with new disclosure requirements where companies shall report on their environmental and social impact activities. The CSRD introduces binding reporting standards, the European Sustainability Reporting Standards (ESRS), and directions on alignment with the EU Taxonomy Regulation. Icelandair has continued preparatory work in 2024 for these upcoming regulatory changes.

Icelandair Group hf. (the "Company" or „Icelandair“) is a public limited liability company incorporated and domiciled in Iceland. Icelandair Group hf. is listed on the Icelandic Stock Exchange (Nasdaq Iceland), and is the holding company, under the ticker symbol ICEAIR - [nasdaqomxnordic.com](https://www.nasdaqomxnordic.com).

More information is available on the Group's website [icelandairgroup.com](https://icelandairgroup.com).

We welcome any comments, suggestions or questions you may have regarding this report. Please send an email to [ir@icelandair.is](mailto:ir@icelandair.is).

